Xavier University

Financial Statements as of June 30, 2012 and 2011,
and for the Year Ended June 30, 2012 and the
Thirteen Months Ended June 30, 2011, and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Xavier University
Cincinnati, Ohio

We have audited the accompanying statements of financial position of Xavier University (the "University") as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the year ended June 30, 2012 and the thirteen months ended June 30, 2011. 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 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 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the year ended June 30, 2012 and the thirteen months ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 19, 2012

XAVIER UNIVERSITY

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CASH	$ 19,205,877	$ 21,554,480
SHORT-TERM INVESTMENTS	4,355,308	23,006,336
ACCOUNTS AND LOANS RECEIVABLE:		
Student accounts receivable — less allowance for doubtful accounts of $775,000 in 2012 and $772,439 in 2011	5,275,931	5,064,667
Student loans receivable — less allowance for doubtful loans of $354,000 in 2012 and $354,000 in 2011	4,550,358	4,731,964
ACCRUED INCOME RECEIVABLE	3,254,417	3,350,377
CONTRIBUTIONS RECEIVABLE — Net (Note 5)	42,744,134	48,111,010
PREPAID EXPENSES, DEFERRED CHARGES — Other assets	5,985,970	6,705,332
INVESTMENTS (Note 6)	176,213,519	161,236,648
UNEXPENDED REVENUE BOND PROCEEDS	-	117
CONSTRUCTION IN PROGRESS	1,869,458	56,807,978
INVESTMENT IN PLANT — Net of accumulated depreciated (Note 8)	298,793,963	242,699,544
TOTAL ASSETS	$ 562,248,935	$ 573,268,453
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 5,477,956	$ 5,358,595
Advance payments and deposits	2,742,958	1,744,815
Accrued compensation costs	8,556,012	8,514,234
Accrued postretirement benefit costs (Note 11)	6,105,205	5,971,071
Deferred revenue	7,311,813	6,349,192
Interest rate swap	24,256,000	10,110,000
Indebtedness (Note 9)	198,136,720	201,067,565
Refundable advances (Note 2)	3,722,795	5,685,267
Total liabilities	256,309,459	244,800,739
NET ASSETS:		
Unrestricted	168,183,063	185,031,477
Temporarily restricted (Note 3)	63,742,942	72,128,313
Permanently restricted (Note 4)	74,013,471	71,307,924
Total net assets	305,939,476	328,467,714
TOTAL LIABILITIES AND NET ASSETS	$ 562,248,935	$ 573,268,453

See notes to financial statements.

XAVIER UNIVERSITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES:				
Tuition and fees	$156,872,644	$ -	$ -	$156,872,644
Less student aid	(54,319,478)	-	-	(54,319,478)
Net tuition	102,553,166	-	-	102,553,166
Sales and services of auxiliary enterprises	32,073,098	-	-	32,073,098
Less student aid	(1,886,640)	-	-	(1,886,640)
Net auxiliary enterprises	30,186,458	-	-	30,186,458
Government grants and contracts	2,021,520	-	-	2,021,520
Private gifts, grants and contracts	8,971,174	6,137,079	-	15,108,253
Endowment income used in operations	578,113	4,010,721	-	4,588,834
Investment return — operating	1,322,134	-	-	1,322,134
Other sources	11,128,813	-	-	11,128,813
	156,761,378	10,147,800	-	166,909,178
Net assets released from restriction	10,069,143	(10,069,143)	-	-
Total operating revenues	166,830,521	78,657	-	166,909,178
OPERATING EXPENSES:				
Instruction	58,923,131	-	-	58,923,131
Public service	2,261,815	-	-	2,261,815
Academic support	9,002,546	-	-	9,002,546
Student services	26,374,357	-	-	26,374,357
Institutional support	32,809,985	-	-	32,809,985
Operation and maintenance of plant	12,558,265	-	-	12,558,265
Auxiliary enterprises	23,669,302	-	-	23,669,302
Total operating expenses	165,599,401	-	-	165,599,401
Increase in net assets from operations	1,231,120	78,657	-	1,309,777
NONOPERATING ACTIVITIES:				
Contributions and change in contributions receivable for nonoperating purposes	-	(1,996,573)	50,000	(1,946,573)
Contributions to endowment funds	-	22,350	2,640,795	2,663,145
Investment return — net of amounts used in operations	(3,342,632)	(4,503,966)	34,752	(7,811,846)
Actuarial change in annuity liability	-	(125,769)	-	(125,769)
Actuarial change in post-retirement health care benefits	(694,477)	-	-	(694,477)
Net assets released from restriction	1,880,070	(1,860,070)	(20,000)	-
Change in fair value of interest rate swap agreements	(14,646,000)	-	-	(14,646,000)
Loss on disposal of property	(1,276,495)	-	-	(1,276,495)
Increase (decrease) in net assets from nonoperating activities	(18,079,534)	(8,464,028)	2,705,547	(23,838,015)
INCREASE (DECREASE) IN NET ASSETS	(16,848,414)	(8,385,371)	2,705,547	(22,528,238)
NET ASSETS — Beginning of year	185,031,477	72,128,313	71,307,924	328,467,714
NET ASSETS — End of year	$168,183,063	$ 63,742,942	$ 74,013,471	$305,939,476

See notes to financial statements.

XAVIER UNIVERSITY

STATEMENT OF ACTIVITIES
FOR THE THIRTEEN MONTHS ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES:				
Tuition and fees	$155,279,984	$ -	$ -	$155,279,984
Less student aid	(48,806,935)	-	-	(48,806,935)
Net tuition	106,473,049	-	-	106,473,049
Sales and services of auxiliary enterprises	27,317,988	-	-	27,317,988
Less student aid	(1,204,770)	-	-	(1,204,770)
Net auxiliary enterprises	26,113,218	-	-	26,113,218
Government grants and contracts	2,358,690	-	-	2,358,690
Private gifts, grants and contracts	8,348,575	6,645,781	-	14,994,356
Endowment income used in operations	835,479	4,246,715	-	5,082,194
Investment return — operating	1,172,097	-	-	1,172,097
Other sources	11,682,119	-	-	11,682,119
	156,983,227	10,892,496	-	167,875,723
Net assets released from restriction	9,509,761	(9,509,761)	-	-
Total operating revenues	166,492,988	1,382,735	-	167,875,723
OPERATING EXPENSES:				
Instruction	58,123,368	-	-	58,123,368
Public service	1,649,018	-	-	1,649,018
Academic support	9,952,995	-	-	9,952,995
Student services	25,657,869	-	-	25,657,869
Institutional support	31,351,701	-	-	31,351,701
Operation and maintenance of plant	17,970,155	-	-	17,970,155
Auxiliary enterprises	22,665,091	-	-	22,665,091
Total operating expenses	167,370,197	-	-	167,370,197
Increase in net assets from operations	(877,209)	1,382,735	-	505,526
NONOPERATING ACTIVITIES:				
Contributions and change in contributions receivable for nonoperating purposes	-	7,556,979	25,000	7,581,979
Contributions to endowment funds	-	49,525	1,207,106	1,256,631
Investment return — net of amounts used in operations	6,288,311	8,882,432	26,871	15,197,614
Actuarial change in annuity liability	-	(185,235)	-	(185,235)
Actuarial change in post-retirement health care benefits	202,289	-	-	202,289
Net assets released from restriction	5,505,519	(5,505,519)	-	-
Change in fair value of interest rate swap agreements	(255,000)	-	-	(255,000)
Loss on disposal of property	(1,572,483)	-	-	(1,572,483)
Increase in net assets from nonoperating activities	10,168,636	10,798,182	1,258,977	22,225,795
INCREASE IN NET ASSETS	9,291,427	12,180,917	1,258,977	22,731,321
NET ASSETS — Beginning of year	175,740,050	59,947,396	70,048,947	305,736,393
NET ASSETS — End of year	$185,031,477	$72,128,313	$71,307,924	$328,467,714

See notes to financial statements.

XAVIER UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012 AND THE THIRTEEN MONTHS ENDED JUNE 30, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (22,528,238)	$ 22,731,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,039,477	12,994,975
Amortization of bond premium and discount	106,878	101,111
Loss on disposal of property and equipment	1,276,495	1,572,483
Provision for losses on accounts receivable	2,561	(127,561)
Provision for losses on student loans	-	(5,000)
Provision for losses on contributions receivable	732,949	170,929
Decrease (increase) in accounts receivable	(213,825)	4,936,264
Decrease (increase) in contributions receivable	4,633,927	(1,255,833)
Decrease (increase) in accrued income receivable	95,960	3,832,476
Decrease (increase) in prepaid expenses, deferred charges and other assets	719,362	(504,328)
(Decrease) increase in accounts payable and other accrued liabilities	775,405	(1,694,420)
(Decrease) increase in deferred revenue	962,621	(6,528,714)
Contributions to endowment and similar funds	(5,537,168)	(3,692,111)
Decrease in fair value of interest rate swap agreements	14,146,000	255,000
Change in net realized and unrealized losses and (gains) on investments	5,189,780	(18,446,340)
Net cash provided by operating activities	14,402,184	14,340,252
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	137,279,717	222,750,543
Purchases of investments	(138,795,338)	(221,963,076)
Purchases of property and equipment	(15,953,860)	(61,757,143)
Student loans issued	(477,483)	(258,522)
Student loans repaid	659,089	673,552
Decrease (increase) in unexpended revenue bond proceeds	117	42,627,160
Net cash used in investing activities	(17,287,758)	(17,927,486)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions to endowment and similar funds	5,537,168	3,692,111
Payments of bonds and notes payable	(3,037,725)	(3,240,329)
Grants (returned) advanced	(1,962,472)	15,738
Net cash provided by financing activities	536,971	467,520
NET CHANGE IN CASH	(2,348,603)	(3,119,714)
CASH — Beginning of year	21,554,480	24,674,194
CASH — End of year	$ 19,205,877	$ 21,554,480
SUPPLEMENTAL DISCLOSURES:		
Property and equipment in accounts payable	$ 982,187	$ 464,176
Interest paid, net of capitalized interest	$ 8,952,274	$ 9,928,095

See notes to financial statements.

1. ORGANIZATION

Xavier University (the "University") is a not-for-profit Jesuit educational institution located on a 190-acre campus in Cincinnati, Ohio. The University was founded in 1831 and today is a coeducational institution with more than 7,000 students in undergraduate and graduate programs. The University is a qualifying organization under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The financial statements of the University, which are presented on the accrual basis of accounting, have been prepared to focus on the organization as a whole and to present balances and transactions in accordance with generally accepted accounting principles.

The University controls six not-for-profit entities that hold title to approximately 34 acres of land adjacent to the University. The University fully funds these entities and any related property acquisitions, improvements and expenses. The University is sole controlling entity of these entities and consolidates the entities' activities into the University's financial statements.

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:

Unrestricted — Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted — Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.

Permanently Restricted — Net assets subject to donor-imposed stipulations that they will be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues from sources other than contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction on the Statements of Activities. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. The Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) allows the Board of Trustees to appropriate a percentage of the net appreciation on endowment accounts as is prudent considering the University's present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions, unless directed by the donor's intent. The endowment spending policy is based on a spending rate established by the University's Board of Trustees. This rate represents the expected long-term return on endowment investments less an allowance for the preservation and growth of principal.

Contributions, including unconditional promises to give (contributions receivable), are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Cash and Short-Term Investments — Cash consists principally of amounts held in checking, savings and petty cash accounts in various financial institutions with an original maturity of three months or less. Short-term investments consist of commercial paper, cash equivalents held in managed trust accounts and U.S. treasuries. All short-term investments are recorded at fair value.

Financial instruments that potentially subject the University to significant concentrations of credit risk consist principally of cash deposits. The University maintains cash balances at financial institutions with strong credit ratings. Generally, amounts invested with financial institutions are in excess of FDIC insurance limits, with the exception that all non-interest bearing deposits are fully insured through December 31, 2012.

Accounts and Loans Receivable — Accounts receivable consist of amounts due from students for tuition and fees. Loans receivable consist primarily of loans made to students under United States government loan programs. Accounts and loans are stated at estimated net realizable value. The allowances for doubtful accounts and loans are based on expected collections on these accounts and loans.

Income Taxes — The University is a qualifying organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is, therefore, exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The University believes it is no longer subject to income tax examinations for years prior to 2008. As of June 30, 2012, the University has no uncertain tax positions.

Investments — Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Other investments including real estate are recorded at cost or, if acquired by gift, at fair value at the date of gift. Fair values for certain private equity and real estate investments held through limited partnerships, hedge funds or commingled fund shares are estimated by the respective external investment managers if market values are not readily ascertainable and are considered by the University as non-marketable alternative investments. These valuations necessarily involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ materially from actual results. The fair value of non-marketable alternative investments may be based on historical cost, obtainable prices for similar assets, or other estimates. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Alternative investments are less liquid than the University's other investments.

Unexpended Revenue Bond Proceeds — Unexpended revenue bond proceeds represent undisbursed funds to be used for capital projects of the University. Such proceeds have been invested in short-term investments and U.S. government securities and are carried at fair value.

Investment in Plant — Fixed assets are recorded at cost at the date of acquisition, or fair value at the date of donation, with the estimated useful lives as follows:

Land improvements	20 years
Buildings	40 years
Building improvements	20 years
Equipment	5–20 years
Library collection	20 years

Collections — The University's collections of art, which were acquired through purchases and contributions since the organization's inception, are not recognized as assets on the Statements of Financial Position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Refundable Advances:

U.S. Government Grants — Funds provided by the United States government under the Federal Perkins and Nursing Student Loan programs are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the government and, therefore, recorded as a liability in the accompanying financial statements. The amount of government refundable advances at June 30, 2012 and 2011 was $3,722,795 and $3,685,267, respectively.

Private Grants — The University received funds from private sources beginning in 2007, the earnings from which were to be used as grants for nursing students. The University paid a 1% annual fee to the grantor. These funds were refunded to the grantor during the current year, and, therefore, no amount is outstanding at June 30, 2012. The amount of private refundable advances at June 30, 2011 was $2,000,000.

Operations — The Statement of Activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all the activities of the University except for certain items specifically considered to be of a nonoperating nature. Unrestricted contributions included in nonoperating activities consist of bequests and other unrestricted gifts not solicited as part of the annual fundraising campaigns, gifts restricted for the acquisition of capital assets and gifts restricted to endowment funds. Nonoperating activities also include realized and unrealized gains or losses on investments, endowment income in excess of the established spending policy and significant items of an unusual or nonrecurring nature.

Liquidity — Assets and liabilities are listed in their estimated order of liquidity. For those accounts for which such liquidity is unclear, additional disclosures have been made in the notes to the University's financial statements.

Use of Estimates — Management of the University has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Recent Accounting Pronouncements —In January 2010, the Financial Accounting Standards Board issued *Accountings Standards Update 2010-06, Fair Value Measurements and Disclosures Topic 820 ("ASU2010-06").* ASU2010-06 modifies disclosure requirements for assets and liabilities with fair values based on unobservable inputs. The final provisions of ASU2010-06 became effective for fiscal periods beginning after December 15, 2010. The implementation of ASU2010-06 had no impact on the financial position of the University.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 and 2011, consist of the following:

	2012	2011
Unexpended contributions for restricted purposes	$10,373,813	$10,059,773
Contributions for capital assets	1,362,880	1,604,982
Endowments	29,887,197	34,400,249
Annuity and life income funds	779,818	915,637
Contributions receivable	21,339,234	25,147,672
Total temporarily restricted net assets	$63,742,942	$72,128,313

Contributions receivable included in temporarily restricted net assets are primarily restricted for the acquisition and improvement of campus facilities.

4. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2012 and 2011, consist of the following:

	2012	2011
Student loan funds	$ 307,669	$ 277,669
Endowment funds	69,923,238	66,623,666
Contributions receivable	3,782,564	4,406,589
Total permanently restricted net assets	$74,013,471	$71,307,924

Contributions receivable included in permanently restricted net assets are primarily restricted for endowed student aid.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2012 and 2011, consist of the following:

	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	$ 9,584,845	$ 8,532,151
One year to five years	22,940,833	26,965,327
Five years and thereafter	13,481,014	17,413,504
Total	46,006,692	52,910,982
Less allowance for uncollectible contributions	(2,234,837)	(1,501,888)
Discount for present value	(1,027,721)	(3,298,084)
Total	$ 42,744,134	$ 48,111,010

6. INVESTMENTS

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

	2012		2011	
	Cost	Market Value	Cost	Market Value
U.S. government and agency obligations	$ 19,190,423	$ 19,280,018	$ 11,650,270	$ 11,639,837
Corporate stocks and stock funds	70,057,332	69,631,702	70,688,856	74,409,482
Corporate bonds and bond funds	64,698,352	67,403,948	47,615,646	50,201,017
Mortgage and asset-backed securities	6,792,283	6,770,673	8,394,058	8,334,102
Alternative investments	9,838,948	11,336,899	13,155,136	14,861,931
Real estate	1,790,279	1,790,279	1,790,279	1,790,279
	$ 172,367,617	$ 176,213,519	$ 153,294,245	$ 161,236,648
Short-term investments	$ 4,355,308	$ 4,355,308	$ 23,006,336	$ 23,006,336

Investment activity for the year ended June 30, 2012 and the thirteen months ended June 30, 2011 was:

	2012	2011
Dividend, interest, and other investment income	$ 3,600,588	$ 3,361,569
Net realized and unrealized gain (loss)	(5,189,780)	$ 18,446,340
Outside investment management fees	(311,686)	(356,004)
Total investment income, including net gains, net of outside mangment fees	(1,900,878)	21,451,905
(Less: investment return operating)	5,910,968	6,254,291
Investment return, net of amounts used in operations	$ (7,811,846)	$ 15,197,614

7. ENDOWMENT FUNDS

The University's endowment consists of approximately 740 individual funds established for a variety of purposes, such as scholarships, endowed chairs, departmental and operating budget support. The endowment includes both donor-restricted endowment funds and funds designated by the University to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), 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.

The University classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with directions of the applicable donor instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

Endowment Net Asset Composition by Type of Fund as of June 30, 2012	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted	$ -	$ 29,887,197	$ 69,923,238	$ 99,810,435
Board-designated	17,542,103	-	-	17,542,103
Total funds	$ 17,542,103	$ 29,887,197	$ 69,923,238	$ 117,352,538

Changes in Endowment Net Assets for the Year Ended June 30, 2012				
Endowment net assets — July 1, 2011	$ 18,484,830	$ 34,400,249	$ 66,623,666	$ 119,508,745
Contributions and other additions	2,250,000	22,350	3,264,818	5,537,168
Total investment return	(2,614,614)	(524,681)	34,754	(3,104,541)
Amounts appropriated for expenditure	(578,113)	(4,010,721)	-	(4,588,834)
Endowment net assets — June 30, 2012	$ 17,542,103	$ 29,887,197	$ 69,923,238	$ 117,352,538

Endowment Net Asset Composition by Type of Fund as of June 30, 2011	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted	$ -	$ 34,400,249	$ 66,623,666	$ 101,023,915
Board-designated	18,484,830	-	-	18,484,830
Total funds	$ 18,484,830	$ 34,400,249	$ 66,623,666	$ 119,508,745

Changes in Endowment Net Assets for the Thirteen Months Ended June 30, 2011				
Endowment net assets — June 1, 2010	$ 11,014,708	$ 25,728,610	$ 64,304,209	$ 101,047,527
Contributions and other additions	1,350,000	49,525	2,292,586	3,692,111
Total investment return	6,955,601	12,868,829	26,871	19,851,301
Amounts appropriated for expenditure	(835,479)	(4,246,715)	-	(5,082,194)
Endowment net assets — June 30, 2011	$ 18,484,830	$ 34,400,249	$ 66,623,666	$ 119,508,745

Permanently restricted net assets reflect the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA.

The University 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 over time. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide for preservation of capital with an emphasis on consistent long-term growth of capital, without undue exposure to risk. The University expects its endowment funds, over time, to provide an average total rate of return that exceeds the Consumer Price Index by at least 4.5% annually. Actual returns in any given year may vary from this amount.

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 and current yield. The University utilizes a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The University has adopted a spending policy which appropriates for distribution each year 4.5% of the average fair value of each endowment fund over the prior 12 quarters through the end of the preceding fiscal year. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average rate exceeding the Consumer Price Index.

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 be retained as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature amounted to $3,793,158 as of June 30, 2012 and $1,783,687 as of June 30, 2011. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions. The University transferred unrestricted net assets to the underwater endowments as required by UPMIFA.

8. INVESTMENT IN PLANT

The components of the University’s investment in plant at June 30, 2012 and 2011 are as follows:

	2012	2011
Land	$ 29,453,886	$ 28,962,601
Land improvements	41,012,806	33,156,876
Buildings and building improvements	310,478,521	250,193,899
Equipment	31,159,089	40,112,216
Library collection	3,225,273	5,328,399
	415,329,575	357,753,991
Less accumulated depreciation	(116,535,612)	(115,054,447)
Investment in plant — net	$ 298,793,963	$ 242,699,544

Depreciation expense was $14,039,477 and $12,994,975 for the year ended June 30, 2012 and the thirteen months ended June 30, 2011, respectively.

9. INDEBTEDNESS

The University has an unsecured $5,000,000 line of credit with a bank. Balances outstanding are payable on the expiration date with interest due monthly at LIBOR plus 2.0%. There are no balances outstanding on the line of credit, which expires on May 31, 2014.

Indebtedness at June 30, 2012 and 2011 consists of the following:

	2012	2011
State of Ohio Higher Educational Facility Revenue Bonds:		
2010 Series — principal due annually beginning May 2013 through May 2040, interest rate ranges from 2.50% to 5.00% (net of unamortized original issue discount)	$ 49,012,589	$ 49,005,514
2008 Series C — principal due annually through May 2038, interest rate ranges from 4.0% to 6.25% (net of unamortized original issue discount)	51,684,131	52,394,326
2008 Series A — principal due annually beginning May 2016 through May 2042, variable interest rate, resets weekly, 0.15% at June 30, 2012, the 2008 Series A & B bonds are secured by irrevocable direct pay letter of credit in the amount of $72,043,034 with an expiration date of April 28, 2015	23,475,000	23,475,000
2008 Series B — principal due annually beginning May 2016 through May 2042, variable interest rate, resets weekly, 0.18% at June 30, 2012, the 2008 Series A & B bonds are secured by irrevocable direct pay letter of credit in the amount of $72,043,034 with an expiration date of April 28, 2015	47,380,000	47,380,000
2000 Series A — principal due annually through May 2015, variable interest rate, resets weekly, 0.16% at June 30, 2012, secured by irrevocable direct pay letter of credit in the amount of $6,883,203 with an expiration date of May 15, 2015	6,770,000	8,705,000
2000 Series B — principal due annually beginning in May 2017 through November 2030, variable interest variable interest rate, resets weekly, 0.15% at June 30, 2012, secured by irrevocable direct pay letter of credit in the amount of $20,147,240 with an expiration date of February 15, 2014	19,815,000	19,815,000
Note payable	-	292,725
Total indebtedness	$ 198,136,720	$ 201,067,565

The annual maturities of indebtedness for the years ending June 30 are as follows:

2013	$ 3,699,811
2014	3,831,583
2015	3,975,587
2016	4,126,260
2017	4,611,920
Thereafter	177,891,559
	$ 198,136,720

The outstanding State of Ohio Higher Educational Facility Revenue Bonds ("Bonds") are secured by a pledge of University revenues to the Bond trustee. The Pledge Agreement ("Agreement") secures substantially all of the University's indebtedness along with the University's obligations to any credit or liquidity facility providers or counterparties to derivative agreements relating to the Bonds. All of these obligations are secured on a parity basis and the Agreement provides a mechanism for the University to secure future indebtedness also on a parity basis. As of June 30, 2012, the University was in compliance with all restrictive covenants set forth in the various bond and indenture agreements.

Certain other bonds were defeased by the University in prior years. This was accomplished through the issuance of new bonds and the placement of U.S. government securities with a trustee in an amount sufficient to repay principal and interest on the bonds as they become due. Accordingly, these bonds are considered to be extinguished for financial reporting purposes and the bonds and related securities are not included in the University's Statements of Financial Position. The total outstanding balance of all defeased bonds as of June 30, 2012 was approximately $50,370,000 ($53,045,000 as of June 30, 2011).

Interest expense was approximately $8,994,000 for the year ended June 30, 2012 ($7,084,000 for the thirteen months ended June 30, 2011). Additionally, the University capitalized approximately $176,000 of capitalized interest for the year ended June 30, 2012 and $3,069,000 for the thirteen months ended June 30, 2011.

In 2008, the University entered into interest rate swap agreements with Barclays Capital and Deutsche Bank AG to reduce exposure to floating interest rates on variable rate debt. These swap agreements have the effect of fixing the rate of interest on the Ohio Higher Educational Facility Revenue Bonds as follows:

Bonds	**Notional Amount**	**University Pays**	**University Receives**	**Effective Date**	**Maturity Date**
Series 2008A	$ 23,475,000	3.316 %	67% of 1 month LIBOR	October 2008	May 2042
Series 2008B	47,380,000	4.257	100% of 1 month LIBOR	October 2008	May 2016
Series 2008B	46,650,000	3.658	67% of 1 month LIBOR	May 2016	May 2042

The estimated payment by the University to terminate the swap agreements was $24,256,000 and $10,110,000 as of June 30, 2012 and 2011, respectively. These amounts are reflected separately in liabilities in the Statements of Financial Position. The change in the fair value of the interest rate swap agreements of $14,146,000 and $255,000 for the year ended June 30, 2012 and for the thirteen months ended June 30, 2011, respectively, are included in nonoperating activities in the statements of activities.

10. RETIREMENT PLAN

The University has a 403(b) contributory retirement plan through Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) that covers substantially all full-time employees after certain eligibility requirements have been met. University contributions to the plan range from 8.50% to 10.00% of eligible compensation.

These contributions amounted to approximately $5,011,000 for the year ended June 30, 2012 ($5,011,000 for the thirteen months ended June 30, 2011). Plan participants are also required to make contributions to the plan ranging from 2.00% to 5.00% of their compensation. All contributions to TIAA-CREF are used to purchase individual annuity contracts in which the employees are fully vested.

11. POSTRETIREMENT HEALTH CARE BENEFITS

In addition to the University's contributory retirement plan through TIAA-CREF, the University sponsors a defined benefit health care plan that provides post-retirement medical benefits to full-time employees who meet minimum age and service requirements. The plan is non-contributory for employees who retired prior to the end of the 1994–1995 academic year.

For employees who met certain age and service requirements as of January 1, 1995, the plan has been amended to require employee contributions and establish a maximum monthly benefit to be provided by the University.

Postretirement benefit expense includes the following components as of June 30, 2012 and 2011:

	2012	2011
Service cost of benefits earned	$ -	$ -
Interest cost on liability	258,709	323,247
Amortization of transition obligation	284,328	319,893
Net periodic postretirement benefit cost	$ 543,037	$ 643,140

The following table summarizes the impact of the Statements of Financial Position, as well as the benefit obligations, and funded status of the postretirement benefit plan with a measurement date as of June 30, 2012 and 2011:

	2012	2011
Changes in projected benefit obligations:		
Benefit obligation — beginning of year	$ (5,971,071)	$ (6,394,432)
Interest cost	(258,709)	(323,247)
Participants' contributions	(258,897)	(248,320)
Medicare Part D reimbursements	(64,056)	(75,826)
Actuarial gain	(435,768)	120,958
Benefits paid	883,296	949,796
Benefit obligation — end of year	$ (6,105,205)	$ (5,971,071)
Change in fair value of plan assets:		
Fair value of plan assets — beginning of year	$ -	$ -
Employer contributions	560,343	625,650
Participants' contributions	258,897	248,320
Medicare Part D reimbursements	64,056	75,826
Benefits paid	(883,296)	(949,796)
Fair value of plan assets — end of year	$ -	$ -
Reconciliation of funded status:		
Projected benefit obligation in excess of fair value of plan assets	$ (6,105,205)	$ (5,971,071)
Unrecognized transition obligation	-	-
Unrecognized actuarial loss	-	-
Net balance sheet liability	$ (6,105,205)	$ (5,971,071)

The following weighted average assumptions were made in determining the postretirement benefit obligation and the postretirement benefit cost as of June 30, 2012 and 2011:

	2012	2011
Weighted average discount rate used to determine the projected benefit obligation	3.08 %	4.55 %
Weighted average discount rate assumption used to determine the net periodic benefit cost	4.55 %	4.37 %

The health care cost trend rate assumption has a significant effect on the amounts reported in the financial statements. The following health care cost trend rates were assumed in the determination of the postretirement benefit obligation and net periodic benefit cost as of June 30, 2012 and 2011:

	2012	2011
Health care cost trend rate assumed for the current year	8.00 %	9.00 %
Ultimate health care cost trend rate	4.00 %	4.00 %
Year that rate reaches the ultimate trend rate	2016	2016

Assumed medical costs trend rates have a significant effect on the amounts reported for the Plan. A one-percentage point change in the assumed health care cost trend rate would have the following effect on the postretirement benefit obligation and the net periodic benefit cost:

	1% Increase	1% Decrease
Effect on postretirement benefit obligation	$ 10,197	$ (9,112)
Effect on net periodic benefit cost	331,079	(295,857)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year Ending	Benefit Payments
2013	$ 561,001
2014	557,457
2015	547,035
2016	527,324
2017	500,861
2018–2021	2,056,594

12. RELATED-PARTY TRANSACTIONS

The Jesuit Community at Xavier University (the "Community"), an Ohio not-for-profit corporation, is an entity separate from the University. Members of the Community serve on the University's faculty and in administration under individual employment agreements. Their related salaries are paid, in total, to the Community. In the opinion of the University's administration, such salaries are comparable to those of other employees. Members of the Community do not participate in either the University's retirement plan or the federal Social Security program. However, the University pays to the Community an amount comparable to such benefits for each Community member employed by the University.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, short-term investments, accounts receivable, accrued interest receivable, accrued compensation costs and deferred revenue approximate fair value because of the short maturity of these financial instruments. The carrying value, which is the fair value of investments, is determined by management using inputs provided by an external investment manager or quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.

A reasonable estimate of the fair value of the student loans receivable under government loan programs and advances from the federal government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designees.

The carrying amount of contributions receivable approximates fair value as these donations are recorded at the net present value of amount pledged.

The fair value of indebtedness, which consists primarily of bonds payable, was approximately $212,514,000 as of June 30, 2012 and $207,534,000 as of June 30, 2011. The methodology for determining fair value involves a discounted cash flow analysis. A discount rate was established for each existing series of bonds. Each discount rate was then used to calculate the present value of debt service cash flows from the existing bonds to reach a current value of existing bonds. The carrying value was $198,136,720 as of June 30, 2012 and $201,067,565 as of June 30, 2011.

The University adopted the provisions of ASC 820-10, *Fair Value Measurements* (ASC 820-10), effective June 1, 2008. Under ASC 820-10, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the University uses various valuation approaches. ASC 820-10 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the University. Unobservable inputs reflect the University's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical instruments.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2012 and 2011, the University's assets and liabilities measured at fair value on a recurring basis are summarized in the following table by the type of inputs applicable to the fair value measurement.

Description	June 30, 2012	Level 1	Level 2	Level 3
Assets:				
Investments:				
Short-term investments	$ 4,355,308	$ 4,355,308	$ -	$ -
US government notes and bonds	5,660,409	5,660,409	-	-
US government agency notes and bonds	13,619,609	13,619,609	-	-
Corporate stocks and stock funds	69,631,702	69,631,702	-	-
Corporate bonds and bond funds	67,403,948	56,922,495	10,481,453	-
Mortgage and asset-backed securities	6,770,673	-	6,770,673	-
Alternative investments	11,336,899	-	-	11,336,899
Unexpended revenue bond proceeds	-	-	-	-
Liabilities — interest rate swap agreements	(24,256,000)	-	(24,256,000)	-

Description	June 30, 2011	Level 1	Level 2	Level 3
Assets:				
Investments:				
Short-term investments	$ 23,006,336	$ 23,006,336	$ -	$ -
US government notes and bonds	4,011,885	4,011,885	-	-
US government agency notes and bonds	7,627,952	7,627,952	-	-
Corporate stocks and stock funds	74,409,482	74,409,482	-	-
Corporate bonds and bond funds	50,201,017	40,705,371	9,495,646	-
Mortgage and asset-backed securities	8,334,102	-	8,334,102	-
Alternative investments	14,861,931	-	-	14,861,931
Unexpended revenue bond proceeds	117	117	-	-
Liabilities — interest rate swap agreements	(10,110,000)	-	(10,110,000)	-

With the adoption of ASU 2010-06, there were no transfers in and out of any fair value measurement levels to be disclosed, as discussed in Note 2.

The alternative investment category included private equity and hedge funds that invest across sectors primarily in the United States. These investment vehicles are limited partnerships which may have restrictive redemption provisions, providing limited liquidity. The nature of investments in this category is that money is distributed as underlying companies are recapitalized or exited via acquisition or initial public offering. These investments are valued at net asset value per share or its equivalent. Alternative investments was the only category deemed to have significant unobservable inputs (i.e. Level 3) when determining valuation, identified in the table below is a summary of changes in fair value for the year ended June 30, 2012.

	Private Equity	Hedge Funds	Other	Total
Beginning balance — July 1, 2011	$ 2,250,520	$ 11,827,639	$ 783,772	$14,861,931
Capital additions or purchases	293,828	-	-	293,828
Capital disbursements or sales	(349,295)	(3,275,385)	(252,530)	(3,877,210)
Appreciation (depreciation) of investments	284,864	(466,135)	239,621	58,350
Ending balance — June 30, 2012	$ 2,479,917	$ 8,086,119	$ 770,863	$11,336,899

Other includes investments in credit opportunities and real estate funds.

14. LEASE COMMITMENTS

The University leases office space for offsite classrooms, technology equipment, and vehicles under non-cancelable operating and capital lease arrangements that have original terms greater than one year. Leases expire at varying dates through March 15, 2018, and there are various renewal options. The following table shows the aggregate payments required with these leases in the periods indicated.

Years Ending June 30	
2013	$ 623,222
2014	588,745
2015	573,074
2016	566,839
2017	476,592
Thereafter	152,875
	$2,981,347

15. COMMITMENTS AND CONTINGENCIES

The University is involved in various legal actions arising in the ordinary course of its activities. It is the opinion of management that the ultimate liability, if any, with respect to these matters will not materially affect the financial position of the University.

The University receives grants and contracts from certain federal, state and local agencies to fund student aid and other activities. The costs, both direct and indirect, that have been charged to the grants or contracts are subject to examination and approval by the granting agency. It is the opinion of management that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The University has entered into three investment commitments totaling $3,000,000 As of June 30, 2012 the University has funded approximately $2,055,000 of these investments. The approximate remaining $945,000 will be recorded as additional investment securities when funded.

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