



BRANDEIS UNIVERSITY

Financial Statements

June 30, 2017

(with summarized comparative information for June 30, 2016)

(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:

Report on the Financial Statements

We have audited the accompanying financial statements of Brandeis University (the University), which comprise the balance sheet as of June 30, 2017, and 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 entity'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 entity'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, 2017, 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 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

October 23, 2017

BRANDEIS UNIVERSITY

Balance Sheet

June 30, 2017

(with comparative information as of June 30, 2016)

(In thousands of dollars)

Assets	2017	2016
Cash and cash equivalents	\$ 30,159	30,075
Accounts receivable, net	11,181	10,498
Notes receivable, net	11,980	13,070
Contributions receivable, net	14,395	22,423
Long-term investments	1,001,202	890,240
Funds held by bond trustee	46,431	—
Funds held in trust by others and other assets	17,992	16,263
Property, plant and equipment, net	340,786	346,858
Total assets	\$ <u>1,474,126</u>	<u>1,329,427</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 28,907	24,376
Sponsored program advances and deferred revenue	23,491	23,635
Other long-term liabilities	24,245	25,336
Long-term debt, net	283,138	243,586
Total liabilities	<u>359,781</u>	<u>316,933</u>
Net assets:		
Unrestricted	184,153	177,796
Temporarily restricted	273,863	235,674
Permanently restricted	656,329	599,024
Total net assets	<u>1,114,345</u>	<u>1,012,494</u>
Total liabilities and net assets	\$ <u>1,474,126</u>	<u>1,329,427</u>

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Activities

Year ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

(In thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2017</u>	<u>2016</u>
Operating revenues and other support:					
Tuition and fees	\$ 252,145	—	—	252,145	242,840
Residence hall and dining	40,946	—	—	40,946	37,247
Less scholarships and financial aid	<u>(98,069)</u>	—	—	<u>(98,069)</u>	<u>(94,805)</u>
Net tuition, fees, residence hall and dining revenues	195,022	—	—	195,022	185,282
Contributions	6,271	—	—	6,271	6,314
Net assets released from restrictions	18,757	—	—	18,757	19,635
Sponsored programs – direct	46,958	—	—	46,958	49,170
Sponsored programs – indirect	14,321	—	—	14,321	14,484
Other investment income	582	—	—	582	448
Investment income from funds held in trust by others	297	—	—	297	315
Endowment return utilized	48,655	—	—	48,655	46,144
Other auxiliary enterprises	3,883	—	—	3,883	3,552
Other sources	<u>9,284</u>	—	—	<u>9,284</u>	<u>8,386</u>
Total operating revenues and other support	<u>344,030</u>	—	—	<u>344,030</u>	<u>333,730</u>
Operating expenses:					
Instruction	126,300	—	—	126,300	118,462
Sponsored programs	53,896	—	—	53,896	56,187
Academic support	46,031	—	—	46,031	45,753
Student services	36,081	—	—	36,081	34,883
Institutional support	44,047	—	—	44,047	42,042
Auxiliary enterprises	<u>36,505</u>	—	—	<u>36,505</u>	<u>35,370</u>
Total operating expenses	<u>342,860</u>	—	—	<u>342,860</u>	<u>332,697</u>
Change in net assets from operating activities	<u>1,170</u>	—	—	<u>1,170</u>	<u>1,033</u>
Nonoperating activities:					
Net investment return	16,709	78,317	1,018	96,044	(29,502)
Endowment return utilized in operations	(14,483)	(34,172)	—	(48,655)	(46,144)
Net assets released from restrictions	3,478	(22,235)	—	(18,757)	(19,635)
Contributions	129	17,141	56,399	73,669	30,015
Other changes, net	<u>(646)</u>	<u>(862)</u>	<u>(112)</u>	<u>(1,620)</u>	<u>(507)</u>
Change in net assets from nonoperating activities	<u>5,187</u>	<u>38,189</u>	<u>57,305</u>	<u>100,681</u>	<u>(65,773)</u>
Change in net assets	6,357	38,189	57,305	101,851	(64,740)
Net assets at beginning of year	<u>177,796</u>	<u>235,674</u>	<u>599,024</u>	<u>1,012,494</u>	<u>1,077,234</u>
Net assets at end of year	<u>\$ 184,153</u>	<u>273,863</u>	<u>656,329</u>	<u>1,114,345</u>	<u>1,012,494</u>

See accompanying notes to financial statements.

BRANDEIS UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2017

(with comparative information for the year ended June 30, 2016)

(In thousands of dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 101,851	(64,740)
Adjustments to reconcile change in net cash used in operating activities:		
Depreciation and amortization, net	27,469	26,690
Net realized and unrealized investment (gains) losses	(90,860)	30,734
Net change from funds held in trust by others	(417)	383
Contributions restricted for long-term investment	(65,229)	(21,565)
Change in operating assets, net	6,036	11,588
Change in operating liabilities, net	3,229	(13,250)
Net cash used in operating activities	<u>(17,921)</u>	<u>(30,160)</u>
Cash flows from investing activities:		
Acquisition and construction of property, plant and equipment	(22,034)	(29,954)
Purchases of investments	(279,763)	(192,816)
Proceeds from sales and maturities of investments	259,661	214,048
Notes receivable issued	(1,051)	(1,187)
Notes receivable repaid	2,141	2,688
Net cash used in investing activities	<u>(41,046)</u>	<u>(7,221)</u>
Cash flows from financing activities:		
Repayments of bonds, notes and leases	(9,532)	(8,408)
Proceeds from issuance of bonds and notes	50,000	—
Cost of issuance of bonds and notes	(215)	—
Change in funds held by bond trustee	(46,431)	—
Contributions restricted for long-term investment	65,229	21,565
Net cash provided by financing activities	<u>59,051</u>	<u>13,157</u>
Change in cash and cash equivalents	84	(24,224)
Cash and cash equivalents, beginning of year	<u>30,075</u>	<u>54,299</u>
Cash and cash equivalents, end of year	\$ <u><u>30,159</u></u>	\$ <u><u>30,075</u></u>
Supplemental data:		
Interest paid	\$ 11,053	11,400
Increase (decrease) in accrued liabilities attributable to property, plant, and equipment	67	(11)

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2017

(with summarized comparative information for June 30, 2016)

(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 5,200 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). The financial statements 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 2017 statement of activities has been presented with 2016 summarized comparative information in total but not by net asset class. This summarized 2016 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, 2016, 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

BRANDEIS UNIVERSITY

Notes to Financial Statements

June 30, 2017

(with summarized comparative information for June 30, 2016)

(In thousands of dollars)

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 or by law.

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 would 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 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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June 30, 2017

(with summarized comparative information for June 30, 2016)

(In thousands of dollars)

(e) Fundraising Expense

Fundraising expense was \$10,122 and \$10,440 for the years ended June 30, 2017 and 2016, 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 and cash equivalents, except those held as short-term investments or in the long-term investment portfolio, consist of bank deposits, money market funds and investments with original maturities of three months or less and are carried at cost, which approximates fair value.

(g) 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. Certain investments are reported at their net asset values (NAV), which are used as a practical expedient to estimate their fair values, and these investments are not categorized in the fair value hierarchy.

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

Funds held in trust by others (FHITBO) are perpetual trusts 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 \$10,096 and \$9,679 of FHITBO as of June 30, 2017 and 2016, 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.

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June 30, 2017

(with summarized comparative information for June 30, 2016)

(In thousands of dollars)

(i) 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 (18–30 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.

(j) Other Long-Term Liabilities

The University is bound by certain donor 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 \$11,535 and \$11,629 as of June 30, 2017 and 2016, 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, 2017 and 2016, the estimated liabilities were \$5,719 and \$5,760, 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, 2017 and 2016, those liabilities were \$5,995 and \$5,983, respectively.

(k) Collections

Collections at Brandeis University are protected and preserved for public exhibition, education, research and the furtherance of public service. Collections are not capitalized and contributions of collections are not recognized as contribution revenue. 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.

(l) 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.

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Notes to Financial Statements

June 30, 2017

(with summarized comparative information for June 30, 2016)

(In thousands of dollars)

(m) 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, 2017 and 2016 include the valuation of certain investments and certain long-term obligations; and determination of the useful lives of property and equipment.

(n) 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.

(3) Accounts Receivable

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

	<u>2017</u>	<u>2016</u>
Student receivables	\$ 2,263	1,644
Sponsored program receivables	7,340	6,785
Other	<u>2,771</u>	<u>2,875</u>
	12,374	11,304
Less allowance for doubtful accounts	<u>(1,193)</u>	<u>(806)</u>
Accounts receivable, net	<u>\$ 11,181</u>	<u>10,498</u>

(4) Notes Receivable

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

	<u>2017</u>	<u>2016</u>
Federal Perkins loan program	\$ 5,794	6,641
University student loan programs	<u>9,791</u>	<u>10,023</u>
	15,585	16,664
Less allowance for doubtful loans	<u>(3,605)</u>	<u>(3,594)</u>
Notes receivable, net	<u>\$ 11,980</u>	<u>13,070</u>

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June 30, 2017

(with summarized comparative information for June 30, 2016)

(In thousands of dollars)

Notes receivable under the Federal Perkins Loan Program (the Program) are funded by the U.S. government and University funds and are subject to significant restrictions. Such funds may be 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.

(5) Contributions Receivable

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

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 7,520	13,753
Between one and five years	8,996	12,618
More than five years	<u>60</u>	<u>120</u>
Gross contributions receivable	16,576	26,491
Less:		
Allowance for unfulfilled contributions	(1,969)	(3,769)
Discount, at rates from 0.72% to 5.1%	<u>(212)</u>	<u>(299)</u>
Contributions receivable, net	<u>\$ 14,395</u>	<u>22,423</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.

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Notes to Financial Statements

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(with summarized comparative information for June 30, 2016)

(In thousands of dollars)

Investments are reported at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as the reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at 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 portion of the investment will be sold for an amount different from NAV. As of June 30, 2017 and 2016, 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 long-term investments at June 30, 2017 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	\$ 59,697	—	—	—	59,697
Non-U.S. equity	103,106	118	—	—	103,224
Private equity	132,337	—	—	—	132,337
Hedge fund/credit:					
Credit – private	5,347	—	—	—	5,347
Hedge funds – long/short	143,552	—	—	—	143,552
Hedge funds – multi strategy	254,533	—	—	—	254,533
Real assets:					
Real assets – marketable	—	—	—	—	—
Real assets – private	33,956	—	—	32,232	66,188
Cash and cash equivalents	—	6,158	—	—	6,158
Treasuries and fixed income	—	177,817	—	862	178,679
Receivable for investments sold	—	17,996	9,176	—	27,172
Total endowment investments	732,528	202,089	9,176	33,094	976,887
Other investments:					
Equities	—	94	135	—	229
Cash and cash equivalents	—	4	—	—	4
Fixed income	—	—	55	—	55
Mutual funds	—	24,027	—	—	24,027
Total other investments	—	24,125	190	—	24,315
Total long-term investments	\$ 732,528	226,214	9,366	33,094	1,001,202

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June 30, 2017

(with summarized comparative information for June 30, 2016)

(In thousands of dollars)

The University's long-term investments at June 30, 2016 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	\$ 103,627	26	—	—	103,653
Non-U.S. equity	80,746	103	—	—	80,849
Private equity	98,894	—	—	—	98,894
Hedge fund/credit:					
Credit – private	10,077	—	—	—	10,077
Hedge funds – long/short	151,880	—	—	—	151,880
Hedge funds – multi strategy	238,735	—	—	—	238,735
Real assets:	—	—	—	—	—
Real assets – marketable	—	—	—	—	—
Real assets – private	40,261	—	8,753	22,410	71,424
Cash and cash equivalents	—	10,289	—	—	10,289
Treasuries and fixed income	13,365	33,922	—	869	48,156
Receivable for investments sold	—	52,820	—	—	52,820
Total endowment investments	<u>737,585</u>	<u>97,160</u>	<u>8,753</u>	<u>23,279</u>	<u>866,777</u>
Other investments:					
Equities	—	7	135	—	142
Cash and cash equivalents	—	31	—	—	31
Fixed income	—	—	150	—	150
Mutual funds	—	23,140	—	—	23,140
Total other investments	<u>—</u>	<u>23,178</u>	<u>285</u>	<u>—</u>	<u>23,463</u>
Total long-term investments	<u>\$ 737,585</u>	<u>120,338</u>	<u>9,038</u>	<u>23,279</u>	<u>890,240</u>

The following table presents activity for the fiscal year ended June 30, 2017 for long-term investments classified in Level 3 of the fair value hierarchy:

	2016	Acquisitions	Dispositions	Gain	2017
Real assets	\$ 22,410	11,428	(1,367)	(239)	32,232
Treasuries and fixed income	869	—	—	(7)	862
	<u>\$ 23,279</u>	<u>11,428</u>	<u>(1,367)</u>	<u>(246)</u>	<u>33,094</u>

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Notes to Financial Statements
June 30, 2017
(with summarized comparative information for June 30, 2016)
(In thousands of dollars)

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

	<u>2017</u>	<u>2016</u>
Investment income	\$ 9,821	5,763
Net realized gains	63,326	45,074
Net change in unrealized appreciation	<u>27,534</u>	<u>(75,808)</u>
	100,681	(24,971)
Less management fees	<u>(3,758)</u>	<u>(3,768)</u>
Total investment return	<u>\$ 96,923</u>	<u>(28,739)</u>

Components of the investment return are presented in both the operating and nonoperating sections of the statement of activities.

(a) 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, 2017 and June 30, 2016:

	<u>June 30, 2017</u>					
	<u>Daily</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annual</u>	<u>Illiquid</u>	<u>Total</u>
Cash equivalents	\$ 6,162	—	—	—	—	6,162
Receivable from investments sold	—	24,924	171	266	1,811	27,172
Fixed income and mutual funds	201,766	—	—	—	995	202,761
Equities	212	—	49,061	28,036	218,178	295,487
Hedge funds	—	—	113,463	188,444	101,525	403,432
Real assets	—	—	—	—	66,188	66,188
Total	<u>\$ 208,140</u>	<u>24,924</u>	<u>162,695</u>	<u>216,746</u>	<u>388,697</u>	<u>1,001,202</u>

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(with summarized comparative information for June 30, 2016)

(In thousands of dollars)

	June 30, 2016				
	Daily	Quarterly	Annual	Illiquid	Total
Cash equivalents	\$ 10,320	—	—	—	10,320
Receivable from investments sold	34,208	—	18,612	—	52,820
Fixed income and mutual funds	57,063	—	13,365	1,016	71,444
Equities	136	78,600	31,314	173,488	283,538
Hedge funds	—	100,440	169,924	130,329	400,693
Real assets	—	—	—	71,425	71,425
Total	\$ 101,727	179,040	233,215	376,258	890,240

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.

The University has certain investments with a fair value of \$103,137 at June 30, 2017 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:	
2018	\$ 57,911
2019	26,511
2020	15,665
2021	<u>3,050</u>
Total	\$ <u>103,137</u>

(b) 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 called by the manager. These partnerships have a limited existence, generally between ten and fifteen years, and provide for annual one year extensions after the initial contract period for the purpose of systematically liquidating 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, non-US equities, private equity, and real assets investments as of June 30, 2017 was \$35,000, \$9,278, \$104,334, and \$53,656, respectively.

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(c) Derivatives

The endowment employs certain derivative financial instruments to replicate asset positions more cost effectively than through purchases or sales of the underlying assets.

As a result of entering into investment derivative agreements, the University is subject to market volatility consistent with the underlying asset classes. The University has established policies, procedures, and internal controls governing the use of derivatives.

The purchase and sale of exchange-traded derivatives require collateral deposits with the Futures Commission Merchant (FCM). Collateral is posted and moved on a daily basis as required by the rules of the exchange on which the derivatives are traded. In the event of the FCM's insolvency, recovery may be limited to the University's pro-rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total cash or other collateral posted. The collateral is generally in the form of debt obligations issued by the U.S. treasury or cash. Cash collateral and certain securities owned by the University were held at counterparty brokers to collateralize these positions and are included in long-term investments on the Balance Sheet. As of June 30, 2017 and 2016, the aggregate notional exposure on long-term assets was \$0 and (\$26,337), respectively. The associated unrealized gain on these assets was \$0 and \$188, respectively, as of June 30, 2017 and 2016. The notional amount of these derivatives is not recorded on the University's financial statements.

(7) Property, Plant and Equipment

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

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 44,904	44,447
Buildings	184,884	184,884
Building systems and improvements	379,847	367,770
Equipment, furnishings, and software	118,560	109,524
Construction in progress	16,695	16,630
	744,890	723,255
Less accumulated depreciation	<u>(404,104)</u>	<u>(376,397)</u>
Property, plant and equipment, net	<u>\$ 340,786</u>	<u>346,858</u>

Depreciation expense amounted to \$28,173 in 2017 and \$27,442 in 2016. Operation and maintenance expenses amounted to \$29,621 in 2017 and \$29,444 in 2016.

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(8) Long-Term Debt

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

	2017	2016
Commonwealth of MA Develop Finance Agency Revenue Bonds, Brandeis University Issue, 2017 Series Q, at interest rate of 2.58% maturing in annual installments from October 1, 2017 through April 1, 2032 at which time a principal payment of \$13,200 will be due.	\$ 20,000	—
TD Bank mortgage note at interest rate of 3.68% maturing in annual installments from October 1, 2017 through June 1, 2032 at which time a principal payment of \$19,125 will be due.	30,000	—
Commonwealth of MA 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	74,420	78,915
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	76,075	77,720
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	42,970	43,960
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
MDFA 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	20,185	21,080
MDFA Brandeis University Issue Master Lease, at an interest rate of 2.62%, principal and interest payable through May 10, 2018	1,416	2,923
Total	280,271	239,803
Unamortized premium, net	4,825	5,635
Unamortized issuance costs	(1,958)	(1,852)
Long-term debt, net	\$ 283,138	243,586

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The University's principal payment obligations as of June 30, 2017 are as follows:

Year ending June 30:		
2018	\$	10,984
2019		10,018
2020		10,505
2021		11,020
2022		11,549
Thereafter		<u>226,195</u>
	\$	<u><u>280,271</u></u>

Interest expense, net of amounts capitalized, for the years ended June 30, 2017 and 2016 was \$10,239 and \$10,467, respectively. There were no capitalized interest costs in 2017 or 2016.

(9) Line of Credit

The University has a \$30,000 line of credit with JPMorgan Chase Bank, N.A. at an interest rate of LIBOR plus 55 basis points if funds are drawn. As of June 30, 2017, the interest rate was 1.77%. 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, 2018. During the fiscal years ended June 30, 2017 and 2016, there were no borrowings against this line of credit.

(10) Net Assets

(a) Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Restricted contributions	\$ 22,525	28,600
Unspent net endowment return and term endowments	237,574	191,101
Student loan funds	316	379
Life income and annuity funds	7,347	6,775
Contributions receivable, net	5,587	8,700
Physical plant and other	<u>514</u>	<u>119</u>
Total temporarily restricted net assets	<u>\$ 273,863</u>	<u>235,674</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 \$18,757 and \$19,635 for the years ended June 30, 2017 and 2016, respectively.

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(b) Permanently Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Donor-restricted endowment funds	\$ 630,357	569,072
Student loan funds	2,890	2,886
Life income and annuity funds	4,178	3,665
Contributions receivable, net	8,808	13,722
Funds held in trust by others	<u>10,096</u>	<u>9,679</u>
Total permanently restricted net assets	<u>\$ 656,329</u>	<u>599,024</u>

(11) Endowments

The University's endowment is pooled for investment purposes and consists of approximately 1,950 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 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 \$897 and \$3,876 as of June 30, 2017 and 2016, respectively.

The University follows the provisions of UPMIFA. State law allows the Board of Trustees to appropriate the endowment funds as is prudent taking into consideration 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 2017 and 2016 amounted to \$48,655 and \$46,144, 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.

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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, 2017 and 2016:

2017				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (897)	227,879	630,357	857,339
Quasi (board-designated)	109,853	9,695	—	119,548
Total	<u>\$ 108,956</u>	<u>237,574</u>	<u>630,357</u>	<u>976,887</u>

2016				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	\$ (3,876)	182,906	569,072	748,102
Quasi (board-designated)	110,480	8,195	—	118,675
Total	<u>\$ 106,604</u>	<u>191,101</u>	<u>569,072</u>	<u>866,777</u>

Changes in endowment and quasi-endowment funds for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2016	\$ 106,604	191,101	569,072	866,777
Net investment return	16,706	79,170	(7)	95,869
Contributions	129	—	61,267	61,396
Utilized in operations	(14,483)	(34,172)	—	(48,655)
Transfers	—	1,475	25	1,500
Net assets at June 30, 2017	<u>\$ 108,956</u>	<u>237,574</u>	<u>630,357</u>	<u>976,887</u>

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Changes in endowment and quasi-endowment funds for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at June 30, 2015 \$	119,256	245,603	550,228	915,087
Net investment return	(5,171)	(24,617)	72	(29,716)
Contributions	3	25	17,755	17,783
Utilized in operations	(16,234)	(29,910)	—	(46,144)
Transfers	8,750	—	1,017	9,767
Net assets at June 30, 2016 \$	<u>106,604</u>	<u>191,101</u>	<u>569,072</u>	<u>866,777</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. University contributions are subject to the participants meeting the minimum employee contributions, age, and service requirements. Additional voluntary contributions by participants are made subject to statutory limits. The University's contribution to the plans totaled \$10,098 in 2017 and \$9,852 in 2016.

(13) 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.

(14) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 23, 2017, the date on which the financial statements were issued.