

Fairfield University

Financial Statements

At and for the years ended

June 30, 2012 and 2011

Fairfield University
Financial Statements
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Report of Independent Auditors

To the Board of Trustees of
Fairfield University

In our opinion, the accompanying statements of financial position and the related statements of activities, changes in net assets and cash flows present fairly, in all material respects, the financial position of Fairfield University (the "University") at June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 audits. We conducted our audit of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

October 5, 2012

Fairfield University
Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	\$ 29,289,073	\$ 20,832,349
Deposits with trustees	21,977,337	37,176,455
Student accounts receivable, less allowance for doubtful collections of \$624,900 in 2012 and \$552,018 in 2011	291,989	252,278
Student loans, less allowance for doubtful collections of \$300,000 in 2012 and in 2011	2,364,269	2,358,074
Contributions receivable, net	13,505,542	6,558,267
Other assets	6,903,242	10,818,194
Investments	249,501,831	255,427,333
Land, buildings and equipment, net	<u>289,598,467</u>	<u>287,523,825</u>
Total assets	<u>\$ 613,431,750</u>	<u>\$ 620,946,775</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 13,602,524	\$ 16,462,987
Accrued compensation	10,687,814	10,161,624
Deferred revenue	12,858,093	11,761,843
Government grants refundable—student loans	2,206,009	2,205,009
Debt, net	<u>224,465,989</u>	<u>230,209,640</u>
Total liabilities	263,820,429	270,801,103
Net assets		
Unrestricted	183,974,736	189,553,829
Temporarily restricted	46,568,071	54,445,181
Permanently restricted	<u>119,068,514</u>	<u>106,146,662</u>
Total net assets	<u>349,611,321</u>	<u>350,145,672</u>
Total liabilities and net assets	<u>\$ 613,431,750</u>	<u>\$ 620,946,775</u>

The accompanying notes are an integral part of these financial statements.

Fairfield University
Statement of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Operating revenues				
Educational and general				
Tuition and fees	\$ 172,770,054	\$ -	\$ -	\$ 172,770,054
Less: Student financial aid	(54,241,016)	-	-	(54,241,016)
Net tuition and fees	118,529,038	-	-	118,529,038
Government grants and financial aid	1,926,398	2,416,660	-	4,343,058
Contributions	4,740,863	8,341,576	-	13,082,439
Investment return designated for current operations	5,186,391	5,953,234	-	11,139,625
Departmental and other revenues	5,594,909	-	-	5,594,909
Net assets released from restrictions	13,209,001	(13,209,001)	-	-
Total educational and general	149,186,600	3,502,469	-	152,689,069
Auxiliary services	34,517,764	-	-	34,517,764
Total operating revenues	183,704,364	3,502,469	-	187,206,833
Operating expenses				
Educational and general services				
Instruction	60,463,107	-	-	60,463,107
Research	6,492,433	-	-	6,492,433
Public service	1,767,204	-	-	1,767,204
Academic support	18,846,847	-	-	18,846,847
Institutional support	32,479,730	-	-	32,479,730
Student services	28,176,661	-	-	28,176,661
Total educational and general services	148,225,982	-	-	148,225,982
Auxiliary services	33,185,597	-	-	33,185,597
Total operating expenses	181,411,579	-	-	181,411,579
Increase in net assets from operations	2,292,785	3,502,469	-	5,795,254
Nonoperating activities				
Contributions for nonoperating purposes	20,047	421,934	9,543,922	9,985,903
Investment return in excess (deficit) of amounts designated for current operations	(7,261,000)	(7,074,558)	(1,997,876)	(16,333,434)
Net asset reclassifications/other	(1,807,483)	(3,550,397)	5,375,806	17,926
Nonoperating net assets released from restrictions	1,176,558	(1,176,558)	-	-
Total nonoperating activities	(7,871,878)	(11,379,579)	12,921,852	(6,329,605)
(Decrease) increase in net assets	(5,579,093)	(7,877,110)	12,921,852	(534,351)
Net assets				
Beginning of year	189,553,829	54,445,181	106,146,662	350,145,672
End of year	\$ 183,974,736	\$ 46,568,071	\$ 119,068,514	\$ 349,611,321

The accompanying notes are an integral part of these financial statements.

Fairfield University
Statement of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
Operating revenues				
Educational and general				
Tuition and fees	\$ 164,875,955	\$ -	\$ -	\$ 164,875,955
Less: Student financial aid	(50,971,627)	-	-	(50,971,627)
Net tuition and fees	113,904,328	-	-	113,904,328
Government grants and financial aid	2,216,776	3,483,636	-	5,700,412
Contributions	4,382,586	4,863,523	-	9,246,109
Investment return designated for current operations	5,393,451	6,055,589	-	11,449,040
Departmental and other revenues	4,938,788	-	-	4,938,788
Net assets released from restrictions	13,928,935	(13,928,935)	-	-
Total educational and general	144,764,864	473,813	-	145,238,677
Auxiliary services	31,223,034	-	-	31,223,034
Total operating revenues	175,987,898	473,813	-	176,461,711
Operating expenses				
Educational and general services				
Instruction	58,405,259	-	-	58,405,259
Research	6,746,574	-	-	6,746,574
Public service	1,821,867	-	-	1,821,867
Academic support	18,898,001	-	-	18,898,001
Institutional support	31,686,842	-	-	31,686,842
Student services	26,508,243	-	-	26,508,243
Total educational and general services	144,066,786	-	-	144,066,786
Auxiliary services	29,372,323	-	-	29,372,323
Total operating expenses	173,439,109	-	-	173,439,109
Increase in net assets from operations	2,548,789	473,813	-	3,022,602
Nonoperating activities				
Contributions for nonoperating purposes	572,875	5,137,093	3,886,823	9,596,791
Investment return in excess of amounts designated for current operations	14,919,213	15,592,081	182,229	30,693,523
Realized and unrealized loss on interest rate swap agreement	(219,712)	-	-	(219,712)
Reclassifications and other nonoperating activities	(4,548,426)	5,540,928	-	992,502
Nonoperating net assets released from restrictions	746,052	(746,052)	-	-
Total nonoperating activities	11,470,002	25,524,050	4,069,052	41,063,104
Increase in net assets	14,018,791	25,997,863	4,069,052	44,085,706
Net assets				
Beginning of year	175,535,038	28,447,318	102,077,610	306,059,966
End of year	\$ 189,553,829	\$ 54,445,181	\$ 106,146,662	\$ 350,145,672

The accompanying notes are an integral part of these financial statements.

Fairfield University
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (534,351)	\$ 44,085,706
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	14,765,315	12,875,041
Contributions restricted for long-term investment	(4,811,198)	(5,326,967)
Realized and unrealized (gains) losses on investments, net	6,640,597	(42,356,923)
Unrealized loss on interest rate swap agreement	-	219,712
Changes in operating assets and liabilities		
Contributions receivable	(6,947,275)	572,201
Accounts receivable	(39,711)	83,369
Other assets	1,729,471	(4,896,259)
Accounts payable and other accruals	(2,334,273)	(164,967)
Deferred revenue	1,096,250	681,658
Government grants refundable-student loans	1,000	(52,032)
Net cash provided by operating activities	<u>9,565,825</u>	<u>5,720,539</u>
Cash flows from investing activities		
Proceeds from sale of investments	43,839,407	45,511,610
Purchase of investments	(42,369,021)	(38,769,728)
Purchase of buildings and equipment	(16,954,968)	(49,987,654)
Decrease in deposits with trustees	15,199,118	42,148,210
Issuance of student loans	(343,225)	(146,506)
Repayment of student loans	337,030	380,067
Net cash used in investing activities	<u>(291,659)</u>	<u>(864,001)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for		
Investment in permanently restricted endowment	4,030,804	3,722,206
Investment in temporarily restricted funds	780,394	1,604,761
Net cost of swap termination	-	(1,096,828)
Repayment of long-term debt	(5,628,640)	(5,090,271)
Net cash used in financing activities	<u>(817,442)</u>	<u>(860,132)</u>
Net increase in cash and cash equivalents	8,456,724	3,996,406
Cash and cash equivalents		
Beginning of year	20,832,349	16,835,943
End of year	<u>\$ 29,289,073</u>	<u>\$ 20,832,349</u>
Supplemental disclosure of cash flow information		
Interest paid on debt	\$ 10,766,295	\$ 7,369,113

The accompanying notes are an integral part of these financial statements.

Fairfield University

Notes to Financial Statements

June 30, 2012 and 2011

1. Summary of Significant Accounting Policies

Background

Founded in 1942, Fairfield University is a private, Jesuit institution that provides undergraduate, graduate and continuing studies in six distinct schools to its students. The accompanying financial statements, which include the accounts of Fairfield University and its Preparatory School (the "University"), which together are a 501(c)(3) tax-exempt institution, have been prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

General

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donor of these assets permits the University to use all or part of the return on the related investments.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the University or the passage of time.
- Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished or the stipulated time period has elapsed, are reported as net assets released from restrictions. Donor contributions restricted for capital expenditures are released to unrestricted net assets when the assets are placed in service and time restrictions have been met.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received at their fair value. Promises to give that are scheduled to be received after the date of the statement of financial position are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted based upon a risk free interest rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

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Investment Income (Loss)

Dividends, interest and net gains (losses) on investments are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the income or net gains (losses); and
- As increases (decreases) in unrestricted net assets in all other cases.

Measure of Operations

The Statement of Activities reports the change in net assets from operating and nonoperating activities separately. For this purpose, operations include operating revenues consisting of those items attributable to the University's educational programs or research conducted by the academic departments and operating expenses include the costs of providing University programs and other activities. Investment return on the University's long-term investments in excess (deficit) of the amount appropriated under the University spending plan, as discussed in Note 8, donor contributions restricted for capital expenditures, realized and unrealized gain (loss) on interest rate swap agreements, and gain (loss) on sale of assets and certain other unusual or nonrecurring items are reported as nonoperating revenues (expenses). Additionally, nonoperating revenues consist of contributions that are not in direct support of the annual operating budget. Such contributions are typically multi-year gifts which the University will designate as permanently restricted or quasi-endowment. This measure of operations is different from cash flows from operating activities reported in the Statement of Cash Flows which includes the cash effects of all transactions and other events (including certain nonoperating items) that enter into the determination of the change in net assets.

Cash

The University has several bank accounts at June 30, 2012 containing balances which exceed FDIC limits. The University believes that no significant risk exists at June 30, 2012 with respect to these balances.

Cash Equivalents

Cash equivalents are held for reinvestment and are highly liquid in nature and have original maturities at the time of purchase of three months or less. The cash equivalents reported on the statement of financial position are principally invested in one fund.

Government Grants and Contracts

Revenues associated with Government grants for educational purposes and contracts are recognized as the related direct costs are incurred and are accounted for in unrestricted net assets. The University records reimbursement of indirect costs relating to such grants and contracts at authorized rates for each fiscal year as unrestricted revenue.

Investments

Investments are reflected in the financial statements at fair value. Quoted market prices are used to value short-term investments, fixed income securities, and equity securities. Values for investments in limited partnerships, which are generally subject to certain withdrawal restrictions, are provided by the general partner, and may be based on historical cost, appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of the valuation for the University's investments in investment partnerships and for certain underlying investments held by the investment partnerships, values for those investments may differ significantly from

Fairfield University

Notes to Financial Statements

June 30, 2012 and 2011

values that would have been used had a ready market for the investments existed. Unrealized gains or losses are determined by comparison of cost to fair value at the beginning and end of the reporting period. Purchases and sales of securities are reflected on a trade-date basis. Gains or losses on sales of securities are based on average cost.

Tuition and Fees

The University recognizes revenues from student tuition and fees predominantly within the fiscal year in which the academic term is conducted. Therefore, student advance payments for tuition, room and board are deferred and then recorded as unrestricted revenues when earned.

Land, Buildings and Equipment, Net

Land, buildings and equipment, net is stated at cost less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings (40-60 years) and equipment and library books (3-7 years). Depreciation expense is \$14,880,326 and \$12,964,795 for the years ended June 30, 2012 and 2011, respectively. The University recognized \$(36,566) and \$223,350 of expenses relating to the accretion of liabilities associated with the retirement of long-lived assets, for the years ended June 30, 2012 and 2011, respectively. Conditional asset retirement obligations included in accrued liabilities are \$2,743,695 and \$2,780,261 as of June 30, 2012 and 2011, respectively.

Fair Value Accounting

The University records its applicable assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. "exit price") in an orderly transaction between market participants at the measurement date.

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three Levels of the fair value hierarchy under GAAP are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active market for identical assets or liabilities that the University has the ability to access at the measurement date.

- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

- Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's Level within the fair value hierarchy is based on the lowest Level of any input that is significant to the fair value measurement; however, the determination of what constitutes "observable" requires significant judgment. The University considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

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Notes to Financial Statements
June 30, 2012 and 2011

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the University in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different Levels of the fair value hierarchy. In such cases, for disclosure purposes, the Level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest Level input that is significant to the fair value measurement in its entirety.

In determining an instrument's placement within the hierarchy, the University separates the investment portfolio and other fair valued assets and liabilities into the following categories: cash equivalents, deposits with trustees, corporate stocks, fixed income securities, private equity and other funds, equity funds, bond funds, hedge fund of funds, and multi-asset strategy funds.

The University utilizes the "practical expedient" to estimate the fair value of investments in various investment funds that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with GAAP whereby there is limited market activity. The practical expedient is permitted under GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP. The University has assessed factors including, but not limited to, managers' compliance with fair value measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The guidance also requires additional disclosures to enable the user of the financial statements to understand the nature and risk of the University's financial statements (see note 3). Furthermore, investments which can be redeemed at NAV by the University on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3.

Cash Equivalents

Cash equivalents include cash held in money market accounts and certificates of deposit for operating and reinvestment purposes. Cash equivalents are valued at one dollar per share in the money market fund and one dollar plus earned interest in certificates of deposit. These assets are categorized as Level 1.

Deposits With Trustees

Deposits with trustees are directly owned investments in securities such as government money market funds, guaranteed investment contracts and treasury bills with an interest rate of .01%, related to the Connecticut Health and Educational Facility Authority ("CHEFA") Revenue Bonds, Series M, N, O and P. These investments are valued based upon market price quotations and categorized as Level 2.

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Notes to Financial Statements
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Corporate Stocks

Corporate stocks include investments in actively traded equity securities which are listed on a national exchange are valued at the last price quoted by the exchange and are generally categorized as Level 1. The fair values of other equity securities are based upon market price quotations, and are generally categorized as Level 1.

Fixed Income Securities

Fixed income securities include investments in various U.S. treasury instruments, corporate debt, structured products (such as mortgage-backed securities and asset-backed securities, and bank debt). Fixed income securities values are estimated based upon market price quotations and are generally categorized as Level 2 because there is the ability to redeem at or near June 30, 2012.

Private Equity and Other

Private equity and other include equity positions in a variety of private equity funds with various strategies, private real estate funds that hold real property holdings, and direct investments in real estate funds through partnership interests. These securities (NAVs) are valued by the investment managers and such NAVs are recorded under GAAP utilizing the practical expedient. There are no active markets or significant observable data and are, therefore, categorized as Level 3.

Equity Funds (Registered and Nonregistered)

Equities in investment funds include mutual funds (registered under the Investors' 1940 Act) and hedge funds (nonregistered under the Investors' 1940 Act). Mutual funds are principally invested in exchange traded securities. These hedge funds are invested principally in exchange traded and over the counter securities. The University has opted to utilize the practical expedient for valuing hedge fund investments (NAVs). These investments are categorized as Level 2 because there is the ability to redeem at or near June 30, 2012.

Bond Funds (Registered)

Bonds in investment funds include mutual funds (registered under the Investors' 1940 Act). Mutual funds are principally invested in fixed income securities and trade in over the counter market. These securities (NAVs) are valued by the investment manager and such NAVs are recorded under GAAP utilizing the practical expedient. These investments are categorized as Level 2 because there is the ability to redeem at or near June 30, 2012.

Hedge Fund of Funds

Hedge fund of funds are nonregistered funds whereby the investment managers are investing in various underlying hedge funds that principally invest in exchange traded and over the counter securities. These securities (NAVs) are valued by the investment manager and such NAVs are recorded under GAAP utilizing the practical expedient. These investments are categorized as Level 3, because there is no ability to redeem at or near June 30, 2012.

Multi Asset Strategy Funds

Multi asset fund is an investment in a hedge fund (nonregistered under the Investors' 1940 Act) with a multi-strategy approach. These securities are valued by the investment manager and such NAVs are recorded under GAAP utilizing the practical expedient. This investment is categorized as Level 2 because there is the ability to redeem at or near June 30, 2012.

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In January 2010 FASB issued "Improving Disclosures about Fair Value Measurements", which was adopted by the University in fiscal 2011. This amends current fair value measurement GAAP to require additional disclosures. The guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for those transfers. In addition, the guidance requires separate presentation of purchase and sales in the Level 3 asset reconciliation. The adoption of this guidance did not have a material impact on the University's financial statements in fiscal 2012.

Donated Property and Land

During 2011, a donor contributed property and land to the University. The property was valued at fair market value as determined by an appraisal. At June 30, 2011, the property and land was valued at \$4,325,000 and was recorded in other assets. During 2012, the property was sold for net proceeds of \$2,139,000 and accordingly a loss on the value of the asset was recognized. Additionally, in 2012 the donor re-designated the contribution to an endowment fund and therefore amounts were transferred from temporarily restricted to permanently restricted net assets.

Accounts and Loans Receivable

Accounts and loans receivable are stated net of allowances for doubtful accounts. Student loans receivable are principally amounts due from students under federally sponsored loan programs which are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.

Allocation of Certain Expenses

The financial statements report expenses by functional classification. Certain natural expenses associated with the operation and maintenance of University plant assets are allocated to the respective functional classifications based on square footage occupancy. The expenses are allocated as follows for the years ended June 30:

	2012	2011
Plant operations and maintenance	\$ 15,297,211	\$ 16,602,250
Depreciation	14,880,326	12,964,795
Interest on indebtedness	10,738,732	7,386,230

Included in institutional support expenses are fund raising costs of \$5,222,223 and \$4,714,055 in fiscal 2012 and 2011, respectively.

Use of 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. The most significant estimates include valuation of investments, allowance for doubtful accounts on student accounts and loan receivables, and asset retirement obligations. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Subsequent Events

The University has performed an evaluation of subsequent events through October 5, 2012, which is the date the financial statements were available to be issued.

Fairfield University
Notes to Financial Statements
June 30, 2012 and 2011

2. Contributions Receivable

Contributions receivable at June 30, 2012 and 2011 are expected to be collected as follows:

	2012	2011
2012	\$ -	\$ 2,372,746
2013	3,126,652	2,406,220
2014	3,400,291	940,825
2015	2,490,958	385,719
2016	2,951,563	805,000
2017	1,958,000	-
	<u>13,927,464</u>	<u>6,910,510</u>
Less: Present value discount	(221,922)	(152,243)
Allowance for doubtful collections	(200,000)	(200,000)
	<u>\$ 13,505,542</u>	<u>\$ 6,558,267</u>

The discount rates used in 2012 and 2011 were .72% and 1.8%, respectively.

3. Fair Value Measurements

The following tables present the fair value hierarchy for those of the University's financial assets and liabilities that were measured at fair value on a recurring basis as of June 30, 2012 and 2011:

	Assets at Fair Value as of June 30, 2012			Total
	Level 1	Level 2	Level 3	
	Quoted Prices	Other Significant Observable Inputs	Significant Unobservable Inputs	
Cash equivalents				
Money markets	\$ 16,338,093	\$ -	\$ -	\$ 16,338,093
Total cash equivalents	<u>16,338,093</u>	<u>-</u>	<u>-</u>	<u>16,338,093</u>
Deposits with trustees				
Fixed income	-	21,977,337	-	21,977,337
Total deposits with trustees	<u>-</u>	<u>21,977,337</u>	<u>-</u>	<u>21,977,337</u>
Investments				
Cash equivalents held for reinvestment	5,545,470	-	-	5,545,470
Fixed income	-	4,439,231	-	4,439,231
Corporate stocks	49,179,507	-	-	49,179,507
Investment funds				
Private equity and other	-	-	51,704,581	51,704,581
Equities (registered and nonregistered)	-	47,154,320	7,628,833	54,783,153
Bonds (registered)	-	36,058,421	-	36,058,421
Hedge fund of funds	-	3,166,552	36,503,262	39,669,814
Multi asset	-	8,121,654	-	8,121,654
Total investments	<u>\$ 54,724,977</u>	<u>\$ 98,940,178</u>	<u>\$ 95,836,676</u>	<u>\$ 249,501,831</u>

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The following table includes a roll forward of the amounts for the year ended June 30, 2012 for financial instruments classified with Level 3:

	Private Equity and Other	Equities	Hedge Fund of Funds	Total
Balances at June 30, 2011	\$ 48,043,925	\$ 7,883,241	\$ 36,081,796	\$ 92,008,962
Acquisition of investments	7,540,840	-	-	7,540,840
Distributions from investments	(7,345,773)	-	-	(7,345,773)
Transfers (out) of Level 3	(86,689)	-	-	(86,689)
Gains (losses), net				
Realized	1,598,457	-	-	1,598,457
Unrealized	1,953,821	(254,408)	421,466	2,120,879
Balances at June 30, 2012	\$ 51,704,581	\$ 7,628,833	\$ 36,503,262	\$ 95,836,676

	Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
	Quoted Prices	Other Significant Observable Inputs	Significant Unobservable Inputs	
Cash equivalents				
Money markets	\$ 19,933,478	\$ -	\$ -	\$ 19,933,478
Total cash equivalents	19,933,478	-	-	19,933,478
Deposits with trustees				
Fixed income	-	37,176,455	-	37,176,455
Total deposits with trustees	-	37,176,455	-	37,176,455
Investments				
Cash equivalents held for reinvestment	2,841,507	-	-	2,841,507
Fixed income	-	1,433,588	-	1,433,588
Corporate stocks	49,900,110	-	-	49,900,110
Investment funds				
Private equity and other	-	-	48,043,925	48,043,925
Equities (registered and nonregistered)	-	60,584,101	7,883,241	68,467,342
Bonds (registered)	-	33,718,142	-	33,718,142
Hedge fund of funds	-	3,606,432	36,081,796	39,688,228
Multi asset	-	11,334,491	-	11,334,491
Total investments	\$ 52,741,617	\$ 110,676,754	\$ 92,008,962	\$ 255,427,333

The following table includes a roll forward of the amounts for the year ended June 30, 2011 for financial instruments classified with Level 3:

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	Private Equity and Other	Equities	Hedge Fund of Funds	Total
Balances at June 30, 2010	\$ 37,843,533	\$ 6,892,103	\$ 31,882,170	\$ 76,617,806
Acquisition of investments	8,442,257	-	-	8,442,257
Distributions from investments	(4,355,254)	-	-	(4,355,254)
Transfers (out) of Level 3	(662,476)	-	-	(662,476)
Gains, net				
Realized	1,050,053	-	-	1,050,053
Unrealized	5,725,812	991,138	4,199,626	10,916,576
Balances at June 30, 2011	<u>\$ 48,043,925</u>	<u>\$ 7,883,241</u>	<u>\$ 36,081,796</u>	<u>\$ 92,008,962</u>

The University uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investments in other investment companies (in partnership format) by major category.

June 30, 2012									
	Strategy	NAV in funds	# of funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing of Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions In Place at Year End
Private equity and other	Equity positions in funds with various strategies and private real estate funds and partnerships holding real estate	\$ 51,704,581	20	1 - 15 years	\$ 13,275,896	1 - 15 years	N.A.*	N.A	N.A
Equity funds (nonregistered)	Equities in investment funds including hedge funds (nonregistered)	54,783,153	9	N.A	-	N.A	Annually with 60 days written notice	None	None
Hedge fund of funds	Investment in various underlying hedge funds principally invested in exchange traded and over the counter securities	39,669,814	3	N.A	-	N.A	Ranges between monthly with 35 days written notice to annually with 95 days written notice	None	None
Multi asset strategy fund	Investment in hedge funds with a multi-strategy approach	8,121,654	1	N.A	-	N.A	Quarterly with 60 days written notice	1 fund has a lock up provision of 1 year	None
Bonds (registered)	Investment in bond funds (registered)	36,058,421	2	N.A	-	N.A	Ranges between daily to monthly with 10 days written notices	None	None
		<u>\$ 190,337,623</u>	<u>35</u>		<u>\$ 13,275,896</u>				

* These funds are in private equity structure, with no ability to be redeemed.

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June 30, 2011									
	Strategy	NAV in funds	# of funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing of Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions In Place at Year End
Private equity and other	Equity positions in funds with various strategies and private real estate funds and partnerships holding real estate	\$ 48,043,925	21	1 - 15 years	\$ 20,497,052	1 - 15 years	N.A.*	N.A	N.A
Equity funds (nonregistered)	Equities in investment funds including hedge funds (nonregistered)	68,467,342	10	N.A	-	N.A	Annually with 60 days written notice	None	None
Hedge fund of funds	Investment in various underlying hedge funds principally invested in exchange traded and over the counter securities	39,688,228	3	N.A	-	N.A	Ranges between monthly with 35 days written notice to annually with 95 days written notice	1 fund has a lock up provision of 1 year	1 % penalty for redemption on 1 fund in lock up
Multi asset strategy fund	Investment in hedge funds with a multi-strategy approach	11,334,491	1	N.A	-	N.A	Quarterly with 60 days written notice	1 fund has a lock up provision of 1 year	None
Bonds (registered)	Investment in bond funds (registered)	33,718,142	2	N.A	-	N.A	Ranges between daily to monthly with 10 days written notices	None	None
		<u>\$ 201,252,128</u>	<u>37</u>		<u>\$ 20,497,052</u>				

* These funds are in private equity structure, with no ability to be redeemed.

4. Investments

Investments at June 30, 2012 and 2011 consisted of the following:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents held for reinvestment	\$ 5,545,470	\$ 5,545,470	\$ 2,841,507	\$ 2,841,507
Corporate bonds	4,341,809	4,439,231	1,213,974	1,433,588
Corporate stocks	39,328,117	49,179,507	37,555,612	49,900,110
Investment funds				
Private equity and other	50,559,705	51,704,581	48,852,871	48,043,925
Equities (registered and nonregistered)	55,530,005	54,783,153	60,432,061	68,467,342
Bonds (registered)	22,690,083	36,058,421	22,690,083	33,718,142
Hedge fund of funds	24,427,454	39,669,814	24,427,454	39,688,228
Multi asset	7,353,097	8,121,654	10,000,000	11,334,491
	<u>\$ 209,775,740</u>	<u>\$ 249,501,831</u>	<u>\$ 208,013,562</u>	<u>\$ 255,427,333</u>

The University's policy is to distribute a portion of the total investment return for current operations at the predetermined spending rate as discussed in Note 8.

The following schedule summarizes the investment return for the years ended June 30, 2012 and 2011:

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	2012
Dividends and interest	\$ 1,413,944
Realized and unrealized (losses), net	<u>(4,456,104)</u>
Return on long-term investments	(3,042,160)
Interest on short-term investments	33,832
Loss on sale of asset	<u>(2,185,481)</u>
Total return on investments	(5,193,809)
Investment return designated for current operations	<u>(11,139,625)</u>
Investment return less than amounts designated for current operations	<u>\$ (16,333,434)</u>
	2011
Dividends and interest	\$ 678,508
Realized and unrealized gains, net	<u>41,363,789</u>
Return on long-term investments	42,042,297
Interest on short-term investments	<u>100,266</u>
Total return on investments	42,142,563
Investment return designated for current operations	<u>(11,449,040)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 30,693,523</u>

Assets of the endowment and quasi-endowment are pooled on a market value basis, with each individual asset subscribing to or disposing of units on the basis of the market value per unit at the end of the quarter within which the transaction takes place.

5. Land, Buildings and Equipment, Net

The University's investments in land, buildings and equipment, net are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The cost of land, buildings and equipment, net at June 30, 2012 and 2011 is as follows:

	2012	2011
Land and land improvements	\$ 18,676,029	\$ 17,274,305
Buildings	396,327,740	333,053,527
Equipment and library books	46,630,758	43,897,990
Construction in progress	<u>1,472,197</u>	<u>52,512,367</u>
	463,106,724	446,738,189
Less: Accumulated depreciation	<u>(173,508,257)</u>	<u>(159,214,364)</u>
Land, buildings and equipment, net	<u>\$ 289,598,467</u>	<u>\$ 287,523,825</u>

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For June 30, 2012 and 2011, construction in progress represents ongoing construction costs associated with new construction and improvements to various University facilities funded from the issuance of CHEFA Series O bonds.

At June 30, 2012 and 2011, net investment in plant included in unrestricted net assets totaled \$85,757,505 and \$86,474,697 respectively.

6. Long-Term Debt

Bonds and notes payable at June 30, 2012 and 2011 consisted of the following:

Facility Financed	Type of Financing	Average Interest Rate	2012 Outstanding Balances*	2011 Outstanding Balances*
Various campus facilities	CHEFA Bonds 2008-M, due 2034	4.76 %	\$ 32,390,697	\$ 33,860,697
Various campus facilities	CHEFA Bonds 2008-N, due 2034	4.92 %	100,730,461	104,180,393
Various campus facilities	CHEFA Bonds 2010-O, due 2040	5.09 %	73,474,749	73,474,749
Various campus facilities	CHEFA Bonds 2010-P, due 2028	4.42 %	10,634,338	10,934,417
Jesuit Community Center	Bank of America Note due 2016	Variable	7,235,744	7,759,384
			<u>\$ 224,465,989</u>	<u>\$ 230,209,640</u>

(*) For the CHEFA bonds, amounts are net of unamortized discounts or unamortized premiums.

The above listed Connecticut Health and Educational Facilities Authority ("CHEFA") bonds are payable in annual installments on a graduating scale. The principal balance of the 2010-O bonds is net of unamortized debt discount at June 30, 2012 of \$345,251. The principal balances of the 2008-N and the 2010-P bonds, at June 30, 2012, include unamortized premiums of \$2,284,369 and \$460,063, respectively and at June 30, 2011 \$2,389,302 and \$470,140, respectively. The premiums will be amortized as reductions in interest expense over the remaining life of the bonds.

In March 2010, the University refunded its 1998-H bonds with principal outstanding of \$10,265,000 by issuing CHEFA Series P bonds in the principal amount of \$11,095,000. In connection with the refunding of the 1998-H bonds, the University incurred debt extinguishment charges of \$404,037. In addition to refunding the 1998-H bonds, the University issued CHEFA Series O bonds in the principal amount of \$73,820,000. The net proceeds will be used on new construction of a residence hall and apartment style buildings, the purchase of three residential homes and the renovation of and improvements to various University facilities. The Series O and Series P bonds bear interest at an average total fixed interest cost of 5.09% and 4.42% respectively. Principal payments are due in annual installments maturing in 2040 and 2028 respectively.

In February 2009, the University entered into an agreement and note with Bank of America for a nonrestoring line of credit in the amount of \$7,933,930. This represents a portion of the costs associated with the on campus construction of a Jesuit Community Center. The loan matures in 2016 and will be repaid on a 15 year schedule beginning in 2011. Interest on the borrowings is based on the LIBOR rate plus .80% at June 30, 2012.

The University had an interest rate swap agreement outstanding from the L1 second tranche bonds which were advance refunded in April 2008. The notional amount of the swap agreement was \$7,685,000 and the agreement would have expired in fiscal year 2029. The University originally purchased this interest rate swap to protect against interest rate fluctuations on the L1 second tranche bonds which were variable auction rate bonds. The counterparty on the interest rate swap

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was JPMorgan Chase which management believed to be creditworthy. On October 27, 2010, the University terminated the swap at a termination cost of \$1,193,000 which included an interest accrual of \$96,170. The loss from the swap termination of \$219,712 is recorded within the 2011 nonoperating activities section in the statement of activities. The University has no other swap agreements.

In accordance with each of the bond indentures, the University maintains a sinking fund with bank trustees at an amount sufficient to pay interest and principal during the succeeding twelve months. The amounts in deposits with trustee in the statement of financial position as of June 30, 2012 and 2011 are \$0 and \$229,000, respectively for the amounts on deposit as required by the CHEFA J bond indenture and also include reserve funds of \$2,960,179 and \$9,938,250 required by the Series M and N bond indentures and \$7,011,334 and \$1,065,750 as required by the Series O and P bond indentures. As of June 30, 2012 and 2011 the University also maintains a construction fund of \$1,001,533 and \$15,580,195 respectively and a capitalized interest fund of \$0 and \$178,851 respectively relating to the Series O bonds.

The University's long-term debt agreements contain various covenants which may restrict the ability of the University to incur or guarantee debt. The University was in compliance with the debt covenants at June 30, 2012. These agreements also require the University to meet a debt service ratio as defined in the agreements.

The fair value of bonds is estimated based upon quoted market prices for the same or similar bond issuances. The fair value of the University's bonds at June 30, 2012 and 2011 is \$239,955,016 and \$231,920,963, respectively.

Interest expense and amortization of bond discount and premium for the years ended June 30, 2012 and 2011 was \$10,738,732 and \$7,386,230, respectively.

The aggregate amount of principal due with respect to long-term debt within each of the five fiscal years subsequent to June 30, 2012 is as follows:

2013	\$ 5,595,000
2014	5,800,000
2015	6,055,000
2016	12,575,744
2017	6,395,000
Thereafter	185,646,061
	<u>\$ 222,066,805</u>

7. Retirement Benefits

The University has a 403(b) defined contribution retirement plan which covers substantially all of its employees, other than those of the Jesuit Community, and which is funded through direct payments to the Teachers' Insurance and Annuity Association and College Retirement Equities Fund and/or Fidelity Investment Tax Exempt Services Company for the purchase of individual annuities. For each eligible employee, the University generally contributes an amount equal to between 8% and 10% of the employee's salary or base compensation and the employee contributes 2-1/2%. With respect to faculty and administrative members of the Jesuit Community, an equivalent between 8% and 10% of their salaries are paid directly to the Jesuit Community. Retirement contributions paid by the University and charged to unrestricted operations for the years ended June 30, 2012 and 2011 were \$5,094,080 and \$5,292,024 respectively.

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8. Endowment Funds

In August 2008, the FASB issued "Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosure for all Endowment Funds". This pronouncement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Connecticut adopted the Uniform Management of Institutional Funds Act effective October 1, 2007 (CUPMIFA). This pronouncement requires disclosures about an organization's endowment funds (both donor-restricted and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The University's endowment is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support the University's programs of instruction, research and public service and funds designated by the Board of Trustees to function as endowment. Earnings from endowment investments support scholarships, chairs, professorships, fellowships, basic research, as well as academic and public service programs. The endowment should provide stability since the principal is invested and earnings are generated year after year. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

To accomplish these goals, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The primary investment objective of the endowment is to attain an average annual total return in excess of the spending rate (currently at 4.75% of the average fair market value of total endowment assets for the preceding twelve quarters); over the long-term, defined as rolling five-year periods that should be achieved within acceptable risk levels, while avoiding large short-term declines in market value. Actual returns in any given year may vary from this amount. The University targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CUPMIFA requires the University to retain as a fund of perpetual duration (underwater funds). Deficiencies of this nature, which are reported in unrestricted net assets, were approximately \$454,000 and \$97,700 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

The Board of Trustees after consideration of the factors provided in CUPMIFA approved a policy that, absent specific donor imposed directions, University management may decide to spend a portion of or the entire spending amount on funds which are underwater. For the year ended June 30, 2012 and 2011, funds were distributed in total according to the spending formula. Although CUPMIFA permits prudent spending from the individual underwater endowments, University management chose not to spend from those funds but to fund this spending from the University unrestricted quasi endowment.

At June 30, 2012, the endowment net asset composition by type of fund consisted of the following:

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and permanently restricted Board designated	\$ - 109,736,235	\$ 27,324,554 -	\$ 119,068,514 -	\$ 146,393,068 109,736,235
Total endowment funds	<u>\$ 109,736,235</u>	<u>\$ 27,324,554</u>	<u>\$ 119,068,514</u>	<u>\$ 256,129,303</u>

Changes in endowment net assets for the fiscal year ended June 30, 2012 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2011	\$ 118,798,054	\$ 33,802,722	\$ 106,146,662	\$ 258,747,438
Investment return				
Investment income	774,555	744,180	32,496	1,551,231
Realized and unrealized (losses), net	<u>(4,162,976)</u>	<u>(1,729,162)</u>	<u>(2,030,372)</u>	<u>(7,922,510)</u>
Total investment (losses)	(3,388,421)	(984,982)	(1,997,876)	(6,371,279)
Contributions	44,000	-	14,919,728	14,963,728
Appropriation of endowment assets for expenditure	<u>(5,717,398)</u>	<u>(5,493,186)</u>	-	<u>(11,210,584)</u>
Endowment net assets at June 30, 2012	<u>\$ 109,736,235</u>	<u>\$ 27,324,554</u>	<u>\$ 119,068,514</u>	<u>\$ 256,129,303</u>

At June 30, 2011, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 33,802,722	\$ 106,146,662	\$ 139,949,384
Board designated funds	<u>118,798,054</u>	<u>-</u>	<u>-</u>	<u>118,798,054</u>
Total endowment funds	<u>\$ 118,798,054</u>	<u>\$ 33,802,722</u>	<u>\$ 106,146,662</u>	<u>\$ 258,747,438</u>

Changes in endowment net assets for the fiscal year ended June 30, 2011 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2010	\$ 107,938,812	\$ 13,379,327	\$ 102,077,610	\$ 223,395,749
Investment return				
Investment income	313,774	326,582	38,152	678,508
Realized and unrealized gains, net	<u>16,062,368</u>	<u>25,884,689</u>	<u>144,077</u>	<u>42,091,134</u>
Total investment gains	16,376,142	26,211,271	182,229	42,769,642
Contributions	44,000	-	3,886,823	3,930,823
Appropriation of endowment assets for expenditure	<u>(5,560,900)</u>	<u>(5,787,876)</u>	-	<u>(11,348,776)</u>
Endowment net assets at June 30, 2011	<u>\$ 118,798,054</u>	<u>\$ 33,802,722</u>	<u>\$ 106,146,662</u>	<u>\$ 258,747,438</u>

9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011 were available for the following purposes:

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	2012	2011
Educational and general services	\$ 44,196,221	\$ 51,480,599
Acquisition of buildings and equipment	<u>2,371,850</u>	<u>2,964,582</u>
Total temporarily restricted net assets	<u>\$ 46,568,071</u>	<u>\$ 54,445,181</u>

10. Net Assets Released From Restrictions

Net assets released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors for the years ended June 30, 2012 and 2011 were as follows:

	2012	2011
Purpose of restrictions		
Student financial aid	\$ 5,575,997	\$ 5,677,241
Educational and general programs	7,526,847	8,152,892
Auxiliary services	<u>106,157</u>	<u>98,802</u>
Total operating	13,209,001	13,928,935
Capital expenditures	<u>1,176,558</u>	<u>746,052</u>
	<u>\$ 14,385,559</u>	<u>\$ 14,674,987</u>

11. Student Financial Aid

Student financial aid reported in the Statement of Activities as a reduction of tuition and fees, were funded in fiscal year 2012 and 2011 from the following revenue sources:

	2012	2011
Tuition and fees	\$ 47,227,541	\$ 43,341,388
Endowment distribution	3,794,571	3,870,134
Donor contributions	1,612,559	1,494,218
Government grants	<u>1,606,345</u>	<u>2,265,887</u>
Total student financial aid	<u>\$ 54,241,016</u>	<u>\$ 50,971,627</u>

12. Operating Leases

The University has various lease agreements, for the bookstore, printers, copiers, and other types of similar equipment, with obligations that extend through 2021. Future minimum rental payments at June 30, 2012, under agreements classified as operating leases with terms in excess of one year are as follows.

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2013	\$ 1,110,136
2014	1,129,381
2015	1,091,831
2016	879,028
2017	769,688
Thereafter	<u>3,052,876</u>
Total future minimum lease payments	<u>\$ 8,032,940</u>

13. Commitments and Contingencies

At June 30, 2012, the University had a line of credit agreement which allows for borrowings up to \$20,000,000. The agreement expires on January 24, 2013. Interest on any borrowings is at the LIBOR rate plus 1.00%. There is an unused commitment fee of .30% per annum. There are no outstanding borrowings at June 30, 2012.

The University is involved in various legal actions, arising in the normal course of operations. The University is of the opinion that the resolution of these matters will not have a significant effect on the financial condition of the University.