KPMG

BRANDEIS UNIVERSITY

Financial Statements

June 30, 2013
(with summarized comparative information for June 30, 2012)

(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, 2013, the related statements of activities and cash flows for the year then 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, 2013, 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 2012 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 27, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 31, 2013

BRANDEIS UNIVERSITY

Balance Sheet

June 30, 2013
(with comparative information as of June 30, 2012)

(In thousands of dollars)

Assets		**2013**	**2012**
Cash and cash equivalents	$	26,033	15,422
Short-term investments		3,064	19,252
Accounts receivable, net		11,265	13,090
Notes receivable, net		14,317	13,448
Contributions receivable, net		33,091	38,528
Long-term investments		796,496	706,289
Funds held in trust by others and other assets		19,183	18,659
Property, plant and equipment, net		344,975	354,397
Total assets	$	1,248,424	1,179,085
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	21,463	22,117
Sponsored program advances and student deposits		16,277	16,329
Other long-term liabilities		31,634	29,968
Long-term debt, net		257,172	266,648
Total liabilities		326,546	335,062
Net assets:			
Unrestricted		158,201	142,540
Temporarily restricted		217,865	170,312
Permanently restricted		545,812	531,171
Total net assets		921,878	844,023
Total liabilities and net assets	$	1,248,424	1,179,085

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Activities

Year ended June 30, 2013
(with summarized comparative information for the year ended June 30, 2012)

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	2013	2012
Operating revenues and other support:					
Tuition and fees	$ 217,613	—	—	217,613	206,971
Residence hall and dining	32,765	—	—	32,765	31,648
Less scholarships and financial aid	(85,138)	—	—	(85,138)	(84,235)
Net tuition, fees, residence hall and dining revenues	165,240	—	—	165,240	154,384
Contributions	15,183	—	—	15,183	15,928
Restricted gifts used in operations	14,008	—	—	14,008	9,315
Sponsored programs - direct	48,794	—	—	48,794	49,203
Sponsored programs - indirect	13,409	—	—	13,409	14,614
Short-term investment earnings	999	—	—	999	2,044
Investment income from funds held in trust by others	270	—	—	270	276
Endowment return utilized	38,229	—	—	38,229	38,642
Other sources	9,376	—	—	9,376	8,880
Total operating revenues and other support	305,508	—	—	305,508	293,286
Operating expenses:					
Instruction	99,675	—	—	99,675	97,555
Sponsored programs	53,788	—	—	53,788	54,086
Academic support	43,860	—	—	43,860	39,408
Student services	30,861	—	—	30,861	29,027
Institutional support	46,322	—	—	46,322	40,168
Auxiliary enterprises	34,988	—	—	34,988	34,017
Total operating expenses	309,494	—	—	309,494	294,261
Change in net assets from operating activities	(3,986)	—	—	(3,986)	(975)
Nonoperating activities:					
Net investment return	31,235	84,800	573	116,608	(9,220)
Endowment return utilized in operations	(15,075)	(23,154)	—	(38,229)	(38,642)
Contributions	342	6,110	12,003	18,455	22,538
Restricted gifts used in operations	—	(14,008)	—	(14,008)	(9,315)
Restricted gifts for capital purposes	3,452	(3,452)	—	—	—
Other changes, net	(307)	(2,743)	2,065	(985)	(2,494)
Change in net assets from nonoperating activities	19,647	47,553	14,641	81,841	(37,133)
Change in net assets	15,661	47,553	14,641	77,855	(38,108)
Net assets at beginning of year	142,540	170,312	531,171	844,023	882,131
Net assets at end of year	$ 158,201	217,865	545,812	921,878	844,023

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2013
(with comparative information for the year ended June 30, 2012)

(In thousands of dollars)

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	77,855	(38,108)
Adjustments to reconcile change in net cash used in operating activities:			
Depreciation and amortization, net		24,198	21,375
Net realized and unrealized investment (gain) loss		(115,717)	9,380
Net change from funds held in trust by others		(400)	551
Contributions restricted for long-term investment		(17,297)	(21,824)
Change in operating assets, net		6,254	2,408
Change in operating liabilities, net		(232)	(969)
Net cash used in operating activities		(25,339)	(27,187)
Cash flows from investing activities:			
Acquisitions of buildings and equipment		(14,423)	(18,813)
Purchases of investments		(263,867)	(139,208)
Proceeds from sales and maturities of investments		305,565	162,070
Notes receivable issued		(3,148)	(1,770)
Notes receivable repaid		2,279	2,014
Net cash provided by investing activities		26,406	4,293
Cash flows from financing activities:			
Repayments of bonds, notes and leases		(8,489)	(8,044)
Advances from line of credit		25,000	—
Payments on line of credit		(25,000)	—
Change in funds held by bond trustee		736	8,098
Contributions restricted for long-term investment		17,297	21,824
Net cash provided by financing activities		9,544	21,878
Change in cash and cash equivalents		10,611	(1,016)
Cash and cash equivalents, beginning of year		15,422	16,438
Cash and cash equivalents, end of year	$	26,033	15,422
Supplemental data:			
Interest paid	$	12,002	12,231
Increase (decrease) in liabilities attributable to fixed assets		1,191	(362)

See accompanying notes to financial statements.

(1) Organization

Brandeis University (the University) is a private, not-for-profit, nonsectarian, co-educational institution of higher education with approximately 5,300 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 in accordance with the standard of prudence imposed by UPMIFA. Life income trusts and pledges receivable for which the ultimate use is not permanently restricted are also reported as temporarily restricted net assets.

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

The 2013 statement of activities is presented with 2012 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2012, 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 scheduled to be received in the future; contributions to be used for and net assets released from restrictions for 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 or by law in which case they are reported as increases in temporarily or permanently restricted net assets. Expirations of temporary restrictions are reflected in the statement of activities as restricted gifts used in operations. Net realized gains (losses) from the sale or other disposition of investments and the change in unrealized appreciation (depreciation) of investments are reported as revenue in unrestricted net assets, unless use of these gains is restricted by donor-imposed stipulations or by law.

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

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

(d) Contributions

Contributions are nonreciprocal, unconditional transfers of assets or cancellations of liabilities. Contributions 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 based upon historical collection experience and other relevant factors. Conditional contributions are not recognized until the stated conditions are met.

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(e) Fundraising Expense

Fundraising expense was $11,588 and $10,788 for the years ended June 30, 2013 and 2012, respectively, and is classified as institutional support in the statement of activities.

(f) Cash and Cash Equivalents

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

(g) Short-Term Investments

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

(h) Fair Value

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

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data. In addition, Level 2 includes investments reported at net asset value (NAV) as a practical expedient that are redeemable in the near term; and
- Level 3 – unobservable inputs are used when little or no market data is available. In addition, Level 3 includes investments reported at NAV that are not redeemable in the near term.

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

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, 2013 and 2012. 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 approximately $12,000 more than the aggregate carrying value as of June 30, 2013.

(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 $9,392 and $8,993 of FHITBO as of June 30, 2013 and June 30, 2012, 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; unamortized debt issuance costs; 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) and equipment and furnishings (5 – 15 years).

Expenses for the repair and maintenance of facilities are recognized during the period incurred; betterments, which add to the value of the related assets or materially extend the lives of the assets, are capitalized. The University recognizes the 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 $12,812 and $11,644 as of June 30, 2013 and 2012, 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, 2013 and 2012, the estimated liabilities were $6,399 and $6,362, 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, 2013 and 2012, those liabilities were $6,057 and $6,100, respectively.

(l) Collections

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

(m) Income Taxes

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the Code), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The University is required to assess uncertain tax positions and has determined that there were no such positions that 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, 2013 and 2012 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) Reclassifications

Certain 2012 information has been reclassified to conform to the 2013 presentation.

(In thousands of dollars)

(3) Accounts Receivable

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

		2013	2012
Student receivables	$	2,727	2,779
Sponsored program grants receivable		6,678	8,979
Other		2,201	2,067
		11,606	13,825
Less allowance for doubtful accounts		(341)	(735)
Accounts receivable, net	$	11,265	13,090

(4) Notes Receivable

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

		2013	2012
Federal Perkins Loan Program	$	7,062	6,276
University student loan programs		10,217	9,903
		17,279	16,179
Less allowance for doubtful loans		(2,962)	(2,731)
Notes receivable, net	$	14,317	13,448

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.

(In thousands of dollars)

(5) Contributions Receivable

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

		2013	2012
Amounts due in:			
Less than one year	$	17,165	25,133
Between one and five years		22,507	28,126
More than five years		952	2,863
Gross contributions receivable		40,624	56,122
Less:			
Allowance for unfulfilled contributions		(6,082)	(15,590)
Discount, at rates from 0.72% to 6.0%		(1,451)	(2,004)
Contributions receivable, net	$	33,091	38,528

(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 Trustees Investment Committee that oversees the University's investments.

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

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practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2013, 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 2. Most investments classified in Levels 2 and 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable or not difficult to value. Because the NAV reported by each fund is used as a practical expedient to estimate the fair value of the University's interest therein, its classification in Level 2 or 3 is based on the University's ability to redeem its interest at or near the balance sheet date. If the interest can be redeemed in the near term, the investment is classified in Level 2. Accordingly, the inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

As of June 30, 2013, the University had $586,781 in endowment investments classified in Level 3 in the fair value hierarchy. Of these Level 3 endowment investments, $358,633 is not redeemable at or near the balance sheet date and is classified in Level 3 accordingly. The underlying investments often consist of readily marketable securities for which active markets exist. The remaining Level 3 endowment investments of $228,148 are primarily comprised of private equity, credit and real asset investments which liquidate over longer periods due to the nature of the underlying investments and holding strategy of the funds.

(In thousands of dollars)

The University's long-term investments at June 30, 2013 are summarized in the following table by strategy and their fair value hierarchy classification:

	Level 1	Level 2	Level 3	Total
Endowment investments:				
Global equity	$ 18	51,280	70,475	121,773
Non-U.S. equity	10,385	41,299	29,382	81,066
Private equity	—	—	54,932	54,932
Hedge fund/credit:				
Credit – marketable	—	—	24,980	24,980
Credit – private	—	—	47,615	47,615
Hedge funds – long/short	—	—	61,624	61,624
Hedge funds – multi strategy	—	39,087	155,567	194,654
Real assets:				
Real assets – marketable	—	—	19,327	19,327
Real assets – private	—	—	93,677	93,677
Cash and cash equivalents	3,140	—	—	3,140
Fixed income fund	—	1,196	29,202	30,398
Treasuries and similar assets	33,019	—	—	33,019
Total endowment investments	46,562	132,862	586,781	766,205
Other investments:				
Equities	1,502	135	—	1,637
Hedge funds – multi strategy	70	—	121	191
Cash and cash equivalents	745	—	—	745
Fixed income	—	1,732	—	1,732
Mutual funds	25,986	—	—	25,986
Total other investments	28,303	1,867	121	30,291
Total long-term investments	$ 74,865	134,729	586,902	796,496

(Continued)

(In thousands of dollars)

The University's long-term investments at June 30, 2012 are summarized in the following table by strategy and their fair value hierarchy classification:

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

(In thousands of dollars)

The following tables present activity for the fiscal years ended June 30, 2013 and 2012 for long-term investments classified in Level 3 of the fair value hierarchy:

		Equities	Private equity	Real assets	Hedge fund/credit	Fixed Income	Total
June 30, 2012	$	87,503	54,673	64,284	283,651	—	490,111
Acquisitions		73,401	6,263	38,765	21,873	29,202	169,504
Dispositions		(80,738)	(7,758)	(18,463)	(35,749)	—	(142,708)
Transfers out		(1,195)	—	—	—	—	(1,195)
Realized loss		(1,430)	(4,118)	(2,664)	(2,558)	—	(10,770)
Unrealized gain		22,316	5,872	31,082	22,690	—	81,960
June 30, 2013	$	99,857	54,932	113,004	289,907	29,202	586,902

		Equities	Private equity	Real assets	Hedge fund/credit	Fixed Income	Total
June 30, 2011	$	96,517	53,315	66,252	290,003	—	506,087
Acquisitions		3,000	10,910	11,739	23,722	—	49,371
Dispositions		(1,007)	(4,976)	(3,921)	(26,169)	—	(36,073)
Transfers out		(5,000)	—	(4,793)	(892)	—	(10,685)
Realized loss		(561)	(3,859)	(1,024)	(9,956)	—	(15,400)
Unrealized gain (loss)		(5,446)	(717)	(3,969)	6,943	—	(3,189)
June 30, 2012	$	87,503	54,673	64,284	283,651	—	490,111

(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 private credit, private equity, and real asset investments as of June 30, 2013 was $9,668, $37,224, and $47,867, respectively.

(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 tables present the University's long-term investments by their redemption frequency as of June 30, 2013 and 2012:

	June 30, 2013					
	Daily	**Monthly**	**Quarterly**	**Annual**	**Illiquid**	**Total**
Cash equivalents	$ 36,904	—	—	—	—	36,904
Fixed income	26,162	—	1,196	—	30,893	58,251
Equities	11,770	39,054	53,525	450	154,474	259,273
Hedge funds	—	—	41,627	149,114	138,323	329,064
Real assets	—	—	—	—	113,004	113,004
Total	$ 74,836	39,054	96,348	149,564	436,694	796,496

	June 30, 2012					
	Daily	**Monthly**	**Quarterly**	**Annual**	**Illiquid**	**Total**
Cash equivalents	$ 52,717	—	—	—	—	52,717
Fixed income	26,310	—	—	—	1,573	27,883
Equities	13,882	23,305	60,548	72,036	70,275	240,046
Hedge funds	419	—	30,932	114,393	170,506	316,250
Real assets	—	—	5,109	12,704	51,580	69,393
Total	$ 93,328	23,305	96,589	199,133	293,934	706,289

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.

(In thousands of dollars)

The University has certain investments with a fair value of $206,532 at June 30, 2013 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:

		Amount
Fiscal year:		
2014	$	80,545
2015		59,590
2016		43,998
2017		15,719
2018		6,680
Total	$	206,532

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

		2013	**2012**
Interest and dividends	$	3,493	5,278
Net realized gains		38,955	8,783
Net change in unrealized appreciation (depreciation)		78,022	(18,789)
		120,470	(4,728)
Less management fees		(2,863)	(2,448)
Total investment return	$	117,607	(7,176)

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

		2013	**2012**
Operating revenues – short-term investment earnings	$	999	2,044
Operating revenues – endowment return utilized		38,229	38,642
Nonoperating revenues – investment return, net of endowment return utilized		78,379	(47,862)
Total investment return	$	117,607	(7,176)

(In thousands of dollars)

(7) Property, Plant and Equipment

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

		2013	2012
Land and land improvements	$	43,299	42,194
Buildings		181,434	178,956
Building systems and improvements		333,548	326,565
Equipment and furnishings		87,529	79,522
		645,810	627,237
Less accumulated depreciation		(301,711)	(279,024)
Construction in progress		876	6,184
Property, plant and equipment, net	$	344,975	354,397

Depreciation expense amounted to $23,960 in 2013 and $22,236 in 2012. Operation and maintenance expenses amounted to $32,729 in 2013 and $32,741 in 2012.

(8) Line of Credit

The University has a $50,000 line of credit with JPMorgan Chase Bank, NA. at an interest rate of LIBOR plus 55 basis points. As of June 30, 2013, 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, 2015. As of June 30, 2013, there were no outstanding borrowings against this line of credit.

(Continued)

(In thousands of dollars)

(9) Long-Term Debt

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

		2013	2012
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	$	91,475	95,410
MDFA Revenue Bonds, Brandeis University Issue 2010 Series O-1, at interest rates from 3.0% to 5.0% maturing in annual installments from October 1, 2013 through October 1, 2040		82,325	82,325
MDFA Revenue Bonds, Brandeis University Issue 2008 Series N, at interest rates from 3.25% to 5.0% maturing in annual installments from October 1, 2012 through October 1, 2039		46,660	47,500
MDFA Revenue Bonds, Brandeis University Issue 2004 Series K, at interest rates from 2.0% to 4.75%, maturing in annual installments through October 1, 2033		20,675	21,265
MDFA Brandeis University Issue Master Lease, at an interest rate of 2.62%, principal and interest payable through May 10, 2018		7,213	8,570
Commonwealth of Massachusetts Health and Educational Facilities Authority (MHEFA) Brandeis University Issue Master Lease, at an interest rate of 3.6% with interest only through fiscal year 2008, principal and interest payable through November 2013		723	2,414
Various capital lease agreements with a financial services corporation with lease payments at interest rates from 4.29% to 5.97% through November 2012		—	76
Total		249,071	257,560
Unamortized premium, net		8,101	9,088
Long-term debt, net	$	257,172	266,648

(In thousands of dollars)

The University's principal payment obligations as of June 30, 2013 are as follows:

Year ending June 30:		
2014	$	9,140
2015		8,685
2016		8,973
2017		9,332
2018		9,556
Thereafter		203,385
	$	249,071

Interest expense, net of amounts capitalized, for the years ended June 30, 2013 and 2012 was $10,528 and $10,958, respectively. Interest costs incurred in association with the MDFA Master Lease and capitalized during 2013 and 2012 were $177 and $254, respectively.

A new $36,500 bond was issued in two series on July 18, 2013 through the Massachusetts Development Finance Agency. The first series, P-1, is in the amount of $15,205 and the proceeds will be used for major capital projects. The P-1 series has a fixed interest rate of 3.48% and a maturity date of April 1, 2043. The second series, P-2, is in the amount of $21,295 and the proceeds will be used on October 1, 2013 for the refunding of an existing bond, MDFA Series K. The P-2 series has a fixed interest rate of 3.04% and a maturity date of October 1, 2033. For both series, payments are due April 1 and October 1 and commenced October 1, 2013. Until October 1, 2017, all payments on the P-1 series will be interest only. Thereafter, payments will include both principal and interest.

(10) Net Assets

(a) Temporarily Restricted Net Assets

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

		2013	2012
Restricted contributions	$	26,942	26,551
Unspent net endowment return and term endowments		162,139	111,235
Student loan funds		508	566
Life income and annuity funds		5,954	5,238
Contributions receivable, net		21,837	26,225
Physical plant and other		485	497
Total temporarily restricted net assets	$	217,865	170,312

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

(Continued)

(In thousands of dollars)

(b) Permanently Restricted Net Assets

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

		2013	**2012**
Donor-restricted endowment funds	$	518,060	502,966
Student loan funds		3,050	3,239
Life income and annuity funds		3,881	3,670
Contributions receivable, net		11,429	12,303
Funds held in trust by others		9,392	8,993
Total permanently restricted net assets	$	545,812	531,171

(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).

If an individual 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 $4,718 and $12,970 as of June 30, 2013 and 2012, 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 2013 and 2012 amounted to $38,229 and $38,642, 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.

(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, 2013 and 2012:

		2013			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$	(4,718)	153,944	518,060	667,286
Quasi (Board-designated)		90,724	8,195	—	98,919
Total	$	86,006	162,139	518,060	766,205

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

Changes in endowment and quasi-endowment funds for the year ended June 30, 2013 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2012	$	60,321	111,235	502,966	674,522
Investment return		30,591	79,795	(69)	110,317
Contributions		1,002	—	12,844	13,846
Utilized in operations		(15,075)	(23,154)	—	(38,229)
Transfers		9,167	(5,737)	2,319	5,749
Net assets at June 30, 2013	$	86,006	162,139	518,060	766,205

(In thousands of dollars)

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

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

(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 $8,917 in 2013 and $8,714 in 2012.

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

(13) Related Party Transactions

The University has an investment in a limited partnership where a University Trustee is a managing member and a general partner in that investment. The fair value of the investment was $20,396 and $17,000 as of June 30, 2013 and 2012, respectively. The University Investment Committee approved and continues to monitor this investment.

(14) Contingencies

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

(15) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 31, 2013, the date on which the financial statements were issued. The only material item is the new bond issuance, which is explained in note 9, Long-Term Debt.