

Fairfield University

Financial Statements

June 30, 2013 and 2012



Independent Auditor's Report

To The Board of Trustees of Fairfield University

We have audited the accompanying financial statements of Fairfield University, which comprise the balance sheet as of June 30, 2013 and 2012, and the related statements of activities and statements of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairfield University at June 30, 2013 and 2012, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Michael J. [unclear]", is written over a horizontal line.

October 4, 2013

Fairfield University
Statements of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Operating revenues				
Educational and general				
Tuition and fees	\$ 182,060,467	\$ -	\$ -	\$ 182,060,467
Less: Student financial aid	(57,843,819)	-	-	(57,843,819)
Net tuition and fees	124,216,648	-	-	124,216,648
Government grants and financial aid	1,709,385	2,616,912	-	4,326,297
Contributions	4,223,976	6,903,605	-	11,127,581
Investment return designated for current operations	4,705,762	6,261,751	-	10,967,513
Departmental and other revenues	3,706,817	-	-	3,706,817
Net assets released from restrictions	12,393,698	(12,393,698)	-	-
Total educational and general	150,956,286	3,388,570	-	154,344,856
Auxiliary services	37,347,969	-	-	37,347,969
Total operating revenues	188,304,255	3,388,570	-	191,692,825
Operating expenses				
Educational and general services				
Instruction	57,025,146	-	-	57,025,146
Research	6,503,710	-	-	6,503,710
Public service	2,280,815	-	-	2,280,815
Academic sum4.3i				

The accompanying notes are an integral part of these financial statements

Fairfield University
Statements of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Operating revenues				
Educational and general				
Tuition and fees	\$ 173,822,784	\$ -	\$ -	\$ 173,822,784
Less: Student financial aid	(54,241,016)	-	-	(54,241,016)
Net tuition and fees	119,581,768	-	-	119,581,768
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	3,867,179	-	-	3,867,179
Net assets released from restrictions	13,209,001	(13,209,001)	-	-
Total educational and general	148,511,600	3,502,469	-	152,014,069
Auxiliary services	34,517,764	-	-	34,517,764
Total operating revenues	183,029,364	3,502,469	-	186,531,833
Operating expenses				
Educational and general services				
Instruction	58,685,803	-	-	58,685,803
Research	6,492,433	-	-	6,492,433
Public service	1,767,204	-	-	1,767,204
Academic support	20,559,177	-	-	20,559,177
Institutional support	32,084,702	-	-	32,084,702
Student services	28,138,207	-	-	28,138,207
Total educational and general services	147,727,526	-	-	147,727,526
Auxiliary services	33,009,053	-	-	33,009,053
Total operating expenses	180,736,579	-	-	180,736,579
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
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 39,763,413	\$ (534,351)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	14,915,345	14,765,315
Contributions restricted for long-term investment	(11,769,963)	(4,811,198)
Realized and unrealized (gains) losses on investments, net	(26,061,543)	6,640,597

Fairfield University
Notes to Financial Statements
June 30, 2013 and 2012

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

Fairfield University
Notes to Financial Statements
June 30, 2013 and 2012

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

Fairfield University

Notes to Financial Statements

June 30, 2013 and 2012

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 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 \$15,290,246 and \$14,880,326 for the years ended June 30, 2013 and 2012, respectively. The University recognized \$109,748 and \$(36,566) of expenses relating to the accretion of liabilities associated with the retirement of long-lived assets, for the years ended June 30, 2013 and 2012, respectively. Conditional asset retirement obligations included in accrued liabilities are \$2,853,443 and \$2,743,695 as of June 30, 2013 and 2012, 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.

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Included in institutional support expenses are fund raising costs of \$4,883,357 and \$5,222,223 in fiscal 2013 and 2012, 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

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Notes to Financial Statements
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3. Fair Value Measurements

Fairfield University
Notes to Financial Statements
June 30, 2013 and 2012

	Level 1	Level 2	Level 3	Total
	Quoted	Other	Significant	
	Prices	Significant	Unobservable	
		Observable	Inputs	
		Inputs		
Cash equivalents				
Money Markets	\$ 16,338,093	\$ -	\$ -	\$ 16,338,093
Total cash equivalents	\$ 16,338,093	\$ -	\$ -	\$ 16,338,093
Deposits with trustees				
Fixed income	\$ -	\$ 21,977,337	\$ -	\$ 21,977,337
Total deposits with trustees	\$ -	\$ 21,977,337	\$ -	\$ 21,977,337
Investments				
Cash equivalents held for reinvestment	\$ 5,545,470	\$ -	\$ -	

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		June 30, 2012							
	Strategy	NAV in Funds	Number 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 (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	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	None	None
Bonds (registered)	Investment in bond funds (registered)	36,058,421	2	N.A.	-		Ranges between daily to monthly with 10 days written notice	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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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, 2013 and 2012 is as follows:

	2013	2012
Land and land improvements	\$ 21,660,930	\$ 18,676,029
Buildings	400,922,338	396,327,740
Equipment and library books	48,965,041	46,630,758
Construction in progress	1,215,215	1,472,197
	<u>472,763,524</u>	<u>463,106,724</u>
Less: Accumulated depreciation	<u>(187,708,727)</u>	<u>(173,508,257)</u>
Land, buildings and equipment, net	<u>\$ 285,054,797</u>	<u>\$ 289,598,467</u>

For June 30, 2013 and 2012, construction in progress represents ongoing construction costs

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In February 2009, the University entered into an agreement and note with Bank of America for a

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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

Fairfield University
Notes to Financial Statements
June 30, 2013 and 2012

At June 30, 2013, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ 34,526,446	\$ 126,858,216	\$ 161,384,662
Board designated funds	118,557,648			118,557,648
Total endowment funds	<u>\$ 118,557,648</u>	<u>\$ 34,526,446</u>	<u>\$ 126,858,216</u>	<u>\$ 279,942,310</u>

Changes in endowment net assets for the fiscal year ended June 30, 2013 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2012	\$ 109,736,235			

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9. Temporarily and Permanently Restricted Net Assets

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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 2013 and 2012 from the following revenue sources:

	2013	2012
Tuition and fees	\$ 51,008,057	\$ 47,227,541
Endowment distribution	3,884,790	3,794,571
Donor contributions	1,433,041	1,612,559
Government grants	1,517,931	1,606,345
Total student financial aid	<u>\$ 57,843,819</u>	<u>\$ 54,241,016</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, 2013, under agreements classified as operating leases with terms in excess of one year are as follows:

2014	\$ 1,139,031
2015	1,101,481
2016	888,677
2017	769,688
2018	769,688
Thereafter	<u>2,283,188</u>
Total future minimum lease payments	<u>\$ 6,951,753</u>

13. Commitments and Contingencies

At June 30, 2013, the University had a line of credit agreement which allows for borrowings up to \$20,000,000. The agreement expires on January 25, 2015. Interest on any borrowings is at the LIBOR rate plus .80%. There is an unused commitment fee of .30% per annum. There are no outstanding borrowings at June 30, 2013.

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.