SANTA CLARA UNIVERSITY

Consolidated Financial Statements

June 30, 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The President and Board of Trustees
Santa Clara University:

We have audited the accompanying consolidated statement of financial position of Santa Clara University and affiliate (the University) as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. The University's consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2011 financial statements and, in our report dated October 26, 2011, we expressed an unqualified opinion on those consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Santa Clara University and affiliate as of June 30, 2012, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 19, 2012

SANTA CLARA UNIVERSITY

Consolidated Statement of Financial Position

June 30, 2012
(With comparative financial information as of June 30, 2011)

(In thousands of dollars)

Assets		**2012**	**2011**
Cash and cash equivalents	$	56,782	51,062
Contributions receivable, net		18,536	20,859
Student and other receivables, net		13,313	12,802
Inventories		632	680
Investments		813,046	853,953
Deposits in trust		3,901	44,233
Other assets		5,539	5,791
Plant facilities, net		656,996	565,407
Total assets	$	1,568,745	1,554,787
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	44,989	36,405
Deposits and deferred revenue		17,712	17,525
Amounts held on behalf of others		39,049	40,063
Annuity and trust obligations		4,848	6,362
Asset retirement obligations		3,036	2,937
Bonds and line of credit		198,713	223,607
Capital lease obligation		44,313	—
U.S. government loan advances		6,946	6,841
Total liabilities		359,606	333,740
Net assets:			
Unrestricted		632,386	613,172
Temporarily restricted		301,298	341,577
Permanently restricted		275,455	266,298
Total net assets		1,209,139	1,221,047
Total liabilities and net assets	$	1,568,745	1,554,787

See accompanying notes to consolidated financial statements.

SANTA CLARA UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2012
(With summarized financial information for the year ended June 30, 2011)

(In thousands of dollars)

		2012				
		Unrestricted	Temporarily restricted	Permanently restricted	Totals	2011
Operating:						
Revenues:						
Tuition and fees	$	280,695	—	—	280,695	270,720
Financial aid		(68,433)	—	—	(68,433)	(62,963)
Net tuition and fees		212,262	—	—	212,262	207,757
Contributions		4,032	13,294	9,388	26,714	20,590
Grant revenues		5,692	—	—	5,692	5,363
Income on investments, net		5,059	628	—	5,687	8,190
Realized and investment gains (losses) distributed		2,502	20,909	(296)	23,115	23,977
Other revenues/expenses		13,601	(1,584)	65	12,082	13,085
Auxiliary activities		30,513	—	—	30,513	25,463
Total revenues		273,661	33,247	9,157	316,065	304,425
Net assets released from restrictions		35,119	(35,119)	—	—	—
Total revenues and other support		308,780	(1,872)	9,157	316,065	304,425
Expenses:						
Educational and general:						
Instruction		113,529	—	—	113,529	109,774
Research		4,313	—	—	4,313	3,437
Public service		6,424	—	—	6,424	5,181
Academic support		33,773	—	—	33,773	33,661
Student services		40,646	—	—	40,646	38,478
Institutional support		55,066	—	—	55,066	51,937
Scholarship and fellowships		1,129	—	—	1,129	1,263
Total educational and general		254,880	—	—	254,880	243,731
Auxiliary activities		29,081	—	—	29,081	23,239
Total expenses		283,961	—	—	283,961	266,970
Increase (decrease) in net assets from operations		24,819	(1,872)	9,157	32,104	37,455
Nonoperating:						
Investment gains (losses), net of distributions		(5,582)	(38,407)	—	(43,989)	85,771
Loss on the disposal of assets		(23)	—	—	(23)	(388)
Change in net assets		19,214	(40,279)	9,157	(11,908)	122,838
Net assets, beginning of year		613,172	341,577	266,298	1,221,047	1,098,209
Net assets, end of year	$	632,386	301,298	275,455	1,209,139	1,221,047

See accompanying notes to consolidated financial statements.

SANTA CLARA UNIVERSITY

Consolidated Statement of Cash Flows

Year ended June 30, 2012
(With comparative financial information for the year ended June 30, 2011)

(In thousands of dollars)

		2012	2011
Cash flows from operating activities:			
Change in net assets	$	(11,908)	122,838
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		29,623	26,078
Accrued interest on zero coupon bonds		(178)	(264)
Loss on the disposal of assets		23	388
Noncash gifts		(3,755)	(5,435)
Investment (gains) losses, net		20,874	(109,748)
Contributions restricted for long-term investment		(11,789)	(11,805)
Changes in operating assets and liabilities:			
Contributions receivable		2,323	5,569
Student and other receivables		(511)	22
Inventories and other assets		300	(860)
Accounts payable and accrued expenses		8,584	(766)
Deposits and deferred revenue		187	(1,965)
Amounts held on behalf of others		(1,014)	6,957
Annuity and trust obligations		(1,514)	290
Asset retirement obligations		99	(623)
Net cash provided by operating activities		31,344	30,676
Cash flows from investing activities:			
Purchase of investments		(265,368)	(585,649)
Proceeds from sale of investments		284,792	566,710
Proceeds from (payments on) deposits in trust		40,332	(38,755)
Purchase of plant facilities		(71,449)	(39,768)
Proceeds from sale of plant assets		131	1,328
Net cash used in investing activities		(11,562)	(96,134)
Cash flows from financing activities:			
Proceeds from issuance of bonds and draws on line of credit		—	54,289
Payments on bonds and line of credit		(24,716)	(5,858)
Principal payments on capital lease obligations		(1,240)	—
Payments on U.S. government loan advances		105	(5)
Contributions restricted for long-term investment		11,789	11,805
Net cash provided by (used in) financing activities		(14,062)	60,231
Net (decrease) increase in cash and cash equivalents		5,720	(5,227)
Cash and cash equivalents at beginning of year		51,062	56,289
Cash and cash equivalents at end of year	$	56,782	51,062
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	12,408	9,594
The University received noncash gifts during the year, of:			
Marketable securities	$	3,737	5,204
Real estate		—	145
Equipment		18	86
Noncash transfer of investment real estate to plant assets	$	4,346	13,228
Noncash investing and financing activities:			
Equipment acquired under capital leases	$	45,553	—

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Santa Clara University is an independent, coeducational institution of higher learning offering undergraduate and graduate degrees in more than 30 fields of study. Santa Clara University was founded in 1851 by the Society of Jesus on the site of Mission Santa Clara de Asis in Northern California. On July 1, 2009, the Jesuit School of Theology at Berkeley became a school of Santa Clara University and was renamed the Jesuit School of Theology of Santa Clara (JST-SCU). JST-SCU financial information has been consolidated with Santa Clara University (collectively referred to as the University) and all intercompany transactions have been eliminated.

(b) Basis of Presentation

The University displays its net assets and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market funds, treasury instruments, and government agency securities with original maturities of three months or less.

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenues when donors' commitments are received. Conditional promises to give become unconditional and are recognized as revenues when the conditions are substantially met. Unconditional promises to give are recognized at the estimated net present value, net of an allowance for uncollectible amounts, and are classified in the net asset category in accordance with donor-imposed restrictions. Contributions and promises to give with temporary restrictions are reported as temporarily restricted net assets until donor restrictions are met. The University records contributions of land, buildings, or equipment as unrestricted revenue unless the donor places restrictions on their use. Restrictions on contributions related to construction projects are released when such amounts have been spent.

(e) Investments

In accordance with generally accepted accounting principles, the University reports investments at fair value based upon a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs of other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the University's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(f) Fair Value of Financial Instruments

The University did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

Fair value of the University's financial instruments is determined using the estimates, methods, and assumptions as set forth below. See note 5 for further information regarding investments and their fair value.

(i) *Cash Equivalents, Student and Other Receivables, Deposits in Trust, Accounts Payable, and Accrued Expenses*

Fair value approximates book value due to the short maturity of these instruments.

A reasonable estimate of the fair value of student loans extended under government loan programs has not been made as the loans can only be assigned to the U.S. government or its designees.

(ii) *Contributions Receivable*

Contributions receivable are reported based on the discounted value of estimated cash flows. The discount rate is estimated based upon a risk-free rate of return, for pledges received through June 30, 2008. Pledges received after June 30, 2008 are discounted at an interest rate that reflects the risks inherent in those cash flows. Book value approximates fair value.

(iii) *Bonds and Line of Credit*

Fair value of bonds and notes payable is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for similar maturities and credit quality. Fair value of bonds and line of credit was approximately $219,680,000 and $246,144,000 as of June 30, 2012 and 2011, respectively.

(iv) *Capital Lease Obligation*

The University's capital lease obligation bears interest at rates which approximate prevailing market rates for instruments with similar characteristics and, accordingly, the carrying value approximates fair value.

(v) *Alternative Investments*

Alternative investments, such as private equity interests, are recorded based on valuations provided by the general partners or external investment managers. As these generally are investments without a ready market to compare, the inputs into the determination of fair value require significant judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Management reviews and evaluates the valuations and has determined that the valuation methods and assumptions result in reasonable estimates of fair value.

(g) Collections

The University's collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. The collections, which have been acquired through contributions since the University's inception, are not recognized as assets in the accompanying consolidated statement of financial position.

(h) Plant Facilities

Plant facilities are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts in kind. Depreciation of plant facilities is computed using the straight-line method over estimated useful lives of 5 to 50 years. Amortization of capital leases is provided over the estimated useful lives of the assets or over the life of the lease, as applicable, using the straight-line method.

(i) Deposits and Deferred Revenue

Deposits and deferred revenue consist of fees collected in advance under the University's guaranteed tuition plan, deposits and fees collected for not yet completed summer and fall terms as well as other miscellaneous deferred revenue.

(j) Annuity and Trust Obligations

The University has a variety of gift agreements, including charitable gift annuities and charitable remainder trusts, for which the University is the trustee. An estimated liability has been recorded for charitable gift annuities based upon Internal Revenue Service (IRS) actuarial tables. For charitable remainder trusts, the difference between the fair value of trust investments and the estimated University's remainder interests has been recorded as a liability.

(k) Bond Discounts, Premiums, and Issuance Costs

Bond discounts, premiums, and issuance costs are amortized using a method that approximates the effective interest method over the life of the associated bond issue. Bond discounts and premiums are included in bonds and line of credit, and issuance costs are included in other assets in the accompanying consolidated statement of financial position.

(l) Credit Concentration

Financial instruments that potentially subject the University to concentration of credit risk are cash, cash equivalents, investments, and receivables. The University's cash, cash equivalents, and investments are held by recognized financial institutions. The University deposits its cash with several financial institutions and its deposits, at times, exceed insured amounts. The University requires its investment managers to follow the University's investment policy, and the investment managers are subject to periodic review by the University's investment committee. The University's investments are comprised primarily of a diversified portfolio of marketable equity securities, investment grade debt and alternative assets. The credit risk with respect to student receivables is considered minimal due primarily to the wide dispersion of the receivables. Gross contributions receivable due from eight donors was $11,823,000 of the $21,187,000 as of June 30, 2012.

(m) Operations

Operating revenues consist of those items attributable to the University's academic programs, research conducted by the academic departments, and auxiliary operations. It is the policy of the Board of Trustees to designate a portion of the University's cumulative investment return for support of current operations; the remainder is retained to support operations in future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool and all investment income earned by investing cash in excess of daily requirements are used to support current operations.

Expenses associated with fundraising activities of the University were $6,345,000 and $5,698,000 in 2012 and 2011, respectively, which are included in institutional support in the accompanying consolidated statement of activities.

(n) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 could differ from those estimates.

(o) Prior Year Summarized Comparative Information

The consolidated financial statements include certain prior year 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

(p) Reclassifications

Certain reclassifications have been made to the 2011 comparative information to conform to the 2012 financial statement presentation.

(2) Net Assets

Net assets are reported in three classes based on the existence or absence of donor-imposed restrictions, as follows:

- Permanently restricted net assets consist of assets donated with stipulations that they be invested to provide a permanent source of income. It is the policy of the University to maintain the historic dollar value of these gifts in perpetuity.
- Temporarily restricted net assets consist primarily of (a) support of particular operating activities, (b) investment for a specified term, (c) use in a specified future period, (d) acquisition of long-lived assets, or (e) unexpended endowment earnings in excess of the historic dollar value. Donors' temporary restrictions may require that resources be used in a later period or after a specified date, or that resources be used for a specified purpose, or both. When restrictions expire or assets are expended according to donor restrictions, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statement of activities as net assets released from restrictions.
- Unrestricted net assets consist of amounts with no donor-imposed restrictions.

Net assets released from donor-imposed restrictions are summarized as follows (in thousands):

		2012	2011
Purpose restrictions accomplished:			
Scholarships	$	11,176	9,238
Departmental and other expenses		18,364	20,151
Additions to and renovations of plant facilities		5,579	10,876
	$	35,119	40,265

Temporarily restricted net assets as of June 30, 2012 and 2011 are restricted to (in thousands):

		2012	2011
Scholarships	$	126,303	142,221
Departmental and other expenses		164,054	183,715
Additions to and renovations of plant facilities		10	—
Passage of time		10,931	15,641
	$	301,298	341,577

(3) Contributions Receivable

Contributions receivable consisted of the following as of June 30, 2012 and 2011 (in thousands):

		2012	2011
Unconditional promises to be collected in:			
Less than one year	$	12,527	15,501
One to five years		8,359	6,621
More than five years		301	300
		21,187	22,422
Less allowance for uncollectible contributions		(1,724)	(889)
Less discount to present value		(927)	(674)
Net contributions receivable	$	18,536	20,859

The discount rate utilized for purposes of calculating the present value of contributions is 5.5%.

(4) Student and Other Receivables

Student and other receivables consisted of the following as of June 30, 2012 and 2011 (in thousands):

		2012	2011
Government grants	$	883	921
Notes, loans, and other receivables		10,713	9,967
Student receivables		2,241	2,483
Accrued interest receivable		523	523
		14,360	13,894
Less allowance for doubtful accounts		(1,047)	(1,092)
	$	13,313	12,802

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. In each of the years ended June 30, 2012 and 2011, student loans included in student and other receivables represented 0.5% of total assets.

At June 30, 2012 and 2011 student loans held by the University consisted of the following (in thousands):

		2012	2011
Federal government programs	$	8,073	7,998
Institutional programs		110	143
		8,183	8,141
Less allowance for doubtful accounts		(82)	(82)
Student loans receivable, net	$	8,101	8,059

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of $6.9 million at June 30, 2012 and $6.8 million at June 30, 2011 are ultimately refundable to the government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans cancelled under the program result in a reduction of funds available for loan and a decrease in the liability to the government. At June 30, 2012 and 2011, no material amounts were past due under other student loan programs.

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are guaranteed by the government and, therefore, no reserves are placed on any past due balances under the program.

(5) Investments

Investments as of June 30, 2012 and 2011 are summarized as follows (in thousands):

		2012	2011
Pooled cash and cash equivalents	$	24,014	23,567
Certificate of deposit investments		16,476	21,133
Mutual funds (2012 – bonds $28,494, equity $30,964, Int'l equity $51,094 & real estate $1,777; 2011 – bonds $27,866, equity $29,442, Int'l equity $63,444 & real estate $1,886)		112,329	122,638
Equity securities		22,429	37,797
Fixed income securities		49,271	43,108
Commingled funds		110,770	135,742
Hedge funds		175,955	194,296
Private equity		107,338	109,303
Real assets		79,330	74,508
Venture capital		60,849	63,162
Real estate, net of accumulated depreciation of $2,506 and $2,801 as of June 30, 2012 and 2011, respectively		13,705	18,645
Beneficial interest in funds held by others		6,318	5,800
Notes and other		4,668	4,765
Net pending trades		29,594	(511)
	$	813,046	853,953

The following table presents financial instruments that are measured at fair value as of June 30, 2012 and 2011 in accordance with the fair value hierarchy (in thousands):

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Pooled cash and cash equivalents	$ 24,014	—	—	24,014
Certificate of deposit investments	—	16,476	—	16,476
Mutual funds:				
Bond	28,494	—	—	28,494
Equity	30,964	—	—	30,964
International equity	51,094	—	—	51,094
Real estate	1,777	—	—	1,777
Equity holdings:				
Domestic	22,429	—	—	22,429
Fixed income holdings:				
Corporate bonds	—	45,641	—	45,641
Municipal bonds	—	3,331	—	3,331
U.S. treasury bonds	—	299	—	299
Commingled funds:				
International equity	—	68,557	—	68,557
Corporate bond	—	9,941	—	9,941
International government bond	—	32,272	—	32,272
Hedge funds:				
Equity	—	27,094	—	27,094
Distressed debt	—	—	32,871	32,871
Fund of funds	—	—	93,934	93,934
Global opportunistic	—	—	22,056	22,056
Private equity	—	—	107,338	107,338
Real assets	—	—	79,330	79,330
Venture capital	—	—	60,849	60,849
Real estate	—	13,705	—	13,705
Beneficial interest in funds held by others	—	—	6,318	6,318
Notes and other	20	—	4,648	4,668
Net pending trades	29,594	—	—	29,594
	$ 188,386	217,316	407,344	813,046

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Pooled cash and cash equivalents	$ 23,567	—	—	23,567
Certificate of deposit investments	—	21,133	—	21,133
Mutual funds:				
Bond	27,866	—	—	27,866
Equity	29,442	—	—	29,442
International equity	63,444	—	—	63,444
Real estate	1,886	—	—	1,886
Equity holdings:				
Domestic	37,797	—	—	37,797
Fixed income holdings:				
Corporate bonds	—	40,605	—	40,605
Municipal bonds	—	2,114	—	2,114
U.S. treasury bonds	—	389	—	389
Commingled funds:				
International equity	—	96,437	—	96,437
Corporate bond	—	9,361	—	9,361
International government bond	—	29,944	—	29,944
Hedge funds:				
Equity	—	28,106	—	28,106
Distressed debt	—	—	30,991	30,991
Fund of funds	—	—	125,430	125,430
Global opportunistic	—	—	9,769	9,769
Private equity	—	—	109,303	109,303
Real assets	—	—	74,508	74,508
Venture capital	—	—	63,162	63,162
Real estate	—	18,645	—	18,645
Beneficial interest in funds held by others	—	—	5,800	5,800
Notes and other	64	—	4,701	4,765
Net pending trades	—	—	(511)	(511)
	$ 184,066	246,734	423,153	853,953

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Certificate of deposit investments – The fair value of investments in certificates of deposits, which are derived from various sources and pricing matrices, are classified as Level 2.

Mutual funds – Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Equity holdings – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 and are traded in an active market for which closing stock prices are readily available.

Fixed income holdings – Investments in fixed income holdings are comprised of corporate bonds, municipal bonds and U.S. treasury bonds. Fixed income holdings are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Alternative investments – Investments in commingled funds, hedge funds, private equity, real assets, venture capital and funds of funds for which there is no readily determinable fair value are classified as Level 2 or 3, as the valuation is based on net asset value. In cases where the investee has provided its investors with a net asset value per share that has been calculated in accordance with Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures*, the University has estimated its fair value by using the net asset value provided by the investee as of December 31, adjusted for cash receipts, cash disbursements, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through June 30.

Beneficial interest in funds held by others – The University's beneficial interest in funds administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs and significant unobservable inputs.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables present a reconciliation of the consolidated statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2012 and 2011 (in thousands):

		June 30, 2012									
		Fair value measurements using significant unobservable inputs (level 3)									
		Hedge funds									
		Distressed debt	Funds of funds	Global opportunistic	Private equity	Real assets	Venture capital	Beneficial interest in funds held by others	Notes and other	Net pending trades	Total
						In thousands					
Beginning balance	$	30,991	125,430	9,769	109,303	74,508	63,162	5,800	4,701	(511)	423,153
Total gains or losses:											
Realized		225	(586)	—	5,656	1,621	8,612	—	—	—	15,528
Unrealized		942	(1,497)	287	(3,501)	(4,597)	(4,649)	518	—	—	(12,497)
Purchases and sales:											
Purchases		1,603	—	12,000	15,304	13,468	5,214	—	369	1,911	49,869
Sales		(890)	(29,413)	—	(19,424)	(5,670)	(11,490)	—	(422)	(1,400)	(68,709)
Ending balance	$	32,871	93,934	22,056	107,338	79,330	60,849	6,318	4,648	—	407,344
Change in unrealized gains (losses) for the period included in changes in net assets for assets still held at the reporting date	$	942	(1,436)	287	(3,501)	(4,597)	(4,649)	518	—	—	(12,436)

There were no significant transfers between Level 1 and Level 2 investments for the year ended June 30, 2012.

Realized and unrealized gains (losses) for 2012 from investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are reported in the consolidated statement of activities within the following line items:

		Income on investments, net	Investment gains, net of distributions
Realized and unrealized investment gains (losses) included in statement of activites for 2012 (above)	$	3,065	(34)

	June 30, 2011									
	Fair value measurements using significant unobservable inputs (level 3)									
	Hedge funds									
	Distressed debt	Funds of funds	Global opportunistic	Private equity	Real assets	Venture capital	Beneficial interest in funds held by others	Notes and other	Net pending trades	Total
	In thousands									
Beginning balance	$ 7,411	122	10,115	101,539	61,575	48,536	5,800	5,056	—	240,154
Transfers into Level 3	14,495	—	—	—	—	—	—	—	—	14,495
Transfers out of Level 3	—	—	—	—	—	—	—	—	—	—
Total gains or losses:										
Realized	1,279	26	—	8,894	1,297	7,850	—	(30)	—	19,316
Unrealized	613	404	(346)	6,495	11,008	10,869	—	(183)	—	28,860
Purchases and sales:										
Purchases	8,806	125,000	—	14,295	5,162	6,248	—	1,676	—	161,187
Sales	(1,613)	(122)	—	(21,920)	(4,534)	(10,341)	—	(1,818)	(511)	(40,859)
Ending balance	$ 30,991	125,430	9,769	109,303	74,508	63,162	5,800	4,701	(511)	423,153
Change in unrealized gains (losses) for the period included in changes in net assets for assets still held at the reporting date	$ 613	430	(346)	6,495	11,008	10,869	—	(196)	—	28,873

Realized and unrealized gains for 2011 from investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are reported in the consolidated statement of activities within the following line items:

	Income on investments, net	Investment gains, net of distributions
Realized and unrealized investment gains included in statement of activities for 2011 (above)	$ 5,541	42,635

The following table presents information for investments where the net asset value (NAV) was used as a practical expedient to measure fair value at June 30, 2012 (in thousands):

		Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Mutual Funds – Bonds	$	25	—	daily	
Mutual Funds – Int'l Equity		51,094	—	weekly, monthly	0-10 days
Commingled funds:					
International equity		68,557	—	monthly, quarterly	6 – 45 days
Corporate bond		9,941	—	monthly	6 – 7 days
International government bond		32,272	—	monthly	10 days
Hedge funds:					
Equity		27,094	—	monthly	30 days
Distressed debt		32,871	800	annually, n/a	90 – 180 days
Fund of funds		93,934	50,000	quarterly, annually	95 – 365 days
Global opportunistic		22,056	—	quarterly, annually, n/a	45 – 180 days
Real assets		79,330	27,621	daily, n/a	3 days
Private equity		107,338	35,681		
Venture capital		60,849	13,575		
Beneficial interest in funds held by others		6,318	—		
	$	591,679	127,677		

The University holds certain investments in real assets, private equity and venture capital limited partnerships in the amounts of $58,395,000, $107,338,000 and $60,849,000, respectively. These limited partnerships do not allow for periodic redemptions, but rather distributions are received through the liquidation of the underlying assets of the partnership. At June 30, 2012, these partnerships had estimated termination dates that ranged from 2012 to 2025. Within distressed debt hedge funds, the University holds $6,403,000 in a closed-end fund with an estimated termination date in 2018. Within fund of funds hedge funds, the University holds $10,453,000 and $24,653,000 in funds which currently have two year and one year lockup periods, respectively. After the lockup periods, both funds have a one year redemption notice period. Within fund of funds, the University has a $50,000,000 commitment to enter into a fund which will have a three year lockup period. The University also holds beneficial interest in funds that are managed by others. These funds, per donor restriction, are to be held in perpetuity by the third party and can never be redeemed.

The following schedule summarizes the investment return during 2012 and 2011 and its classification in the consolidated statement of activities (in thousands):

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Income on investments, net	$ 5,059	628	—	5,687
Net realized and unrealized losses	(3,080)	(17,498)	(296)	(20,874)
Total return on investments	1,979	(16,870)	(296)	(15,187)
Investment return designated for current operations	(7,561)	(21,537)	296	(28,802)
Investment gains (losses), net of distributions	$ (5,582)	(38,407)	—	(43,989)

Included in 2012 total return on investments is $16,263,000 in losses net of expenses related to alternative investments.

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Income on investments, net	$ 3,636	4,554	—	8,190
Net realized and unrealized gains	19,749	89,745	254	109,748
Total return on investments	23,385	94,299	254	117,938
Investment return designated for current operations	(8,856)	(23,057)	(254)	(32,167)
Investment gains, net of distributions	$ 14,529	71,242	—	85,771

(6) Endowment

The University’s endowment consists of approximately 600 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

Interpretation of Relevant Law - The University's governing board has interpreted UPMIFA enacted in the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Endowment net asset composition by type of fund consists of the following as of June 30, 2012 (in thousands):

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (1,326)	286,470	273,875	559,019
Board-designated endowment funds	133,092	—	—	133,092
Total endowment net assets	$ 131,766	286,470	273,875	692,111

Endowment net asset composition by type of fund consists of the following as of June 30, 2011 (in thousands):

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ (158)	321,778	264,587	586,207
Board-designated endowment funds	131,807	—	—	131,807
Total endowment net assets	$ 131,649	321,778	264,587	718,014

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2011	$ 131,649	321,778	264,587	718,014
Investment return:				
Investment income	438	3,242	—	3,680
Net appreciation (depreciation) – realized and unrealized	1,369	(22,077)	—	(20,708)
Total investment return	1,807	(18,835)	—	(17,028)
Contributions	308	2,731	9,288	12,327
Appropriation of endowment assets for expenditure	(5,966)	(20,623)	—	(26,589)
Other changes:				
Transfers to board designated endowment funds	3,968	—	—	3,968
Transfers from annuities	—	1,419	—	1,419
Endowment net assets, June 30, 2012	$ 131,766	286,470	273,875	692,111

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2010	$ 121,998	244,647	258,640	625,285
Investment return:				
Investment income	1,142	5,385	—	6,527
Net appreciation (depreciation) – realized and unrealized	21,297	86,280	94	107,671
Total investment return	22,439	91,665	94	114,198
Contributions	—	2,324	5,853	8,177
Appropriation of endowment assets for expenditure	(9,171)	(16,858)	—	(26,029)
Other changes:				
Transfers from board designated endowment funds	(3,617)	—	—	(3,617)
Endowment net assets, June 30, 2011	$ 131,649	321,778	264,587	718,014

Funds with Deficiencies – 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 UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $1,326,000 and $158,000 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 and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters – The University's governing board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets to create generational equity. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, 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 University's investments include a diversified portfolio consisting of equities, fixed income and alternative assets. Targeted asset allocation percentages for each of these components are reviewed periodically throughout the year for potential adjustment of asset mix while evaluating the relative risk of each component.

Spending Policy – Endowment spending is determined using a weighted average calculation of two components. The first component is the prior year spending allocated for each endowment increased by an inflationary factor weighted by 40%. The second component is a 12 quarter rolling market value average times an established spending rate of 4.5% weighted by 60%. The combination of these two calculations is the endowment spending allocation.

(7) Plant Facilities

Plant facilities as of June 30, 2012 and 2011 are as follows (in thousands):

	2012	2011
Land	$ 46,463	41,755
Buildings	564,025	497,748
Improvements other than buildings	71,254	69,743
Equipment	113,714	105,869
Library books	63,997	61,540
	859,453	776,655
Accumulated depreciation and amortization	(243,183)	(221,166)
	616,270	555,489
Construction in progress	40,726	9,918
	$ 656,996	565,407

(8) Bonds and Line of Credit

Bonds and line of credit as of June 30, 2012 and 2011 are as follows (in thousands):

		2012	2011
2% to 5% California Education Facilities Authority (CEFA) Revenue Bonds Series 2010 maturing serially through February 1, 2030 and CEFA term bonds totaling $27,740 maturing February 1, 2029, 2032, and 2040, secured by the full faith and credit of the University	$	53,211	53,950
4% to 5.625% California Education Facilities Authority (CEFA) Revenue Bonds Series 2008 maturing serially through April 1, 2028 and CEFA term bonds totaling $26,380 maturing April 1, 2033 and 2037, secured by the full faith and credit of the University		65,317	66,916
2.625% to 4.625% CEFA Series 2003A bonds maturing serially through 2023 and CEFA Series 2003A term bonds totaling $3,170 maturing September 1, 2028 and 2033 fully insured as to principal and interest, secured by the full faith and credit of the University		10,223	10,880
2.1% to 5.0% CEFA Series 2002A bonds maturing serially to February 1, 2012 and CEFA Series 2002A term bonds totaling $17,490 were defeased February 1, 2012 fully insured as to principal and interest, secured by the full faith and credit of the University		—	18,012
3.5% to 5.25% CEFA Series 1999 bonds maturing serially through 2026, fully insured as to principal and interest, secured by the full faith and credit of the University		69,482	72,716
4.5% JST Mortgage payable to six Provinces for the purchase of 2600 Virginia St. Payments of principal and interest are made quarterly based on an amortization schedule that matures in September, 2021		480	783
Other notes payable		—	350
	$	198,713	223,607

The University's policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year. $553,000 was capitalized during the year ended June 30, 2012. No amounts were capitalized during the year ended June 30, 2011.

For the years ended June 30, 2012 and 2011, total interest expense, net of amounts capitalized, was $12,003,000 and $9,834,000, respectively. $1,677,000 of the total amount represents interest expense associated with the University's capital lease obligation.

(Continued)

The annual debt service requirements subsequent to June 30, 2012 are as follows (in thousands):

		Principal maturities	Interest	Total
Year ending June 30:				
2013	$	5,818	10,249	16,067
2014		5,710	10,174	15,884
2015		5,719	9,998	15,717
2016		5,589	9,900	15,489
2017		7,989	8,249	16,238
Thereafter		167,888	81,356	249,244
	$	198,713	129,926	328,639

Cash and investments of restricted bond retirement funds, construction and equipment funds, and other funds held by trustees as of June 30, 2012 and 2011, totaled approximately $3,901,000 and $44,233,000, respectively. Investment income from restricted bond retirement funds is required to be used to provide for bond principal and interest payments.

The University has $5,000,000 available under an unsecured revolving credit agreement that matures in December 2012. As of June 2012 and 2011, no amounts were outstanding on this line of credit.

In August 2007, JST-SCU entered into a $300,000 revolving line of credit agreement with a commercial bank that matured February 10, 2011. The interest rate on this line of credit was based on prime + 1% or 5%, whichever is greater. The line of credit was not renewed upon maturity.

(9) Capital Lease

The University has entered into an agreement to lease a student residential housing facility beginning September 1, 2011. Two members of the University's Board of Trustees and their families have material financial interests in the entities that developed and are leasing the facility to the University. Construction on this facility commenced in 2010 and was completed prior to the start of the lease. The initial term is for 234 months with annual payments of approximately $3,500,000. At the end of the initial lease term, the University has two successive options to extend the lease for additional eight year terms. The gross amount of buildings recorded as a capital lease and the related depreciation expense was approximately $45,553,000 and $1,947,000, respectively at June 30, 2012. No amounts were recorded under capital leases for the year ended June 30, 2011.

Future minimum capital lease payments as of June 30, 2012 are as follows (in thousands):

		Capital lease
Year ending June 30:		
2013	$	3,500
2014		3,500
2015		3,500
2016		3,500
2017		3,500
Thereafter		47,833
Total minimum lease payments		65,333
Less amount representing interest		(21,020)
Present value of net minimum capital lease payments	$	44,313

(10) Pension Plan

The University provides retirement benefits for faculty, staff, and administrative employees through Internal Revenue Code (IRC), Section 401(a) and 403(b) plans. During 2012 and 2011, the University contributed approximately $10,909,000 and $10,783,000, respectively, to the 401(a) plan on behalf of its faculty, staff, and administrative employees. The University does not contribute to the 403(b) plan.

(11) Income Taxes

The University is recognized by the Internal Revenue Service as an organization exempt from income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and is also exempt under California Revenue and Taxation Code Section 23701d. The University receives some unrelated business income. Taxes on such income, if any, are not material to the University's consolidated financial statements.

(12) Related-Party Transactions and Amounts Held on Behalf of Others

The Jesuit Community is a separate entity and provides the University with teaching and administrative services. Compensation paid to the Jesuit Community for those services approximated $3,359,000 and $2,989,000 in 2012 and 2011, respectively, which is included in educational and general expenses in the accompanying consolidated financial statements.

As of June 30, 2012 and 2011, $5,704,000 and $6,409,000, respectively, of contributions receivable are due from members of the Board of Trustees.

During 2006 the University entered into an agreement with the Mission Cemetery owned by the Jesuit Community to participate in the University investment activity by transferring cash into the University's endowment investment portfolio. The Mission Cemetery's investment at fair value is included in Amounts Held on Behalf of Others on the University's consolidated statement of financial position. The fair value of the investment at June 30, 2012 is $35,822,000. The University also holds $3,014,000 in Amounts Held on Behalf of Others for the California Province of the Society of Jesus (CPSJ) Insurance Group of which it is a member and whose administrators are employees of the University. The remaining balance of $213,000 in Amounts Held on Behalf of Others is held by the University on behalf of other various outside agencies.

As discussed in note 9, two members of the University's Board of Trustees and their families have material financial interests in the entities that developed and are leasing a student residential housing facility to the University.

(13) Commitments and Contingencies

As of June 30, 2012, the University has contractual obligations of approximately $40,287,000 for completion of facilities projects under construction. These obligations are financed with certain debt proceeds, unexpended funds, and gifts. The University self-insures unemployment benefits. It is management's opinion that the amount provided in accrued expenses to cover expected claims is adequate. The University is subject to audits for amounts received under federal government student financial aid awards and research grants from the federal government. Management believes such audits will not result in any material liabilities against the University.

The University is a defendant in various legal actions. While the outcome of these actions is not currently determinable, management is of the opinion that any uninsured liability from such actions will not have a material effect on the University's financial position.

(14) Subsequent Events

Subsequent events have been evaluated through October 19, 2012, which corresponds to the date when the financial statements were issued.