Simmons College

Financial Statements as of and for the
Years Ended June 30, 2008 and 2007,
and Independent Auditors' Report

SIMMONS COLLEGE

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INDEPENDENT AUDITORS' REPORT

To the Members of the Audit Committee of
Simmons College
Boston, Massachusetts

We have audited the accompanying statements of financial position of Simmons College (the "College") as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College'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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College'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 and 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, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 22, 2008

SIMMONS COLLEGE

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 563,780	$ 1,973,988
Short-term investments	2,785,504	5,550,132
Interest accrued and receivable	326,799	415,332
Accounts receivable — net	6,759,980	7,804,181
Contributions receivable — net	2,093,129	3,679,134
Prepaid expenses and other assets	2,303,926	2,501,517
Total current assets	14,833,118	21,924,284
OTHER ASSETS:		
Amounts held under agreement with bond trustee	162,118	4,781,676
Investments	193,939,584	204,858,450
Property, plant, and equipment — net	208,374,665	171,713,518
Deferred charges — bonds payable — net of amortization	3,432,876	3,546,171
Loans to students — net	6,917,938	8,305,089
Contributions receivable — net	1,846,692	764,701
Total other assets	414,673,873	393,969,605
TOTAL	$429,506,991	$415,893,889
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 28,411,862	$ 14,563,057
Deposits payable and deferred revenues	3,082,229	3,809,246
Current portion of deferred gain on sale of buildings	1,092,513	936,440
Current portion of bonds payable	1,995,000	515,000
Total current liabilities	34,581,604	19,823,743
LONG-TERM LIABILITIES:		
Bonds payable	161,096,864	144,590,699
Deferred gain on sale of buildings		1,092,513
U.S. government loan advances	3,450,338	3,440,672
Other	10,223,209	5,056,816
Total long-term liabilities	174,770,411	154,180,700
Total liabilities	209,352,015	174,004,443
NET ASSETS:		
Unrestricted	76,510,256	93,511,181
Temporarily restricted	91,651,807	97,603,657
Permanently restricted	51,992,913	50,774,608
Total net assets	220,154,976	241,889,446
TOTAL	$429,506,991	$415,893,889

See notes to financial statements.

SIMMONS COLLEGE

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
OPERATING REVENUES AND OTHER SUPPORT:		
Tuition and fees	$ 94,905,548	$ 86,361,317
Less student aid	(22,262,042)	(20,842,299)
Net tuition and fees	72,643,506	65,519,018
Government and private grants	3,427,328	4,004,336
Investment return in support of operations	5,709,699	5,646,408
Gifts	3,953,409	5,537,612
Auxiliary enterprises	14,514,492	13,424,700
Leadership conference revenue	1,363,768	1,508,872
Property insurance proceeds	905,179	2,194,821
Other sources	4,371,684	4,584,083
Net assets released from restrictions	2,145,319	3,431,591
Total operating revenues and other support	109,034,384	105,851,441
OPERATING EXPENSES:		
Instruction	44,711,158	42,264,436
Academic support	7,334,268	6,448,381
Student services	6,002,647	5,739,994
Institutional support and advancement	26,939,016	24,049,962
Sponsored programs and research	1,419,314	1,640,634
Auxiliary enterprises	7,918,204	7,914,960
Plant operations	9,526,427	9,584,437
Interest expense	4,520,068	4,905,729
Other	837,888	781,418
Total operating expenses	109,208,990	103,329,951
RESULTS FROM OPERATIONS	(174,606)	2,521,490
DEPRECIATION EXPENSE	(10,244,231)	(9,496,095)
RESULTS FROM OPERATIONS AFTER DEPRECIATION	(10,418,837)	(6,974,605)

(Continued)

SIMMONS COLLEGE

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
RESULTS FROM OPERATIONS AFTER DEPRECIATION	$ (10,418,837)	$ (6,974,605)
NON-OPERATING ACTIVITIES:		
Investment return net of amounts used in operations	(6,309,826)	5,427,476
Unrealized (loss) gain on interest rate swap agreements	(5,501,342)	174,289
Realized gain on sale of property	919,513	930,106
Net assets released from restriction	4,987,913	4,855,452
Change from non-operating activity	(5,903,742)	11,387,323
CHANGE IN UNRESTRICTED NET ASSETS BEFORE DEBT ACTIVITY	(16,322,579)	4,412,718
LOSS ON REMARKETING OF DEBT	(678,346)	
LOSS ON RETIREMENT OF DEBT		(2,434,339)
Change in unrestricted net assets	(17,000,925)	1,978,379
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Investment (loss) return	(2,460,204)	21,749,505
Gifts	3,423,503	1,786,527
Net assets released from restrictions	(6,915,149)	(8,284,853)
Change in temporarily restricted net assets	(5,951,850)	15,251,179
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Investment (loss) return	(872,119)	1,033,320
Gifts	2,308,507	3,235,155
Net assets released from restrictions	(218,083)	(2,190)
Change in permanently restricted net assets	1,218,305	4,266,285
TOTAL CHANGE IN NET ASSETS	(21,734,470)	21,495,843
NET ASSETS — Beginning of year	241,889,446	220,393,603
NET ASSETS — End of year	$ 220,154,976	$ 241,889,446

See notes to financial statements. (Concluded)

SIMMONS COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (21,734,470)	$ 21,495,843
Adjustments to reconcile increase in net assets to net cash flows used in operating activities:		
Loss on remarketing of debt	678,346	
Loss on retirement of debt		2,434,339
Depreciation	10,280,083	9,363,439
Amortization	(61,145)	20,259
Stocks and gifts in kind	(2,254,318)	(219,734)
Net realized and unrealized losses (gains) on investments	11,148,710	(31,207,210)
Net realized gain on sale of property, plant, and equipment	(919,513)	(930,106)
Contributions for long-term investment	(1,970,664)	(3,751,557)
Changes in assets and liabilities:		
Decrease (increase) in assets	3,812,357	(2,658,890)
Increase in liabilities	17,348,632	2,187,497
Net cash flows provided by (used in) operating activities	16,328,018	(3,266,120)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(50,723,672)	(42,291,174)
Proceeds from the sale of investments	75,020,009	131,622,990
Purchases of investments	(67,494,193)	(122,507,158)
Net decrease in amounts held under agreement with bond trustee	4,619,558	33,006,463
Student loans advanced	(21,837,577)	(22,797,897)
Student loans collected	23,224,726	23,349,105
Net cash flows (used in) provided by investing activities	(37,191,149)	382,329
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	18,730,000	45,343,798
Payment of debt issuance and remarketing costs	(732,741)	(990,769)
Repayments of long-term debt	(515,000)	(45,197,788)
Contributions to be used for long-term investment	1,970,664	3,751,557
Net cash flows provided by financing activities	19,452,923	2,906,798
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,410,208)	23,007
CASH AND CASH EQUIVALENTS — Beginning of year	1,973,988	1,950,981
CASH AND CASH EQUIVALENTS — End of year	$ 563,780	$ 1,973,988
SUPPLEMENTAL DATA — Interest paid — inclusive of capitalized interest of $2,531,928 and $846,588 in 2008 and 2007, respectively	$ 6,757,807	$ 5,779,173

See notes to financial statements.

1. ACCOUNTING POLICIES

Organization — Simmons College (the “College”) is a private, nonsectarian institution located in Boston’s Back Bay that currently serves approximately 2,100 undergraduate women and 2,700 men and women in its graduate programs at the master and doctoral levels.

Basis of Presentation — The financial statements of the College have been prepared on the accrual basis of accounting.

Accounting principles generally accepted in the United States of America (GAAP) for private, not-for-profit organizations require classification of net assets, revenues, expenses, gains, and losses into three categories based on the existence or absence of externally imposed restrictions. The categories — unrestricted, temporarily restricted, and permanently restricted net assets — are defined as follows:

Unrestricted Net Assets — Unrestricted net assets are the net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the College’s Board of Trustees (the “Trustees”).

Temporarily Restricted Net Assets — Temporarily restricted net assets are the net assets subject to donor-imposed stipulations that will be met either by actions of the College or the passage of time. When the stipulations have been met (i.e., the time requirement has expired or the restricted purpose is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets — Permanently restricted net assets are the net assets that are subject to donor-imposed stipulations that they be maintained in perpetuity by the College. Generally, the donors of these assets permit the College to use all or part of the income earned and gains, if any, on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is subject to donor-imposed restrictions. In those cases, amounts received that are permanently or temporarily restricted by the donor are reported as increases to those net asset classes. When a qualifying expenditure occurs or a time restriction expires, temporarily restricted net assets are recognized in the unrestricted net assets as net assets released from restrictions.

All expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted either by donor stipulation or by law.

Expenses associated with fundraising were $3,614,525 and $3,212,576 in 2008 and 2007, respectively, and are included in institutional support and advancement in the statements of activities.

Cash and Cash Equivalents — Cash and cash equivalents include highly liquid investments purchased with remaining maturities of three months or less.

Investments — Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based upon quoted market values from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The College and its investment-advising firm review and evaluate the values provided by the investment managers and agree with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

The Trustees have interpreted state law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Trustees and expended. State law allows the Trustees to appropriate as much of net appreciation of permanently restricted net assets as is prudent considering the College's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. For the years ended June 30, 2008 and 2007, the Trustees appropriated $4,497,187 and $4,368,752, respectively, of the net appreciation of permanently restricted net assets.

The College invests in various securities including U.S. government securities, corporate debt instruments, hedge funds, private equities, and corporate stocks. Investment securities, in general, are exposed to various risks such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes could occur and materially affect the amounts reported in the financial statements.

Property, Plant, and Equipment — Property, plant, and equipment are recorded at cost or, if acquired by gift, at fair market value on the date of receipt. Depreciation is computed by the straight-line method based on the estimated useful lives of the assets. Additions to plant assets, with a cost basis of $1,500 or more, are capitalized and include major renovations and repair projects. Minor improvements and repairs are charged to current operations. The College reports gifts of property and equipment as unrestricted net assets, unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The estimated useful lives used in computing depreciation are as follows:

Buildings	40 years
Equipment	3–15 years
Library books	10 years

Fair Value of Financial Instruments Other Than Investments — The carrying amounts of cash and cash equivalents, accounts receivable, accrued interest receivable, accounts payable, and student deposits approximate fair value because of the short maturities of these financial instruments.

Reasonable estimates of the fair values of the notes receivable from students 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 amounts of notes and bonds payable approximate the fair values of these instruments based on the stated rates and terms at June 30, 2008 and 2007.

The fair value of the interest-rate swap agreements was estimated by management and supported by valuations obtained from an independent third-party broker.

Tuition and Fee Revenue — The College recognizes tuition and fee revenue in the period in which the educational instruction is performed. Accordingly, tuition and fees received in advance are deferred until the educational instruction is provided and related expenses incurred.

Contributions — Contributions received, including unconditional promises, are recognized as revenues when the donors' commitments are received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Unconditional promises are discounted using the risk-free interest rate applicable to the period over which the promise is to be received. Promises of noncash assets are recorded at their fair market values. Conditional promises are recorded at their fair values when donor stipulations are substantially met.

Tax Status — The College is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications — Certain prior-year amounts have been reclassified to conform to the current year presentation. Restricted scholarships have been reclassified from academic support to financial aid. Cash and cash equivalent amounts of $5,550,132 were reclassified to appropriately classify as short-term investments for the year ended June 30, 2007.

New Accounting Standards — For the year ended June 30, 2008, the College implemented Financial Accounting Standards Board (FASB) Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109.* FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, before being measured and recognized in the financial statements. The College has evaluated the application of FIN 48 and has determined that the adoption of FIN 48 does not have a material impact on the College's financial statements. The College files U.S. federal information returns, and no returns are currently under examination. The statute of limitations on the College's U.S. federal information returns remains open for three years following the year they are filed.

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*. This standard clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. FASB Statement No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007.

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115,* which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. FASB Statement No. 159 is effective for fiscal years beginning after November 15, 2007.

The College has not yet determined the impact that FASB Statement Nos. 157 and 159 may have on its results of operations or financial position.

2. ACCOUNTS RECEIVABLE

At June 30, 2008 and 2007, accounts receivable consisted of the following:

	2008	2007
Accounts receivable — student and other	$7,272,212	$6,546,346
Accounts receivable — proceeds from property insurance claim		1,749,221
Accounts receivable for sponsored programs	341,768	232,614
Less allowance for doubtful accounts	(854,000)	(724,000)
Accounts receivable — net	$6,759,980	$7,804,181

3. LOANS TO STUDENTS

Loans to students are net of an allowance for uncollectible loans of $283,600 at both June 30, 2008 and 2007.

4. INVESTMENTS

At June 30, 2008 and 2007, investments consisted of the following:

	2008	2007
Short-term investments	$ 10,385,562	$ 691,730
Fixed income	32,412,632	33,525,536
Equities	102,821,128	132,582,420
Alternative investments	48,033,759	37,918,343
Other	286,503	140,421
Total investments	$193,939,584	$204,858,450

Alternative investments consist primarily of private equity and hedge fund holdings. The College is obligated under certain alternative investment agreements to periodically advance additional funding up to their contractual levels. At June 30, 2008 and 2007, the College had an unfunded commitment of $40,190,741 and $17,575,742, respectively, callable upon demand.

The composition of investment return (loss) for the years ended June 30, 2008 and 2007, is as follows:

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ 784,343	$ 879,026	$ 51,548	$ 1,714,917
Net realized gains	2,436,215	5,720,832	419,623	8,576,670
Net change in unrealized gains and losses on investments	(3,820,685)	(9,060,062)	(1,343,290)	(14,224,037)
Total investment return on long-term investments	$ (600,127)	$ (2,460,204)	$ (872,119)	$ (3,932,450)

	2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ 1,902,565	$ 872,507	$ 48,716	$ 2,823,788
Net realized gains	4,193,111	9,568,131	400,028	14,161,270
Net change in unrealized gains and losses on investments	4,978,208	11,308,867	584,576	16,871,651
Total investment return on long-term investments	$11,073,884	$21,749,505	$1,033,320	$33,856,709

Under the College's spending policy, in both fiscal 2008 and 2007, the Trustees approved a 4% spending rate, which was based on a three-year moving average of the market value of the endowment. In addition, in fiscal 2008, the Trustees approved a special distribution from the endowment of $882,000 in support of the School of Management's strategic initiative of obtaining accreditation from the Association to Advance Collegiate Schools of Business (AACSB). Under the spending policy, $5,709,699 and $5,646,408 was utilized in support of operations in fiscal 2008 and 2007, respectively.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2008 and 2007, consist of the following:

	2008	2007
Due in one year or less	$2,157,864	$3,792,921
Due between one year and five years	2,035,047	862,370
	4,192,911	4,655,291
Less allowance for uncollectible contributions	(121,850)	(137,438)
Less discount to present value (discount rates range from 1.1%–5.1%)	(131,240)	(74,018)
Contributions receivable — net	$3,939,821	$4,443,835

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as of June 30, 2008 and 2007, consist of the following:

	2008	2007
Prepaid departmental expenditures	$2,303,926	$1,714,907
Fair value of interest rate swap, MDFA Series G revenue bond		786,610
Total prepaid expenses and other assets	$2,303,926	$2,501,517

7. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are stated at cost or fair value at date of gift, less accumulated depreciation, and at June 30, 2008 and 2007, are summarized as follows:

	2008	2007
Land and improvements	$ 840,933	$ 840,933
Buildings and improvements	183,462,951	165,240,130
Furniture, fixtures, and equipment	55,646,118	56,240,515
Construction in process	59,790,170	34,730,920
Library books	7,662,133	6,745,618
Total	307,402,305	263,798,116
Less accumulated depreciation	(99,027,640)	(92,084,598)
Property, plant, and equipment — net	$208,374,665	$171,713,518

Construction in process includes the accumulated costs of uncompleted construction and renovations to several of the College's academic and residential facilities. As of June 30, 2008, the College has contractual obligations outstanding of $20,425,059 for construction of a new academic building, an underground parking garage, and renovations to its academic and residential facilities.

On June 28, 2005, the College sold seven buildings that comprise its School of Management campus, and also entered into a master lease agreement with the purchaser to lease back four of the buildings. The total gain on the sale of the buildings was approximately $30,029,000, of which $26,086,540 was recognized in fiscal 2005, and approximately $3,902,000 was deferred and will be recognized over the term of the lease. In 2008 and 2007, the College recognized $936,440 of the deferred gain.

8. BONDS PAYABLE

Bonds payable at June 30, 2008 and 2007, consisted of the following:

	2008	2007
Massachusetts Health and Educational Facilities Authority (MHEFA) Revenue Bonds:		
Simmons College Series C, 4%–5.125%, payable through 2028	$ 10,370,000	$ 10,885,000
Simmons College Series D, 4.6%–6.15%, payable through 2029	2,210,000	2,210,000
Simmons College Series E Variable Rate Demand Variable Mode Revenue Bonds, payable through 2029	31,140,000	31,140,000
Simmons College Series F, 4%–5%, payable through 2033	6,023,415	6,028,684
Massachusetts Development Finance Agency (MDFA) Revenue Bonds:		
Simmons College Series G Variable Rate Demand Variable Mode Revenue Bonds, payable through 2036	49,610,000	49,610,000
Simmons College Series H, 4%–5.25%, payable through 2033	45,008,449	45,232,015
Simmons College Bonds Series 2008 Taxable, payable through 2022	18,730,000	
Total MHEFA and MDFA Revenue Bonds	163,091,864	145,105,699
Less current portion	(1,995,000)	(515,000)
Bonds payable	$ 161,096,864	$ 144,590,699

On November 1, 2001, the College issued MHEFA Variable Rate Demand Variable Mode Revenue Bonds, Simmons College Issue Series E (the "Series E Bonds") of $31,140,000. The primary purpose of the issue was to defease MHEFA Revenue Bonds, Simmons Issue College Series D, maturing October 1, 2013, 2014, 2015, 2020, and 2029 in the outstanding principal amount of $27,225,000.

The defeasance was achieved through the deposit of $30,396,656 of the proceeds of the Series E Bonds in a refunding trust and has been accounted for as legal defeasance under FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — a replacement of FASB Statement No. 125*. At June 30, 2008, the outstanding principal amount of the defeased bonds was $27,225,000.

Monies in the defeasance trust have been applied to the purchase of noncancelable direct obligations of the U.S. government. The government obligations, together with the interest thereon, will be sufficient in amount and available when necessary to pay when due the principal and interest on the Simmons College Series D Bonds until October 1, 2010, on which date any Simmons College Series D Bonds remaining outstanding will be redeemed at the applicable redemption price.

Interest on the Series E Bonds is payable at a variable rate; however, at the time of issuing the bonds, the College entered into an interest-rate swap agreement with a major investment bank in order to effectively convert the interest rate to a fixed rate of 4.39%. The swap agreement expires at maturity of the bonds, and the notional principal amount will decrease as the Series E Bonds mature. The fair value of this swap depreciated by $1,975,121 and $249,193 during the years ended June 30, 2008, and 2007, respectively. The change in the fair value of the swap is reflected in the statements of activities. The derivative liability for the fair value of the agreement, $3,995,785 and $2,020,664 at June 30, 2008 and 2007, respectively, is included in other liabilities in the statements of financial position.

On January 12, 2006, the College issued MDFA Variable Rate Demand Variable Mode Revenue Bonds, Simmons College Issue Series G (the "Series G Bonds") of $49,610,000. The purpose of this issue was to refinance the Simmons College Variable Rate Demand Revenue Bonds Capital Asset Program Series B and Series C, and to finance the construction of a 75,000 square-foot academic building and underground parking facility as well as improvements to other academic, residential, and administrative buildings.

Interest on the Series G Bonds is payable at a variable rate; however, on May 13, 2005, the College entered into an interest-rate swap agreement with a major investment bank in order to secure the interest rate of the issue at a fixed rate of 3.804%. The swap agreement is structured to expire at the maturity of the Series G Bonds, and the notional principal amount will decrease as the new bonds mature. The fair value of this swap depreciated by $3,478,989 and appreciated by $423,482 during the years ended June 30, 2008 and 2007, respectively. The change in the fair value of the swap is reflected in the statements of activities. The fair values of the derivative, $(2,692,379) and $786,610 at June 30, 2008 and 2007, respectively, are included in other liabilities, and prepaid expenses and other assets, respectively, in the statements of financial position.

On April 1, 2008, the College remarketed its Series G Bonds. The purpose of the remarketing was to provide for the cancellation of the bond insurance policy that previously secured the Series G Bonds, due to a downgrade of the bond insurer's credit rating, and to replace the bond insurance with a letter of credit.

On January 4, 2007, the College issued MDFA Revenue Bonds, Simmons College Issue H (the "Series H Bonds") in the amount of $45,343,798. The primary purpose of this issue was to refinance portions of the Simmons College Series C Bonds, Series D Bonds and Series F Bonds.

The defeasance was achieved through the deposit of $44,282,763 of the proceeds of the Series H Bonds in a refunding trust and has been accounted for as legal defeasance under FASB Statement No. 140. Accordingly, the defeased bonds and the assets in the defeasance trust have been removed from the statement of financial position at June 30, 2008. At June 30, 2008, the outstanding principal amount of the defeased bonds was $41,600,000.

Monies in the defeasance trust have been applied to the purchase of noncancelable direct obligations of the U.S. government. The government obligations, together with the interest thereon, will be sufficient in amount and available when necessary to pay the principal and interest on the defeased Series C, D, and F bonds when due or called.

On February 21, 2008, the College issued the Simmons College Series 2008 (Taxable) Bonds in the amount of $18,730,000. The primary purpose of this issue was to finance the construction of a portion of an approximately 715-car garage located behind the College's Main Academic Building.

Interest on the Series 2008 Taxable Bonds is payable at a variable rate. However, on February 15, 2008, the College entered into an interest-rate swap agreement with a major investment bank to secure the interest rate of the new issue at a fixed rate of 4.5%. The swap is in the notional amount equal to the par amount of the bonds with a maturity date of October 1, 2022. The swap agreement is subject to early termination, at market value, at the option of the College, and is subject to early termination by the counterparty under certain circumstances. The fair value of this swap was $47,232 at June 30, 2008, and is included in other liabilities in the statement of financial position.

Collateral — The College has pledged its tuition receipts as collateral for the bonds detailed above.

Although these financial instruments involve counterparty credit exposure, the counterparty for the three swap agreements is a major financial institution that meets the College's criteria for financial stability and creditworthiness.

Loan Covenants — Several of the loan agreements contain covenants and financial ratios which require compliance by the College. Certain of the agreements also provide for restrictions on, among other things, additional indebtedness. At June 30, 2008, the College is in compliance with its debt covenants.

Aggregate principal payments are due as follows:

Years Ending June 30	
2009	$ 1,995,000
2010	2,645,000
2011	3,010,000
2012	3,250,000
2013	3,510,000
Thereafter	148,681,864
Total	$163,091,864

The College has entered into certain irrevocable letters of credit with three major banks in order to secure certain bond repayment and interest obligations of the College's three variable rate bond issues. The maturity table above could change based on the expiration dates of the letters of credit. The providers, balances of the letters of credit at June 30, 2008, and their respective expiration dates are as follows:

Issue	Provider	June 30, 2008 Balance	Maturity Date
Series E Bonds	Bank of America	$31,677,485	February 1, 2009
Series G Bonds	TD Banknorth	50,343,956	April 1, 2013
2008 Taxable	JPMorgan Chase	19,007,102	February 21, 2013

9. OTHER LIABILITIES

Other liabilities at June 30, 2008 and 2007, consist of the following:

	2008	2007
Fair value of interest rate swap, MHEFA Series E revenue bond	$ 3,995,785	$2,020,664
Fair value of interest rate swap, MDFA Series G revenue bond	2,692,379	
Fair value of interest rate swap, Simmons College Series 2008 Taxable	47,232	
Present value of charitable annuities payable	1,807,616	1,699,609
Asset retirement obligation liability	1,344,592	1,319,299
Other compensated absences	335,605	17,244
Total other liabilities	$10,223,209	$5,056,816

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2008 and 2007, consist of the following:

	2008	2007
Educational and general purposes	$ 3,050,445	$ 2,104,925
Capital needs	3,442,240	2,230,401
Annuity and life income agreements	2,072,633	2,677,342
Net appreciation of permanently restricted net assets available for board appropriation	83,086,489	90,590,989
Total temporarily restricted net assets	$91,651,807	$97,603,657

11. PERMANENTLY RESTRICTED NET ASSETS

As of June 30, 2008 and 2007, permanently restricted net assets are restricted to the following:

	2008	2007
Earnings to be used for endowment	$42,946,054	$40,929,365
Earnings to be used for student loans	1,575,698	1,520,227
Annuity and life income agreements	278,424	265,825
Perpetual trusts held by third parties	7,192,737	8,059,191
Total permanently restricted net assets	$51,992,913	$50,774,608

12. RETIREMENT PLANS

Substantially all employees of the College have individual annuity accounts with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Total retirement expense charged to operations was $3,267,106 and $3,111,300 for 2008 and 2007, respectively.

13. COMMITMENTS AND CONTINGENCIES

In conducting its activities, the College, from time to time, is the subject of various claims and also has claims against others. In management’s opinion, the ultimate resolution of such claims at June 30, 2008, would not have a material effect on the financial position of the College.

The College receives significant financial assistance from the federal government. Entitlements to the resources are generally conditional upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits. Any disallowances become liabilities of the College.

On June 28, 2005, the College entered into a master lease agreement to lease back from the purchaser three of the four buildings it sold. The initial term of the lease extended until August 31, 2009. It was anticipated that during this period, the College would complete the construction of a new building on its main campus that will house its School of Management. Terms of the lease allow for its cancellation during the initial term on any or all of the three buildings with at least 180 days' written notice to the landlord. Prior to June 30, 2008, the College notified the lessor of its decision to cancel and terminate the lease as of December 31, 2008, as the new building will be ready for occupancy.

Rent expense was $1,023,996 in 2008 and 2007, respectively. Minimum rental payments over the term of the operating lease will be $511,998 for the year ending June 30, 2009.

14. SUBSEQUENT EVENTS

On September 15, 2008, Lehman Brothers Holding Inc. ("Lehman Brothers"), the counterparty of the College's three swap agreements, filed for bankruptcy protection. Lehman Brothers also served as the Remarketing Agent for the College's floating rate bonds.

The College has retained the services of Barclays Capital as the Remarketing Agent for the Series E, G, and 2008 Taxable Bonds.

On September 17, 2008, the Simmons College Board of Trustees authorized the College to borrow internally from the endowment an amount of up to $32,775,000. It is the intention of management to use the proceeds from this loan as an additional funding source for the capital projects currently underway at the College, should additional funds be necessary. The term of the loan is for ten years, and it will carry a 5% interest rate.

Effective September 29, 2008, Wachovia Bank, N.A. ("Wachovia"), as Trustee of the CommonFund for Short Term Investments (the "Short Term Fund") announced its decision to terminate and liquidate the Short Term Fund. No additional contributions to the Short Term Fund will be accepted. Under the liquidation plan, investors in the Short Term Fund will be allowed to withdraw balances based on their proportional interest in the Short Term Fund as assets mature or are sold. Common Fund started the Short Term Fund thirty-five years ago to provide colleges and universities with a short-term investment vehicle for their working capital needs. At the date of the Wachovia announcement, substantially all universities in the country were invested in the fund, for a total of more than $9 billion.

The College's balances in the Short Term Fund as of June 30, 2008 and October 21, 2008, were as follows:

Date	**Balance**
June 30, 2008	$2,785,504
October 21, 2008	9,277,118

As of October 21, 2008, approximately 46% of Short Term Fund assets were available for withdrawal. The value of the liquidation proceeds received by the College is not expected to vary significantly from the fair value carried on the College's books based on the current net asset value of the Short Term Fund. However, the realization of this value will depend upon market conditions including the liquidity of the Short Term Fund's assets during the liquidation period.

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