Simmons College

Financial Statements as of and for the
Years Ended June 30, 2010 and 2009, and
Independent Auditors' Report

SIMMONS COLLEGE

TABLE OF CONTENTS

Deloitte & Touche LLP
200 Berkeley Street
Boston, MA 02116
USA

Tel: + 617 437 2000
Fax: + 617 437-2111
www.deloitte.com

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, 2010 and 2009, 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, 2010 and 2009, 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 21, 2010

SIMMONS COLLEGE

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 23,177,752	$ 5,583,718
Interest accrued and receivable	61,147	12,390
Accounts receivable — net	5,179,514	6,107,323
Contributions receivable — net	1,016,470	1,305,391
Prepaid expenses and other assets	1,242,473	1,420,913
Total current assets	30,677,356	14,429,735
OTHER ASSETS:		
Amounts held under agreement with bond trustee	8,670,161	9,306,045
Investments and life income funds	135,716,986	135,092,046
Property, plant, and equipment — net	205,569,753	214,269,873
Deferred charges — bonds payable — net of amortization	3,911,349	4,103,723
Loans to students — net	6,102,679	6,070,586
Contributions receivable — net	1,651,602	1,439,930
Other assets	883,070	333,384
Total other assets	362,505,600	370,615,587
TOTAL	$ 393,182,956	$ 385,045,322
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 14,235,270	$ 9,806,576
Deposits payable and deferred revenues	4,021,795	4,482,451
Current portion of loan payable	222,222	222,222
Current portion of bonds payable	2,795,000	2,570,000
Total current liabilities	21,274,287	17,081,249
COMMITMENTS AND CONTINGENCIES		
LONG-TERM LIABILITIES:		
Bonds payable	184,250,928	187,192,668
Loan payable	1,407,407	1,629,630
U.S. government loan advances	3,404,969	3,435,588
Other	4,729,878	3,277,150
Total long-term liabilities	193,793,182	195,535,036
Total liabilities	215,067,469	212,616,285
NET ASSETS:		
Unrestricted	65,667,647	61,921,976
Temporarily restricted	55,732,826	57,351,819
Permanently restricted	56,715,014	53,155,242
Total net assets	178,115,487	172,429,037
TOTAL	$ 393,182,956	$ 385,045,322

See notes to financial statements.

SIMMONS COLLEGE

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
OPERATING ACTIVITIES								
OPERATING REVENUES:								
Tuition and fees	$106,982,166	$ 99,452,364	$ -	$ -	$ -	$ -	$106,982,166	$ 99,452,364
Less student aid	(21,789,942)	(21,501,563)					(21,789,942)	(21,501,563)
Net tuition and fees	85,192,224	77,950,801	-	-	-	-	85,192,224	77,950,801
Government and private grants	2,580,710	2,873,181					2,580,710	2,873,181
Investment return in support of operations	7,964,373	8,460,772					7,964,373	8,460,772
Gifts	4,015,337	5,043,265					4,015,337	5,043,265
Auxiliary enterprises	14,379,856	15,097,475					14,379,856	15,097,475
Leadership conference revenue	922,946	865,521					922,946	865,521
Lease revenue	2,686,617	922,976					2,686,617	922,976
Other sources	1,982,518	1,859,418					1,982,518	1,859,418
Net assets released from restrictions	1,988,323	2,357,857					1,988,323	2,357,857
Total operating revenues	121,712,904	115,431,266	-	-	-	-	121,712,904	115,431,266
OPERATING EXPENSES:								
Salaries and wages	52,376,871	56,277,248					52,376,871	56,277,248
Employee benefits	15,265,259	13,553,409					15,265,259	13,553,409
Materials, supplies, and services	28,994,443	29,073,726					28,994,443	29,073,726
Interest expense	8,005,541	6,046,883					8,005,541	6,046,883
Total operating expenses	104,642,114	104,951,266	-	-	-	-	104,642,114	104,951,266
RESULTS FROM OPERATIONS BEFORE DEPRECIATION AND ACCRETION	17,070,790	10,480,000					17,070,790	10,480,000
DEPRECIATION AND ACCRETION EXPENSE	(12,433,121)	(11,769,231)					(12,433,121)	(11,769,231)
RESULTS FROM OPERATIONS AFTER DEPRECIATION AND ACCRETION	4,637,669	(1,289,231)	-	-	-	-	4,637,669	(1,289,231)
NONOPERATING REVENUES, GAINS, AND LOSSES:								
Gifts	163,743		1,568,882	1,026,440	3,008,851	3,036,269	4,741,476	4,062,709
Investment gains (loss)	2,052,289	(11,922,865)	5,086,792	(26,922,020)	510,360	(1,832,113)	7,649,441	(40,676,998)
Distribution of investment income and accumulated investment gains	(7,964,373)	(8,460,772)					(7,964,373)	(8,460,772)
Gain on interest rate swap agreements		401,080					-	401,080
Realized gain on sale of property	1,392,453	1,148,809					1,392,453	1,148,809
Faculty early retirement expense	(2,781,893)						(2,781,893)	-
Net assets released from restriction	6,245,783	6,088,378	(8,274,667)	(8,404,408)	40,561	(41,827)	(1,988,323)	(2,357,857)
Change from nonoperating activity	(891,998)	(12,745,370)	(1,618,993)	(34,299,988)	3,559,772	1,162,329	1,048,781	(45,883,029)
CHANGE IN NET ASSETS BEFORE DEBT ACTIVITY	3,745,671	(14,034,601)	(1,618,993)	(34,299,988)	3,559,772	1,162,329	5,686,450	(47,172,260)
DEBT EXTINGUISHMENT CHARGES		(553,679)						(553,679)
CHANGE IN NET ASSETS	3,745,671	(14,588,280)	(1,618,993)	(34,299,988)	3,559,772	1,162,329	5,686,450	(47,725,939)
NET ASSETS — Beginning of year	61,921,976	76,510,256	57,351,819	91,651,807	53,155,242	51,992,913	172,429,037	220,154,976
NET ASSETS — End of year	$ 65,667,647	$	$55,732,826	$ 57,351,819	$56,715,014	$53,155,242	$178,115,487	$172,429,037

See notes to financial statements.

61,921,976

SIMMONS COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 5,686,450	$ (47,725,939)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on debt extinguishment		553,679
Depreciation	12,388,534	11,729,284
Amortization of bond premium/discount and bond issuance costs	45,634	(11,201)
Stocks and gifts in kind	(455,382)	(309,425)
Net realized and unrealized (gains) losses on investments	(6,638,322)	41,526,628
Net realized gain on sale of property, plant, and equipment	(1,392,453)	(1,078,639)
Contributions for long-term investment	(2,712,525)	(3,361,236)
Changes in assets and liabilities:		
Decrease in assets	585,054	5,011,644
Increase (decrease) in liabilities	3,694,016	(2,349,114)
Net cash provided by operating activities	11,201,006	3,985,681
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(2,357,328)	(32,777,187)
Proceeds from the sale of property, plant, and equipment	1,921,240	
Proceeds from the sale and maturities of investments	82,302,547	132,868,988
Purchases of investments	(75,997,526)	(115,639,733)
Decrease (increase) in amounts held under agreement with bond trustee	635,884	(9,143,927)
Student loans advanced	(841,844)	(803,595)
Student loans collected	809,751	1,650,946
Net cash provided by (used in) investing activities	6,472,724	(23,844,508)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of bonds		59,998,380
Proceeds from issuance of loan payable		2,000,000
Payment of debt issuance costs		(1,405,902)
Termination of interest rate swaps		(5,791,800)
Repayments of long-term debt	(2,792,222)	(33,283,148)
Contributions to be used for long-term investment	2,712,525	3,361,236
Net cash (used in) provided by financing activities	(79,697)	24,878,766
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,594,033	5,019,939
CASH AND CASH EQUIVALENTS — Beginning of year	5,583,719	563,780
CASH AND CASH EQUIVALENTS — End of year	$ 23,177,752	$ 5,583,719
SUPPLEMENTAL DATA — Interest paid — inclusive of capitalized interest of $0 in 2010 and $2,111,121 in 2009	$ 7,718,489	$ 8,133,194

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 1,969 undergraduate women and 3,034 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.

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.

Non Operating Revenue, Gains and Losses – the non operating revenue, gains and losses include investment income, realized and unrealized investment gains and losses less amounts distributed in support of operations, contributions to temporarily restricted and permanently restricted net assets, realized gains on the sale of property, early retirement expense, debt extinguishment charges and the non operating net assets utilized or released from restriction.

Expenses associated with fund-raising were $2,533,000 and $2,812,782 in 2010 and 2009, respectively, and are included in institutional support and advancement expenditures disclosed in Note 14.

Cash Equivalents — Cash and cash equivalents include highly liquid investments purchased with an initial maturity dates of three months or less. For purposes of the statements of cash flows, cash and cash equivalents exclude such amounts which are included within the investment accounts.

Investments and life income funds — Investments and life income funds are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

Certain investments in limited partnership interests in absolute return funds, hedge funds, private equity funds, real estate fund, and natural resource funds are not publicly traded and are referred to as alternative investments. The alternative investments are carried at estimated fair values as provided by the investment managers.

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, 2010 and 2009, $5,775,550 and $5,424,419, respectively, of the net appreciation of permanently restricted net assets was expended.

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, credit, 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.

Endowment Investment and Spending Policies

On July 2, 2009, The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in Massachusetts. The new law (MA UPMIFA) provides greater flexibility for organizations that may consider spending from underwater endowment funds. MA UPMIFA is effective June 30, 2009. The new law did not impact the spending from endowment funds in fiscal year 2010.

The College has adopted investment and spending policies for endowment assets to provide long-term capital appreciation to supply funds for the specified purposes for which the original endowed gifts were given (e.g., scholarships, endowed chairs, and operations). The time horizon for the endowment is perpetuity. The assets of the College are managed accordingly by external professional investment managers or invested in professionally managed funds, including funds of funds or managers of managers. The appointment of such managers or funds is the responsibility of the Investment Committee, a standing committee of the Board of Trustees. Investment managers have full discretion over their investment programs, subject to appropriate constraints reflected in the College's Investment Policy Statement or in the applicable investment management contracts.

The long-term objective of the College is to achieve a total return equivalent to or greater than the expected return. The expected return is the sum of the annual spending rate, the long-term inflation rate, and any growth factor which the Investment Committee may deem appropriate. The spending rate for the years ended June 30, 2010 and June 30, 2009 was 4%. The annual spending rate is based on a three-year average of market values as of the December 31 each year. To the extent that current yield is inadequate to meet the spending rule a portion of cumulative realized net gains is available for current use.

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. Effective July 1, 2009, additions with a cost basis of $5,000 or more are capitalized and include major renovations and repair projects. This is a change in policy for the College. Prior to that date, the capitalization threshold had been $1,500. The change does not significantly impact the financial statements in the current or prior year. 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

Impairment of Long-Lived Assets – Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the College compares the carrying amounts of the assets to the undiscounted expected future cash flows. If this comparison indicates that there may be an impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value. During the fiscal years ended June 30, 2010 and 2009, no impairments have occurred.

Conditional Asset Retirement Obligations — The College has recognized an asset retirement obligation for the future remediation of asbestos in campus facilities. The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of activities. The accrual balance for this obligation as of June 30, 2010 and 2009 is included in other long-term liabilities in the statements of financial position. Changes in this balance for the years ended June 30 are as follows:

	2010	2009
Balance — July 1	$ 1,395,740	$ 1,344,592
Settlement in the current period	(21,142)	-
Accretion expense	53,094	51,148
Balance — June 30	$ 1,427,692	$ 1,395,740

Fair Value of Financial Instruments Other Than Investments — The carrying amounts of 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 value of these instruments based on the stated rates and terms at June 30, 2010 and 2009.

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.

Lease Revenue --- The College leases parking garage and office space under operating leases. The operating leases have scheduled annual increases which the College recognizes on a straight-line basis over the lease term beginning with the start of the lease.

The following is a summary of the future minimum payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2010:

Years Ending June 30	
2011	$ 2,667,291
2012	2,726,258
2013	2,517,309
2014	2,592,828
2015	2,320,770
Thereafter	16,954,081
Total	$ 29,778,537

Tax Status — The College is a qualified tax-exempt organization under the provisions of Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Non-Cash Items — Non-cash transactions impacting recorded assets and liabilities and therefore not resulting in cash receipts or payments reflected in the statements of cash flows include $1,696,132 and $95,000 of accrued liabilities related to plant and equipment purchases for 2010 and 2009, respectively.

Funds With Deficiencies — From time to time, the market value of assets associated with permanently restricted funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets, and totaled $1,214,116 and $1,613,790 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Subsequent Events — Subsequent events have been evaluated through October 21, 2010, which is the date when the financial statements were issued.

Recently Adopted Accounting Pronouncements — In August 2008, the FASB issued ASC 958-205, *Not-for-Profit Entities- Presentation of Financial Statements Reporting Endowment Funds.* This guidance requires additional disclosures about an organization's endowment funds whether or not the organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The objective of the disclosures is to provide information so that financial statement users can understand the net asset classification, net asset composition, changes in net asset composition, spending policies and related investment policies pertaining to an organization's endowment funds. ASC 958-205 is effective for fiscal years ending after December 15, 2008. The College adopted ASC 958-205 for the fiscal year ended June 30, 2009 (see Note 6).

In May 2009, the FASB issued ASC 805, *Business Combinations*, to give guidance to improve the relevance, representational faithfulness, and comparability of the information that a not-for-profit entity provides in its financial reports about a combination with one or more other not-for–profit entities, businesses, or nonprofit activities. Effective date is for mergers and acquisitions beginning on or after December 15, 2009. The College has not entered into any merger or acquisition agreements for the period ended June 30, 2010 and as such, the adoption of this standard had no material impact on the College's financial position or results of operations.

In September 2009, the FASB issued ASU No. 2009-12, *Fair Value Measurements and Disclosures: Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)* ("ASU 2009-12"), which amended ASC Subtopic 820-10, *Fair Value Measurements and Disclosures — Overall*. ASU No. 2009-12 is effective for the first reporting period ending after December 15, 2009. ASU No. 2009-12 expands the required disclosures for certain investments with a reported net asset value (NAV). ASU No. 2009-12 permits, as a practical expedient, an entity holding investments in certain entities that calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that net asset value per share or its equivalent without adjustment. The ASU requires enhanced disclosures about the nature and risks of investments within its scope. Such disclosures include the nature of any restrictions on an investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investee. The College has adopted ASU No. 2009-12 for the year ended June 30, 2010 (see Note 5). The effect of the adoption of the ASU had no impact on the statements of financial position of the statement of activities.

2. ACCOUNTS RECEIVABLE

At June 30 accounts receivable consisted of the following:

	2010	2009
Accounts receivable — student and other	$ 6,003,641	$ 6,605,243
Accounts receivable for sponsored programs	288,873	405,080
Less allowance for doubtful accounts	(1,113,000)	(903,000)
Accounts receivable — net	$ 5,179,514	$ 6,107,323

3. LOANS TO STUDENTS

Loans to students are net of an allowance for uncollectible loans of $283,600 at both June 30, 2010 and 2009.

4. INVESTMENTS

The fair value of investments by type, including investments under split interest agreements and charitable remainder trusts, as of June 30 were as follows:

	2010	2009
Cash and cash equivalents	$ 15,940,153	$ 39,259,136
Short-term investments		1,846,039
Fixed income	10,359,296	5,368,190
Equities	75,758,441	56,802,983
Alternative investments	33,458,390	31,670,567
Other	200,706	145,131
Total investments	$ 135,716,986	$ 135,092,046

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, 2010 and 2009, the College had an unfunded commitment of $19,506,197 and $24,357,399, respectively, callable upon demand.

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

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ 104,300	$ 858,175	$ 48,643	$1,011,118
Net realized gains	658,183	1,316,737	248,922	2,223,843
Net change in unrealized gains and losses on investments	1,289,806	2,911,879	212,795	4,414,480
Total investment return on long-term investments	$2,052,289	$5,086,791	$510,360	$7,649,441

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	$ 381,450	$ 830,317	$ 38,943	$ 1,250,710
Net realized losses	(111,574)	(764,778)	(382,216)	(1,258,568)
Net change in unrealized gains and losses on investments	(12,192,741)	(26,987,559)	(1,488,840)	(40,669,140)
Total investment loss on long-term investments	$ (11,922,865)	$ (26,922,020)	$ (1,832,113)	$ (40,676,998)

Under the College's spending policy, in fiscal years 2010 and 2009, the Trustees approved a 4% spending rate, respectively, which was based on a three-year moving average of the market value of the endowment. In addition, in fiscal years 2010 and 2009, the Trustees approved special distributions from the endowment of $2,200,000 and $1,645,000, respectively, in support of the College's strategic plan, which included the School of Management's strategic initiative to obtain accreditation from the Association to Advance Collegiate Schools of Business (AACSB). Under the spending policy, $7,964,373 and $8,460,772 was utilized in support of operations in fiscal years 2010 and 2009, respectively.

5. FAIR VALUE MEASUREMENTS

The College establishes the fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques.

As a basis for considering assumptions, the College uses a three-tier fair value hierarchy based upon whether the value of the asset or liability can be readily determined from publicly available data or not. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs mean that the market data is readily available from independent sources to help quantify the valuations, while unobservable inputs mean that the market data is not readily available, and therefore, the value of the asset or liability in the portfolio must be based on other information including the reporting entity's own assumptions about how market agents would value the asset or liability.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis. The three levels of inputs and a description of the College's valuation methodologies for assets and liabilities measured at fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from exchange or dealer markets. Instruments categorized in Level 1 primarily consist of a broadly traded range of equities and debt securities.

Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This consists of the College's ownership in alternative investments (principally) which are based on valuation techniques that use significant inputs that are unobservable. The value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

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.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future values. In addition, while the College 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 College's assets measured at fair value for each hierarchy level as of June 30 are as follows:

	Assets at Fair Value — June 30, 2010			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$15,733,157	$ -	$ -	15,733,157
Short-term investments				
Fixed-income		7,119,165		7,119,165
Equities	35,152,837	34,867,839		70,020,676
Alternative investments			33,228,623	33,228,623
	50,885,994	41,987,004	33,228,623	126,101,621
Life income funds:				
Charitable gift annuities	46,827	1,876,465		1,923,292
Pooled income fund	1,999	589,596		591,595
Split interest agreements	526,001	397,531	229,767	1,153,299
Perpetual trusts held by third parties	5,947,179			5,947,179
	6,522,006	2,863,592	229,767	9,615,365
Total	$57,408,000	$44,850,596	$33,458,390	$ 135,716,986

	Assets at Fair Value — June 30, 2009			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$39,090,584	$ -	$ -	$ 39,090,584
Short-term investments		1,846,039		1,846,039
Fixed-income		2,542,464		2,542,464
Equities	21,285,677	29,665,033		50,950,710
Alternative investments			31,467,023	31,467,023
	60,376,261	34,053,536	31,467,023	125,896,820
Life income funds:				
Charitable gift annuities	41,397	1,967,450		2,008,847
Pooled income fund	2,334	562,275		564,609
Split interest agreements	490,829	353,546	203,544	1,047,919
Perpetual trusts held by third parties	5,573,851			5,573,851
	6,108,411	2,883,271	203,544	9,195,226
Total	$66,484,672	$36,936,807	$31,670,567	$ 135,092,046

A summary of changes in the fair value of the College's Level 3 assets for the years ended June 30, is as follows:

	2010	2009
Balance — July 1	$31,670,567	$ 48,033,759
Total nonoperating gains (losses) - realized and unrealized	2,975,148	(11,641,089)
Purchases and sales	(1,187,325)	(4,722,103)
Balance — June 30	$33,458,390	$ 31,670,567

In accordance with ASU No. 2009-12, the College expanded its disclosures to include the category, fair value, redemption frequency, and redemption notice period for Level 2 and Level 3 assets whose fair value is estimated using the net asset value per share as of June 30, 2010.

The following table for June 30, 2010, sets forth a summary of the College's investments with a reported NAV.

	Fair Value Estimated Using Net Asset Value per Share June 30, 2010		
Investment	Fair Value	Unfunded Commitment	Redemption Frequency
Fixed Income type investments (a)	$ 8,697,417	$	Daily
Equity type Investments (b)	36,153,179		Varies from 100% daily to monthly with 15 days notice.
Limited partnerships - NAV (c)	33,458,390	19,506,197	Varies from quarterly with 45 days notice to none.
Total	$ 78,308,986	$ 19,506,197	

(a) This category includes investments in funds with the objective to achieve an inflation protected return.

(b) This category includes investments with the objective to achieve long-term growth from a diversified portfolio of equity securities. To achieve this objective the College has selected investment managers that focus on both U.S. and international markets in various business sectors including commodities, industrial material, healthcare, information technology, utilities and others.

(c) This category includes investments with the objective to achieve long-term growth from a diversified portfolio of limited partnerships. The objective is to generate long term returns significantly higher than public equity markets on a risk adjusted basis.

6. DONOR-RESTRICTED AND BOARD-DESIGNATED FUNDS

Donor-restricted and board-designated net assets by type of fund as of June 30, 2010, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Perpetual trusts held by third parties	$ -	$ -	$ 5,947,178	$ 5,947,178
Annuity and life income funds		1,684,478	(133,727)	1,550,751
Donor-restricted funds		5,237,461	50,901,563	56,139,024
Net appreciation of permanently restricted net assets available for appropriation		48,810,887		48,810,887
Board-designated funds	43,201,658			43,201,658
Total	$43,201,658	$55,732,826	$56,715,014	$155,649,498

Changes in donor-restricted and board-designated net assets for the fiscal year ended June 30, 2010, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated funds — beginning of year	$42,961,493	$57,351,819	$53,155,242	$153,468,554
Contributions	-	1,568,882	3,008,851	4,577,733
Investment income	104,300	858,175	48,643	1,011,118
Net appreciation	1,947,989	4,228,616	461,717	6,638,322
Amounts appropriated for expenditure	(1,812,124)	(8,274,666)	40,561	(10,046,229)
Donor-restricted and board-designated funds — end of year	$43,201,658	$55,732,826	$56,715,014	$155,649,498

Donor-restricted and board-designated net assets by type of fund as of June 30, 2009, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Perpetual trusts held by third parties	$ -	$ -	$ 5,573,851	$ 5,573,851
Annuity and life income funds		1,380,738	(120,047)	1,260,691
Donor-restricted funds		5,281,534	47,701,438	52,982,972
Net appreciation of permanently restricted net assets available for appropriation		50,689,547		50,689,547
Board-designated funds	42,961,493			42,961,493
Total	$42,961,493	$57,351,819	$53,155,242	$153,468,554

Changes in donor-restricted and board-designated net assets for the fiscal year ended June 30, 2009, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated funds — beginning of year	$ 56,754,989	$ 91,651,807	$51,992,913	$200,399,709
Contributions		1,026,440	3,036,269	4,062,709
Investment income	836,613	830,316	38,943	1,705,872
Net depreciation	(12,215,888)	(27,752,336)	(1,871,056)	(41,839,280)
Amounts appropriated for expenditure	(2,414,221)	(8,404,408)	(41,827)	(10,860,456)
Donor-restricted and board-designated funds — end of year	$ 42,961,493	$ 57,351,819	$53,155,242	$153,468,554

7. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are reported at fair value at the date of the pledge and subsequently measured at the present value of future cash flows. The current yields for one- to five-year U.S. Treasury notes are used to discount contributions receivable.

Contributions receivable as of June 30 consist of the following:

	2010	**2009**
Due in one year or less	$1,050,607	$1,345,264
Due between one year and five years	1,596,326	1,561,180
Beyond five years	500,000	
	3,146,933	2,906,444
Less allowance for uncollectible contributions	(238,136)	(84,906)
Less discount to present value (discount rates range from 1.79%–5.10%)	(240,725)	(76,217)
Contributions receivable — net	$2,668,072	$2,745,321

The change in contributions receivable, net during the year ended June 30, 2010, is summarized as follows:

Balance — July 1, 2009	$ 2,745,321
New pledges	2,813,500
Collections on pledges	(2,573,011)
Increase in allowance for uncollectible contributions	(153,230)
Increase in unamortized discounts	(164,508)
Balance — June 30, 2010	$ 2,668,072

8. PROPERTY, PLANT, AND EQUIPMENT

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

	2010	**2009**
Land and improvements	$ 815,000	$ 840,933
Buildings and improvements	237,542,616	258,078,276
Furniture, fixtures, and equipment	33,758,376	57,583,895
Library books	8,943,606	8,069,167
Total	281,059,598	324,572,271
Less accumulated depreciation	(75,489,845)	(110,302,398)
Property, plant, and equipment — net	$205,569,753	$214,269,873

As of June 30, 2010, the College has contractual obligations outstanding of $1,640,296 for building renovations across campus and including the remaining obligation for the construction of the academic building. As of June 30, 2009, the College had contractual obligations outstanding of $95,000 for construction of a new academic building and an underground parking garage.

9. SWAP TERMINATIONS

In January, 2009, the College terminated three outstanding interest rate swap transactions entered into with Lehman Brothers Special Financing Inc. ("LBSF"). The College delivered a statement of loss for these transactions to LBSF, followed by payment of the settlement amount by check in the amount of $5,534,316.32 later the same month. The College calculated the fair value of the swap giving effect to market conditions at the time and the favorable credit terms included in the swap agreements. The valuation included consideration of unobservable inputs given the market conditions and unique provisions of the agreement, which are level 3 inputs as defined in Note 5. In May, 2010, in response to a request on behalf of LBSF for further information regarding this matter, the College replied and reiterated its position that this matter has been resolved by its payment referenced above. Thereafter, on October 1, 2010 counsel for LBSF sent a request for additional documents related to this matter. While this latest request for information is "informal", counsel for LBSF also made it clear that if the College does not voluntarily produce the requested information, LBSF will seek it through the LBSF bankruptcy proceeding. Accordingly, it remains possible that LBSF may seek to recover additional payments from the College in the future. At this time, we are not in a position to evaluate the likelihood of litigation, the likelihood of an unfavorable outcome in the event of litigation, or the amount of potential loss, if any, in the event of an unfavorable outcome. The College, on the basis of extensive analysis provided by both outside legal counsel and derivatives experts, believes its valuation is sound and in conformity with the terms of the terminated swap agreements as well as applicable law, and intends to vigorously defend its position.

10. BONDS PAYABLE

Bonds payable as of June 30 consisted of the following:

	2010	2009
Massachusetts Health and Educational Facilities Authority (MHEFA) Revenue Bonds:		
Simmons College Series C, 4%–5.125%, payable through 2028	$ 9,775,000	$ 10,080,000
Simmons College Series D, 4.6%–6.15%, payable through 2029	1,560,000	2,210,000
Simmons College Series F, 4%–5%, payable through 2033	4,522,879	5,288,147
Simmons College Series I, 6%–8%, payable through 2039	60,116,733	60,034,639
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	44,201,316	44,649,882
Simmons College Bonds Series 2008 Taxable, payable through 2022	17,260,000	17,890,000
Total MHEFA and MDFA Revenue Bonds*	187,045,928	189,762,668
Less current portion	(2,795,000)	(2,570,000)
Bonds payable	$ 184,250,928	$ 187,192,668

*Balance includes unamortized bond premium of $3,875,928 and 4,022,668 at June 30, 2010 and 2009, respectively

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 ASC 860-10. Accordingly, the defeased bonds and the assets in the defeasance trust were removed from the statements of financial position in 2007. At June 30, 2010, the outstanding principal amount of the defeased bonds was $40,520,000.

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 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. The interest rate on these bonds is determined weekly based upon the Securities Industry and Financial Market Association Municipal Swap Index (SIFMA). The interest rate on these bonds at June 30, 2010, was 0.24%.

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. The interest rate on these bonds is determined weekly based upon the SIFMA. The interest rate on these bonds at June 30, 2010, was 0.34%.

On January 22, 2009, the College issued MHEFA Revenue Bonds, Simmons College Issue, Series I (the "Series I Bonds") in the face amount of $61,055,000. The primary purpose of this issue was to retire the Series E Bonds at the par value of $31,140,000, including the payment due in connection with the termination of the interest rate hedge contract related to the Series E Bonds, and to finance the completion of the School of Management Building and expansion of the Fens Cafeteria.

Collateral — The College has pledged its tuition receipts as collateral for the bonds detailed above. In addition, the College has granted a mortgage on its residence campus in connection with the issuance of the Series I Bonds. The net book value of the property comprising the residence campus is $23,201,475.

Internal Borrowing From Endowment — In September 2008, the Simmons College Board of Trustees approved an internal borrowing from the endowment to provide funding for the construction of the School of Management building and garage, and the expansion of the Fens Cafeteria. The loan carries an interest rate of 5% which was approved by the Board of Trustees based on its determination of rates for similar instruments at the time of authorization. Based on the terms of the borrowing, the interest accrued through June 30, 2009, totaling $485,057 was deferred and is payable ratably over the remaining term of the loan. At June 30, 2010, the principal amount of this loan outstanding was $12,371,168 and the accrued interest payable was $160,703. Annual principal payments of $1,428,470 are scheduled to begin in fiscal year 2011 and to continue through fiscal year 2018 or until completely paid. In May 2010, the Board of Trustees approved of an additional principal payment of $571,530 for the fiscal year 2011.

Loan Payable — In July 2008, the College acquired a nine-year $2 million loan from its cafeteria management vendor to assist with the expansion of the Fens Cafeteria. Principal payments of $222,222 are due each year. The note carries no stated interest.

Aggregate principal payments related to bonds payable and the note payable are as follows:

Years Ending June 30	
2011	$ 3,017,222
2012	3,247,222
2013	3,497,222
2014	4,702,222
2015	4,977,222
Thereafter	165,358,518
Total	$184,799,628

The College has entered into certain irrevocable letters of credit with two major banks in order to secure certain bond repayment and interest obligations of the College's 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 as of June 30, 2010, and their respective expiration dates are as follows:

Issue	Provider	Balance	Maturity Date
Series G Bonds	TD Banknorth	$50,343,956	April 1, 2013
2008 Taxable	JPMorgan Chase	19,007,102	February 21, 2013

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, 2010 and 2009, the College was in compliance with these loan covenants.

11. OTHER LIABILITIES

Other liabilities as of June 30 consist of the following:

	2010	2009
Present value of charitable annuities payable	$1,705,098	$1,881,410
Asset retirement obligation liability	1,427,692	1,395,740
Faculty retirement obligations	1,597,088	
Total other liabilities	$4,729,878	$3,277,150

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 consist of the following:

	2010	2009
Educational and general purposes	$ 3,398,245	$ 3,065,940
Capital needs	1,839,215	2,215,595
Annuity and life income agreements	1,684,479	1,380,737
Net appreciation of permanently restricted net assets available for board appropriation	48,810,887	50,689,547
Total temporarily restricted net assets	$ 55,732,826	$ 57,351,819

13. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to the following at June 30:

	2010	2009
Earnings to be used for endowment	$ 49,212,718	$ 46,067,879
Earnings to be used for student loans	1,688,845	1,633,559
Annuity and life income agreements	(133,727)	(120,047)
Perpetual trusts held by third parties	5,947,178	5,573,851
Total permanently restricted net assets	$ 56,715,014	$ 53,155,242

14. FUNCTIONAL CLASSIFICATIONS OF EXPENDITURES

The statements of activities present operating expenditures by natural classification. The operating expenditures on a functional basis as of June 30 are as follows:

	2010	2009
Instruction	$ 42,621,448	$ 44,076,847
Academic support	7,938,266	7,437,900
Student services	5,317,808	5,478,856
Institutional support and advancement	24,409,778	22,493,359
Sponsored research and work-study	1,168,337	1,346,400
Auxiliary operations	6,521,099	7,833,987
Plant	8,406,272	9,025,044
Interest expense	8,005,541	6,046,883
Other	253,565	1,211,990
Total operating expenses	$ 104,642,114	$ 104,951,266

15. 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 $4,225,770 and $2,306,306 for 2010 and 2009, respectively.

In fiscal year 2010, the College offered an early retirement program to full-time tenured faculty who met a certain age criteria. Several faculty members accepted the program and as such the College recorded an expense of approximately $2,780,000 which has been reflected in the accompanying statements. At June 30, 2010, $1,597,088 remains outstanding on these obligations and is reported as a component of other liabilities in the statement of financial position.

16. 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, 2010, would not have a material effect on the financial position of the College.

The College receives funds 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.

* * * * * *