



**BRANDEIS UNIVERSITY**

Financial Statements

June 30, 2011

(with summarized comparative information for June 30, 2010)

(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 balance sheet of Brandeis University (the University) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2010 financial statements and, in our report dated October 26, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brandeis University as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

October 26, 2011

**BRANDEIS UNIVERSITY**

Balance Sheet

June 30, 2011

(with comparative information as of June 30, 2010)

(In thousands of dollars)

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 16,438	7,665
Short-term investments	21,339	42,839
Accounts receivable, net	11,408	10,697
Notes receivable, net	13,692	13,875
Other assets	6,487	6,568
Contributions receivable, net	44,002	63,778
Funds held by bond trustee	10,041	3,257
Investments, at fair value	736,444	650,823
Funds held in trust by others	9,544	8,411
Property, plant and equipment, net	358,183	358,451
Total assets	<u>\$ 1,227,578</u>	<u>1,166,364</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 49,097	54,628
Sponsored program advances and deferred income	14,527	15,817
Long-term debt, net	275,701	273,258
Refundable advances for student loans	6,122	6,180
Total liabilities	<u>345,447</u>	<u>349,883</u>
Net assets		
Unrestricted	161,836	141,656
Temporarily restricted	204,160	171,406
Permanently restricted	516,135	503,419
Total net assets	<u>882,131</u>	<u>816,481</u>
Total liabilities and net assets	<u>\$ 1,227,578</u>	<u>1,166,364</u>

See accompanying notes to financial statements.

**BRANDEIS UNIVERSITY**

Statement of Activities

Year ended June 30, 2011

(with summarized comparative information for the year ended June 30, 2010)

(In thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2011</u>	<u>2010</u>
Operating revenues:					
Tuition and fees	\$ 192,648	—	—	192,648	179,761
Residence hall and dining income	29,281	—	—	29,281	28,282
Less University funded financial aid	<u>(75,929)</u>	<u>—</u>	<u>—</u>	<u>(75,929)</u>	<u>(72,009)</u>
Net tuition, fees, residence hall and dining revenues	146,000	—	—	146,000	136,034
Contributions	8,238	—	—	8,238	9,725
Restricted gifts used in operations	18,630	—	—	18,630	16,255
Sponsored programs, grants and contracts	64,809	—	—	64,809	60,021
Short-term investment earnings	2,565	—	—	2,565	1,382
Investment income from funds held in trust by others	258	—	—	258	235
Endowment return utilized	40,263	—	—	40,263	35,699
Other sources	8,886	—	—	8,886	8,505
Total operating revenues	<u>289,649</u>	<u>—</u>	<u>—</u>	<u>289,649</u>	<u>267,856</u>
Operating expenses:					
Instructional and sponsored programs	176,794	—	—	176,794	159,380
Libraries	12,480	—	—	12,480	12,530
Student services	26,982	—	—	26,982	26,330
Institutional support	42,503	—	—	42,503	39,685
Auxiliary enterprises	<u>33,104</u>	<u>—</u>	<u>—</u>	<u>33,104</u>	<u>33,318</u>
Total operating expenses	<u>291,863</u>	<u>—</u>	<u>—</u>	<u>291,863</u>	<u>271,243</u>
Change in net assets from operating activities	<u>(2,214)</u>	<u>—</u>	<u>—</u>	<u>(2,214)</u>	<u>(3,387)</u>
Nonoperating activities:					
Net investment return	28,527	76,878	781	106,186	82,228
Endowment return utilized in operations	(15,054)	(25,209)	—	(40,263)	(35,699)
Net assets released from restrictions	8,997	(8,997)	—	—	—
Contributions	—	9,844	10,132	19,976	25,442
Restricted gifts used in operations	—	(18,630)	—	(18,630)	(16,255)
Change in value of interest rate swap	—	—	—	—	713
Loss on refinancing	—	—	—	—	(3,944)
Loss on disposals and retirement of property, plant and equipment	—	—	—	—	(2,847)
Other changes, net	<u>(76)</u>	<u>(1,132)</u>	<u>1,803</u>	<u>595</u>	<u>(1,572)</u>
Change in net assets from nonoperating activities	<u>22,394</u>	<u>32,754</u>	<u>12,716</u>	<u>67,864</u>	<u>48,066</u>
Change in net assets	20,180	32,754	12,716	65,650	44,679
Net assets at beginning of year	141,656	171,406	503,419	816,481	771,802
Net assets at end of year	<u>\$ 161,836</u>	<u>204,160</u>	<u>516,135</u>	<u>882,131</u>	<u>816,481</u>

See accompanying notes to financial statements.

**BRANDEIS UNIVERSITY**

Statement of Cash Flows

Year ended June 30, 2011

(with comparative information for the year ended June 30, 2010)

(In thousands of dollars)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 65,650	44,679
Adjustments to reconcile change in net cash used in operating activities:		
Depreciation and amortization	20,069	21,865
Net realized and unrealized investment gains	(103,157)	(79,880)
Net change from funds held in trust by others	(1,133)	(451)
Net realized and unrealized gain in value of swap	—	(713)
Loss on refinancing	—	3,944
Loss on the disposal and retirement of property, plant and equipment	—	2,847
Contributions restricted for long-term investment	(24,759)	(37,007)
Change in operating assets, net	19,066	24,295
Change in operating liabilities, net	1,325	(1,198)
Net cash used in operating activities	<u>(22,939)</u>	<u>(21,619)</u>
Cash flows from investing activities:		
Acquisitions of buildings and equipment	(28,845)	(36,220)
Purchase of investments	(109,836)	(81,887)
Proceeds from sale and maturities of investments	148,872	72,612
Change in notes receivable, net	183	42
Net cash provided by (used in) investing activities	<u>10,374</u>	<u>(45,453)</u>
Cash flows from financing activities:		
Repayments of bonds, notes and leases	(6,576)	(170,616)
Repayment of swap	—	(5,579)
Change in bank loan	—	(50,000)
Proceeds from issuance of bonds and notes	10,000	177,735
Capitalized bond issue premium and costs, net	(61)	9,331
Change in funds held by bond trustee	(6,784)	2,471
Contributions restricted for long-term investment	24,759	37,007
Net cash provided by financing activities	<u>21,338</u>	<u>349</u>
Change in cash and cash equivalents	8,773	(66,723)
Cash and cash equivalents, beginning of year	<u>7,665</u>	<u>74,388</u>
Cash and cash equivalents, end of year	\$ <u><u>16,438</u></u>	<u><u>7,665</u></u>
Supplemental data:		
Interest paid	\$ 12,899	11,456
Change in liabilities attributable to fixed assets	(8,204)	3,156

See accompanying notes to financial statements.

# BRANDEIS UNIVERSITY

## Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

### (1) Organization

Brandeis University (the University) is one of the youngest private, not-for-profit co-educational research universities with a liberal arts focus, as well as the only nonsectarian Jewish-sponsored college or university in the country. Founded in 1948 and named for the late Justice Louis Brandeis of the U.S. Supreme Court, the University is located in Waltham, Massachusetts with approximately 5,200 full-time undergraduate and graduate students.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

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

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

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

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

The 2011 statement of activities is presented with 2010 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, 2010, from which the summarized information was derived.

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

**(b) Nonoperating Activities**

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

**(c) Revenue Recognition**

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

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

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

**(d) Contributions**

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

Unconditional promises to give are recognized as temporarily or permanently restricted revenues in the year the contributions are promised. Contributions receivable are recorded as assets at the present value of the expected cash flow using discount rates of 1.58% to 6.0%, net of an allowance for unfulfillable contributions based upon collection experience and other relevant factors. Conditional contributions are not recognized until the stated conditions are met.

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

**(e) Fundraising Expense**

Fundraising expense was \$10,826 and \$10,300 for the years ended June 30, 2011 and 2010, 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 90 days or greater, and are carried at fair value.

**(h) Fair Value**

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

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

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

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, 2011 and 2010. Notes receivable consist primarily of loans to students that have significant restrictions and long maturities, and it is not practicable to estimate their fair value. Utilizing available pricing information provided by a third party and other data, management determined that

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

the estimated fair value of the University's long-term debt was substantially equivalent to its carrying value as of June 30, 2011 and 2010.

**(i) Other Assets**

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

**(j) Funds Held in Trust by Others**

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

**(k) Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (18 years), buildings (35 – 60 years), building systems and improvements (18 – 25 years) and equipment and furnishings (3 – 15 years).

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

**(l) Collections**

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

**(m) Income Taxes**

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the Code), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The University is required to assess uncertain tax positions and has

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

determined that there were no such positions that would jeopardize its tax-exempt status or have a material effect on the financial statements.

**(n) Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and the differences may be material. Estimates recorded in these financial statements at June 30, 2011 and 2010 include the valuation of certain investments, useful lives of capital assets, accrued expenses, estimated net realizable value of receivables, asset retirement obligations and the valuation of split-interest agreements.

**(o) Allocation of Expenses**

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

**(p) Reclassifications**

Certain 2010 information has been reclassified to conform to the 2011 presentation.

**(3) Accounts Receivable**

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

	<u>2011</u>	<u>2010</u>
Student receivables	\$ 2,514	2,587
Sponsored programs grants receivable	7,286	6,497
Other	2,251	2,211
	<u>12,051</u>	<u>11,295</u>
Less allowance for doubtful accounts	<u>(643)</u>	<u>(598)</u>
Accounts receivable, net	<u>\$ 11,408</u>	<u>10,697</u>

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

**(4) Notes Receivable**

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

	<u>2011</u>	<u>2010</u>
Federal Perkins Loan Program	\$ 6,473	6,717
University loan programs	9,708	9,462
	<u>16,181</u>	<u>16,179</u>
Less allowance for doubtful loans	<u>(2,489)</u>	<u>(2,304)</u>
Notes receivable, net	<u>\$ 13,692</u>	<u>13,875</u>

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

**(5) Contributions Receivable**

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

	<u>2011</u>	<u>2010</u>
Amounts due in:		
One year or less	\$ 24,531	31,765
Between one and five years	28,441	34,855
More than five years	<u>7,602</u>	<u>14,500</u>
Gross contributions receivable	60,574	81,120
Less:		
Discount, at rates from 1.58% to 6.0%	(3,185)	(6,686)
Allowance for unfulfilled contributions	<u>(13,387)</u>	<u>(10,656)</u>
Contributions receivable, net	<u>\$ 44,002</u>	<u>63,778</u>

**(6) Investments and Fair Value**

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

In addition to equity and fixed income investments, the University may also hold shares or units in institutional funds and alternative investment funds involving hedged and private equity strategies. Hedged

# BRANDEIS UNIVERSITY

## Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, buyout, venture capital, and debt related strategies and often require the estimation of fair values by the fund managers in the absence of readily determinable market values.

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

Investments include gift annuities and charitable remainder trusts. These funds are held for one or more beneficiaries, and generally pay lifetime income to those beneficiaries, after which the principal is made available to the University in accordance with donor intentions. The assets are recorded at fair value and liabilities are recorded to recognize the present value of estimated future payments due to beneficiaries. The liabilities of \$11,028 and \$11,942 as of June 30, 2011 and 2010, respectively, are included in accounts payable and other liabilities in the balance sheet.

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 reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers and assessed as reasonable by the University, which is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2011 and 2010, the University had no plans or intentions to sell investments at amounts different from NAV.

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.

Registered mutual funds are classified in Level 1 of the fair value hierarchy as defined in note 2(h) because their fair values are based on quoted prices for identical securities. The University's fixed income strategy includes directly held U.S. corporate bonds, which although readily marketable are valued using matrix pricing and are classified in Level 2. Most investments classified in Levels 2 and 3 consist of shares or units in nonregistered investment funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable or not difficult to value. Because the NAV reported by each fund is used as a practical expedient to estimate the fair value of the University's interest therein, its classification in Level 2 or 3 is based on the University's ability to redeem its interest at or near the date of the statement of financial position. 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.

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Investments:						
Endowment investments:						
Global equity	\$ 15,426	50,610	44,435	110,471	[1]	1 – 90
Non-U.S. equity	27,343	—	52,082	79,425	[2]	1 – 60
Private investments	—	—	53,315	53,315	Illiquid	N/A
Hedge fund/credit:						
Credit – marketable	—	—	46,047	46,047	Annual	90
Credit – private	—	—	57,923	57,923	Illiquid	N/A
Hedge funds – long/short	—	—	50,056	50,056	Lock-up	30 – 90
Hedge funds – multi strategy	—	30,243	135,977	166,220	[3]	45 – 180
Real assets:						
Real assets – marketable	—	—	23,007	23,007	Annual	60
Real assets – private	—	—	43,245	43,245	Illiquid	N/A
Cash and cash equivalents	5,809	—	—	5,809	Daily	1
Treasuries and money markets	68,148	—	—	68,148	Daily	1
Total endowment investments	<u>116,726</u>	<u>80,853</u>	<u>506,087</u>	<u>703,666</u>		
Other investments:						
Equities	2,762	135	—	2,897	Daily	1 – 90
Hedge funds – multi strategy	—	—	1,037	1,037	Daily	1
Cash and cash equivalents	188	—	—	188	Daily	1
Fixed income	—	3,796	—	3,796	Daily	1
Mutual funds	24,860	—	—	24,860	Daily	1
Total other investments	<u>27,810</u>	<u>3,931</u>	<u>1,037</u>	<u>32,778</u>		
Total investments	<u>\$ 144,536</u>	<u>84,784</u>	<u>507,124</u>	<u>736,444</u>		

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Short-term investments	\$ 2,544	18,795	—	21,339	Daily	1
Funds held by bond trustee	—	10,041	—	10,041	Not applicable	N/A
Funds held in trust by others	—	—	9,544	9,544	Not applicable	N/A

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

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

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

[1] Funds with daily redemption = \$10, quarterly redemption = \$38,156, annual redemption = \$19,503. \$10,959 is subject to lock-up terms.

[2] Funds with annual redemption = \$123,379, annual to tri-annual = \$20,955. \$40,446 is subject to lock-up terms.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Redemption or liquidation</u>	<u>Days' notice</u>
Short-term investments	\$ 18,126	24,713	—	42,839	Daily	1
Funds held by bond trustee	—	3,257	—	3,257	Not applicable	N/A
Funds held in trust by others	—	—	8,411	8,411	Not applicable	N/A

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

The following tables present the University's activity for the fiscal years ended June 30, 2011 and 2010 for investments classified in Level 3 of the fair value hierarchy:

	<u>Equities</u>	<u>Private investments</u>	<u>Real assets</u>	<u>Hedge fund/credit</u>	<u>Other investments and funds held in trust by others</u>	<u>Total</u>
Balance at June 30, 2010	\$ 68,060	43,976	48,212	299,312	8,531	468,091
Acquisitions	5,000	12,266	12,469	3,637	1,222	34,594
Dispositions	—	(6,367)	(2,901)	(18,337)	(421)	(28,026)
Transfers (out)	—	—	—	(30,243)	—	(30,243)
Realized (loss) gain	—	(4,799)	(1,368)	(3,913)	401	(9,679)
Unrealized gain	23,457	8,239	9,840	39,547	848	81,931
Balance at June 30, 2011	<u>\$ 96,517</u>	<u>53,315</u>	<u>66,252</u>	<u>290,003</u>	<u>10,581</u>	<u>516,668</u>

	<u>Fixed income</u>	<u>Equities</u>	<u>Private investments</u>	<u>Real assets</u>	<u>Hedge fund/credit</u>	<u>Other investments and funds held in trust by others</u>	<u>Total</u>
Balance at June 30, 2009	\$ 32,148	56,441	40,334	44,587	259,272	8,565	441,347
Acquisitions	—	—	(2,002)	8,624	(23,190)	173	(16,395)
Dispositions	(32,148)	—	—	—	—	(240)	(32,388)
Realized gain	—	—	2,817	703	6,741	15	10,276
Unrealized gain (loss)	—	11,619	2,827	(5,702)	56,489	18	65,251
Balance at June 30, 2010	<u>\$ —</u>	<u>68,060</u>	<u>43,976</u>	<u>48,212</u>	<u>299,312</u>	<u>8,531</u>	<u>468,091</u>

The University has agreed to make additional capital contributions totaling \$52,540 to various funds. The timing and amounts of the contributions will be determined by the fund managers.

The University has certain investments with a fair value of \$128,222 at June 30, 2011 that have restricted redemptions for lock up periods. Some of the investments with redemption restrictions allow early redemption for specified fees. The expiration of redemption lock up period amounts for the next three years are summarized in the table below:

Fiscal year:	<u>Amount</u>
2012	\$ 46,697
2013	36,772
2014	44,753
Total	<u>\$ 128,222</u>

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

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

	<u>2011</u>	<u>2010</u>
Investment income	\$ 5,594	3,730
Net realized gains	18,552	10,671
Net change in unrealized appreciation	<u>84,605</u>	<u>69,209</u>
	108,751	83,610
Less management fees	<u>(1,271)</u>	<u>(918)</u>
Total investment return	<u>\$ 107,480</u>	<u>82,692</u>

**(7) Property, Plant and Equipment**

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

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 41,697	39,306
Buildings	178,956	164,558
Building systems and improvements	318,422	302,570
Equipment and furnishings	<u>72,410</u>	<u>62,021</u>
	611,485	568,455
Less accumulated depreciation	(256,796)	(235,887)
Construction in progress	<u>3,494</u>	<u>25,883</u>
Property, plant and equipment, net	<u>\$ 358,183</u>	<u>358,451</u>

Depreciation expense amounted to \$20,909 in 2011 and \$21,718 in 2010. Operation and maintenance expenses amounted to \$36,807 in 2011 and \$34,751 in 2010.

The University has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities, primarily asbestos removal, at the time of disposal of certain capital assets. In 2011, the liability was increased by \$192 to reflect an estimated accretion of 3.18%. The liability was also reduced by the actual cost of abatement work performed during 2011 in the amount of \$134. As of June 30, 2011 and 2010, the estimated liabilities were \$6,233 and \$6,175, respectively, and are included in accounts payable and accrued liabilities.

**(8) Bank Loan**

The University has a \$50,000 line of credit with a rate of interest at LIBOR plus 50 basis points that is re-determined on a 30, 60, and 90-day basis. The monthly interest rate at June 30, 2011 and 2010 was 0.69% and 1.35%, respectively. There is an annual commitment fee of 0.15%, based on the daily average unused portion of the loan commitment, which is paid quarterly. The line of credit expires on

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

December 31, 2011. There was no amount outstanding as of June 30, 2010, nor were there any subsequent draws or repayments during the year ended June 30, 2011.

**(9) Long-Term Debt**

Outstanding debt as of June 30 consists of the following:

	<u>2011</u>	<u>2010</u>
Commonwealth of Massachusetts Development Finance Agency Revenue Bonds, Brandeis University Issue 2010 Series O-2, at interest rates from 3.0% to 5.0% maturing in annual installments from October 1, 2012 through October 1, 2028	\$ 95,410	95,410
Commonwealth of Massachusetts Development Finance Agency Revenue Bonds, Brandeis University Issue 2010 Series O-1, at interest rates from 3.0% to 5.0% maturing in annual installments from October 1, 2013 through October 1, 2040	82,325	82,325
Commonwealth of Massachusetts Development Finance Agency Revenue Bonds, Brandeis University Issue 2008 Series N, at interest rates from 3.25% to 5.0% maturing in annual installments from October 1, 2012 through October 1, 2039	47,500	47,500
Commonwealth of Massachusetts Development Finance Agency (MDFFA) Revenue Bonds, Brandeis University Issue 2004 Series K, at interest rates from 2.0% to 4.75%, maturing in annual installments through October 1, 2033	21,835	22,385
Commonwealth of Massachusetts Industrial Finance Agency (MIFA) Revenue Bonds, Brandeis University Issue 1989, Series C at interest rates from 6.25% to 6.80%, maturing in annual installments through October 1, 2011	4,273	8,273
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	4,046	5,620
Commonwealth of Massachusetts Development Finance Agency (MDFFA) Brandeis University Issue Master Lease, at an interest rate of 2.62%, principal and interest payable through May 10, 2018	9,891	—
Various mortgage notes payable at interest rates from 0% to 3.00% maturing in various years through November 1, 2011	14	51

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

	<u>2011</u>	<u>2010</u>
Various capital lease agreements with a financial services corporation with lease payments at interest rates from 4.29% to 5.97% through November 2012	\$ 310	616
Long-term debt before premium, net	265,604	262,180
Unamortized premium, net	10,097	11,078
Long-term debt, net	\$ <u>275,701</u>	<u>273,258</u>

In March 2010, the University issued Massachusetts Development Finance Agency Revenue Bonds, Brandeis University Issue, Series O, in the amount of \$177,735. The proceeds of the Series O Bonds were used to refinance the Series I, J and M bonds and provided funds for renovations. As a result of this bond issue, the University capitalized a bond premium of \$11,060 to be amortized over the life of the bond using the effective interest method. In addition, the University capitalized bond issuance costs in the amount of \$1,487 to be amortized over the life of the bond on a straight-line basis. During 2011, an additional \$18 in Series O bond issuance costs were capitalized.

In May 2011, the University entered a seven-year lease agreement with the Massachusetts Development Finance Agency (MDFA Master Lease) in the amount of \$10,000. The proceeds of the lease agreement are being used to finance equipment related to upgrading the campus information network and the Linsey Center pool renovation. As a result of this lease agreement, the University capitalized issuance costs of \$43 to be amortized over the life of the lease on a straightline basis.

The University's principal payments for debt and lease obligations as of June 30, 2011 are as follows:

	<u>Debt</u>	<u>Leases</u>
Year ending June 30:		
2012	\$ 7,810	234
2013	8,413	76
2014	9,141	—
2015	8,685	—
2016	8,973	—
Thereafter	222,272	—
	\$ <u>265,294</u>	<u>310</u>

Interest expense, net of amounts capitalized, for the years ended June 30, 2011 and 2010 was \$11,371 and \$12,265, respectively. Interest costs incurred in association with the MDFA Master Lease, capitalized during 2011 and 2010, were \$36 and \$0, respectively, and will be amortized over the useful lives of the related assets.

Residence facilities with a net carrying value of \$10,766 as of June 30, 2011 are pledged as collateral for certain mortgage notes payable.

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

The University leases two office facilities, with the agreements expiring in June 2014 and March 2021. Future minimum lease payments at June 30, 2011 under these agreements are as follows:

	<b>Operating lease payments</b>
Fiscal year:	
2012	\$ 713
2013	730
2014	748
2015	382
2016	389
Thereafter	2,354
	\$ 5,316

Rent expense was \$902 for the year ended June 30, 2011.

**(10) Net Assets**

*(a) Temporarily Restricted Net Assets*

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

	<b>2011</b>	<b>2010</b>
Restricted contributions	\$ 29,541	28,635
Unspent net endowment appreciation and term endowments	135,158	88,358
Student loan funds	646	671
Life income and annuity funds	6,101	5,889
Contributions receivable, net	30,743	45,006
Physical plant and other	1,971	2,847
Total temporarily restricted net assets	\$ 204,160	171,406

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

**(b) Permanently Restricted Net Assets**

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

	<u>2011</u>	<u>2010</u>
Donor restricted endowment funds	\$ 485,780	468,638
Life insurance cash surrender value	—	293
Student loan funds	3,396	3,507
Life income and annuity funds	4,156	3,798
Contributions receivable, net	13,259	18,772
Funds held in trust by others	9,544	8,411
Total permanently restricted net assets	<u>\$ 516,135</u>	<u>503,419</u>

**(11) Endowments**

The University's endowment and quasi-endowment consists of approximately 1,800 individual endowment accounts established for a variety of purposes in accordance with the applicable law and donor intent and funds designated by the University's Board to operate as endowment (quasi-endowment).

If an individual restricted endowment fund amount is determined to fall below the market value for that fund, that fund is considered to be "underwater." As the market value of the portfolio increases, the deficiency is reduced. The value of underwater endowment accounts was less than their original fair value by \$4,424 and \$17,991 as of June 30, 2011 and 2010, respectively.

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

Under the University's spending policy, a percentage of accumulated income and gains on permanently restricted endowment investments is appropriated annually as determined by the University's Board of Trustees. Accumulated gains spent in 2011 and 2010 amount to \$32,383 and \$32,112, respectively. The funds are utilized principally for financial aid and support of faculty chairs.

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

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

**BRANDEIS UNIVERSITY**

Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

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, 2011 and 2010:

	<b>2011</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor restricted	\$ (4,424)	135,158	485,780	616,514
Quasi (Board-designated)	87,152	—	—	87,152
Total	<u>\$ 82,728</u>	<u>135,158</u>	<u>485,780</u>	<u>703,666</u>

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

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

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Net assets at June 30, 2010	\$ 62,901	88,358	468,638	619,897
Investment income	10	22	(7)	25
Realized and unrealized gains	29,621	68,564	—	98,185
Contributions	1,039	—	15,606	16,645
Distributions	(10,751)	(21,632)	—	(32,383)
Transfers	(92)	(154)	1,543	1,297
Net assets at June 30, 2011	<u>\$ 82,728</u>	<u>135,158</u>	<u>485,780</u>	<u>703,666</u>

# BRANDEIS UNIVERSITY

## Notes to Financial Statements

June 30, 2011

(with comparative information for June 30, 2010)

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

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

The unrestricted deficit in donor restricted net assets of \$4,424 in 2011 and of \$17,991 in 2010 represents the decline in fair values of certain permanently restricted endowments below the amount of their historic value.

### (12) Retirement Plans

The University participates in defined contribution plans providing retirement benefits for substantially all full-time and regular part-time employees. Under the programs, the University makes monthly contributions, currently 6% – 10% of the annual eligible wages of participants, up to defined limits. Voluntary contributions by participants are made subject to IRS defined limits. The University temporarily suspended contributions to the retirement programs for the fiscal year ending June 30, 2010. The University reinstated contributions for the fiscal year ending June 30, 2011. Retirement program expenses amounted to \$8,198 in 2011 and \$34 in 2010.

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.

### (13) Related Party Transactions

The University has invested \$18,024 and \$14,833 as of June 30, 2011 and 2010, respectively, in investments with related parties. The related parties are a University Trustee who is a managing member of a partnership and a University Trustee who was a general partner in an investment. The University Investment Committee approved and continues to monitor these investments.

### (14) Contingencies

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

### (15) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through October 26, 2011, the date on which the financial statements were issued.