

Simmons College

*Financial Statements as of and for the
Years Ended June 30, 2007 and 2006,
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, 2007 and 2006, 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, 2007 and 2006, 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

September 28, 2007

SIMMONS COLLEGE

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 7,524,120	\$ 6,745,959
Interest accrued and receivable	415,332	498,196
Accounts receivable — net (Note 2)	7,804,181	6,779,814
Contributions receivable — net (Note 5)	3,679,134	1,918,053
Prepaid expenses and other assets (Note 6)	<u>2,501,517</u>	<u>1,921,845</u>
Total current assets	<u>21,924,284</u>	<u>17,863,867</u>
OTHER ASSETS:		
Amounts held under agreement with bond trustee (Note 8)	4,781,676	37,788,139
Investments (Note 4)	204,858,450	182,721,627
Property, plant, and equipment — net (Note 7)	171,713,518	138,915,659
Deferred charges — bonds payable — net of amortization	3,546,171	3,790,035
Loans to students — net (Note 3)	8,305,089	8,856,297
Contributions receivable — net (Note 5)	<u>764,701</u>	<u>1,719,740</u>
Total other assets	<u>393,969,605</u>	<u>373,791,497</u>
TOTAL	<u>\$ 415,893,889</u>	<u>\$ 391,655,364</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 14,563,057	\$ 12,699,184
Deposits payable and deferred revenues	3,809,246	3,601,755
Current portion of deferred gain on sale of buildings (Note 7)	936,440	936,440
Current portion of bonds payable (Note 8)	<u>515,000</u>	<u>915,000</u>
Total current liabilities	<u>19,823,743</u>	<u>18,152,379</u>
LONG-TERM LIABILITIES:		
Bonds payable (Note 8)	144,590,699	142,824,725
Deferred gain on sale of buildings (Note 7)	1,092,513	2,028,953
U.S. government loan advances	3,440,672	3,474,186
Other (Notes 8 and 9)	<u>5,056,816</u>	<u>4,781,518</u>
Total long-term liabilities	<u>154,180,700</u>	<u>153,109,382</u>
Total liabilities	<u>174,004,443</u>	<u>171,261,761</u>
NET ASSETS:		
Unrestricted	93,511,181	91,532,802
Temporarily restricted (Note 10)	97,603,657	82,352,478
Permanently restricted (Note 11)	<u>50,774,608</u>	<u>46,508,323</u>
Total net assets	<u>241,889,446</u>	<u>220,393,603</u>
TOTAL	<u>\$ 415,893,889</u>	<u>\$ 391,655,364</u>

See notes to financial statements.

SIMMONS COLLEGE

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CHANGES IN UNRESTRICTED NET ASSETS:		
Tuition and fees	\$ 86,361,317	\$ 81,974,338
Less college unrestricted scholarships	<u>(16,197,066)</u>	<u>(15,455,490)</u>
Net tuition and fees	70,164,251	66,518,848
Government and private grants	4,004,336	4,450,420
Investment return	11,399,799	7,290,742
Unrealized gain on interest rate swap agreements	174,289	7,165,755
Gifts	5,537,612	3,430,084
Auxiliary enterprises	12,620,939	12,426,526
Other revenue	7,961,860	5,150,436
Realized gain on sale of property	930,106	936,440
Net assets released from restrictions	<u>8,287,043</u>	<u>8,036,216</u>
Total revenues, gains, and other support	<u>121,080,235</u>	<u>115,405,467</u>
EXPENSES:		
Instruction	53,534,475	50,925,274
Academic support	15,133,334	13,457,399
Student services	6,795,226	6,589,350
Institutional support and advancement	27,718,171	29,865,975
Sponsored programs and research	1,640,634	1,860,168
Auxiliary enterprises	11,064,259	10,364,625
Other	<u>781,418</u>	<u>657,969</u>
Total expenses	<u>116,667,517</u>	<u>113,720,760</u>
INCREASE IN UNRESTRICTED NET ASSETS — Before		
loss on retirement of debt	4,412,718	1,684,707
Loss on retirement of debt	<u>(2,434,339)</u>	<u> </u>
Increase in unrestricted net assets	<u>1,978,379</u>	<u>1,684,707</u>

(Continued)

SIMMONS COLLEGE

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
INCREASE IN UNRESTRICTED NET ASSETS	\$ 1,978,379	\$ 1,684,707
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Investment return	21,749,505	12,370,727
Gifts	1,786,527	5,368,780
Net assets released from restrictions	<u>(8,284,853)</u>	<u>(8,736,459)</u>
Increase in temporarily restricted net assets	<u>15,251,179</u>	<u>9,003,048</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Investment return	1,033,320	326,753
Gifts	3,235,155	1,161,619
Net assets released from restrictions	<u>(2,190)</u>	<u>700,243</u>
Increase in permanently restricted net assets	<u>4,266,285</u>	<u>2,188,615</u>
INCREASE IN NET ASSETS	21,495,843	12,876,370
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE FOR ASSET RETIREMENT OBLIGATIONS (Note 1)		(1,109,309)
NET ASSETS — Beginning of year	<u>220,393,603</u>	<u>208,626,542</u>
NET ASSETS — End of year	<u>\$ 241,889,446</u>	<u>\$ 220,393,603</u>
See notes to financial statements.		(Concluded)

SIMMONS COLLEGE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 21,495,843	\$ 12,876,370
Adjustments to reconcile increase in net assets to net cash flows used in operating activities:		
Loss on retirement of debt	2,434,339	
Depreciation	9,363,439	7,833,807
Amortization	20,259	64,001
Stocks and gifts in kind	(219,734)	(405,635)
Net realized and unrealized gains on investments	(31,207,210)	(23,737,681)
Net realized gain on sale of property, plant, and equipment	(930,106)	(936,440)
Contributions for long-term investment	(3,751,557)	(1,897,916)
Changes in assets and liabilities:		
Increase in assets	(1,903,736)	(1,516,865)
Increase (decrease) in liabilities	<u>2,187,497</u>	<u>(2,935,326)</u>
Net cash flows used in operating activities	<u>(2,510,966)</u>	<u>(10,655,685)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(42,291,174)	(25,692,282)
Proceeds from the sale of investments	131,622,990	80,117,432
Purchases of investments	(122,507,158)	(79,422,401)
Net decrease (increase) in amounts held under agreement with bond trustee	33,006,463	(37,726,306)
Student loans advanced	(22,797,897)	(23,202,793)
Student loans collected	<u>23,349,105</u>	<u>24,260,793</u>
Net cash flows provided by (used in) investing activities	<u>382,329</u>	<u>(61,665,557)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	45,343,798	49,610,000
Payment of debt issuance costs	(990,769)	(1,552,259)
Repayments of long-term debt	(45,197,788)	(2,826,610)
Contributions to be used for long-term investment	<u>3,751,557</u>	<u>1,897,916</u>
Net cash flows provided by financing activities	<u>2,906,798</u>	<u>47,129,047</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	778,161	(25,192,195)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>6,745,959</u>	<u>31,938,154</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 7,524,120</u>	<u>\$ 6,745,959</u>
SUPPLEMENTAL DATA — Interest paid, net of capitalized interest of \$846,588 and \$1,592,528 in 2007 and 2006, respectively	<u>\$ 5,779,173</u>	<u>\$ 3,354,600</u>

See notes to financial statements.

SIMMONS COLLEGE

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

1. ACCOUNTING POLICIES

Organization — Simmons College (the “College”) is a private, nonsectarian institution located in Boston’s Back Bay that currently serves approximately 2,000 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 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 Simmons College 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.

Costs related to the operation and maintenance of the physical plant, including depreciation, have been allocated to functional classifications based on building square footage and departmental usage. Interest expense on external debt is allocated to the activities that have most directly benefited from the debt proceeds. Expenses associated with fundraising were \$3,212,576 and \$2,987,926 in 2007 and 2006, respectively, and are included in institutional support and advancement in the statements of activities.

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.

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.

Cash and Cash Equivalents — Cash and cash equivalents include highly liquid investments purchased with remaining maturities of three months or less. Included in cash and cash equivalents at June 30, 2007 and 2006, is \$3,765,515 and \$3,889,056, respectively, representing cash held by a bond trustee to be used to satisfy current liabilities.

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, 2007 and 2006, the Trustees appropriated \$4,368,752 and \$3,285,625, 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.

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.

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, 2007 and 2006.

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

Change in Accounting Principle — In March 2005, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. 47 (“FIN 47”), *Accounting for Conditional Asset Retirement Obligations*.

FIN 47 clarifies that the term “conditional asset retirement obligation,” as used in Statement of Financial Accounting Standards No. 143 (“SFAS 143”), includes a legal obligation associated with the retirement of a tangible long-lived asset in which the timing and/or method of settling the obligation is conditional on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if conditional on a future event.

To the extent that long-lived assets contain hazardous substances (as determined and defined by federal legislation, e.g., asbestos), organizations have a legal obligation and, subsequently, an accounting liability related to those assets. SFAS 143 requires the fair value of a liability for a legal obligation associated with an asset retirement be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized.

The College adopted FIN 47 effective July 1, 2005, and recorded a liability of \$1,231,441, of which \$1,109,309 was recorded as a cumulative effect of a change in accounting principle. The future value of the asset retirement is approximately \$1,278,285 and \$1,319,299 at June 30, 2006 and June 30, 2007, respectively. The change in the future value of the asset retirement obligation since adoption of FIN 47 is the result of \$46,844 and \$41,014 of accretion of the liability offset by the depreciation expense of these related assets incurred during the year ended June 30, 2006 and 2007, respectively. Substantially all of the impact of adopting FIN 47, relates to the estimated costs to remove asbestos that is contained within College facilities.

The cumulative effect of the adoption of FIN 47 reflects the accretion of the liability and depreciation of the related asset component from the liability inception date through July 1, 2005. The liability is recorded as a component of other liabilities in the statements of financial position.

The following table summarizes the impact as of July 1, 2005:

Increase in plant, property, and equipment — net	\$ 122,132
Increase in liability	1,231,441
Cumulative effect	1,109,309

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.

Reclassifications — Certain reclassifications have been made to prior-year amounts to conform to the current-year presentation. The reclassifications pertain to the statement of cash flows. The amount pertaining to construction in process which was previously included in both current liabilities and purchases of property, plant and equipment on the statement of cash flow were eliminated in order to more clearly show the changes to cash.

New Accounting Standards — 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*, 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.

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

2. ACCOUNTS RECEIVABLE

At June 30, 2007 and 2006, accounts receivable consisted of the following:

	2007	2006
Accounts receivable — student and other	\$ 6,546,346	\$ 6,496,337
Accounts receivable — proceeds from property insurance claim	1,749,221	
Accounts receivable for sponsored programs	232,614	683,477
Less allowance for doubtful accounts	<u>(724,000)</u>	<u>(400,000)</u>
Accounts receivable — net	<u>\$ 7,804,181</u>	<u>\$ 6,779,814</u>

3. LOANS TO STUDENTS

Loans to students are net of an allowance for uncollectible loans of \$283,600 at both June 30, 2007 and 2006.

4. INVESTMENTS

At June 30, 2007 and 2006, investments consisted of the following:

	2007	2006
Short-term investments	\$ 691,730	\$ 3,919,620
Fixed income	33,525,536	31,825,485
Equities	132,582,420	116,201,198
Alternative investments	37,918,343	30,151,754
Other	<u>140,421</u>	<u>623,570</u>
Total investments	<u>\$ 204,858,450</u>	<u>\$ 182,721,627</u>

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, 2007 and 2006, the College had an unfunded commitment of \$17,575,742 and \$7,904,465, respectively, callable upon demand.

The composition of investment return for the years ended June 30, 2007 and 2006 is as follows:

	2007			Total 2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividend income	\$ 2,228,480	\$ 872,507	\$ 48,716	\$ 3,149,703
Net realized gains	4,193,111	9,568,131	400,028	14,161,270
Unrealized gain on interest rate swap agreement	174,289			174,289
Net change in unrealized gains and losses on investments	<u>4,978,208</u>	<u>11,308,867</u>	<u>584,576</u>	<u>16,871,651</u>
Total investment return on long-term investments	<u>\$ 11,574,088</u>	<u>\$21,749,505</u>	<u>\$ 1,033,320</u>	<u>\$ 34,356,913</u>

	2006			Total 2006
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividend income	\$ 2,281,210	\$ 1,094,210	\$ 40,876	\$ 3,416,296
Net realized gains	2,268,073	5,114,795	416,271	7,799,139
Unrealized gain on interest rate swap agreement	7,165,755			7,165,755
Net change in unrealized gains and losses on investments	<u>2,741,459</u>	<u>6,161,722</u>	<u>(130,394)</u>	<u>8,772,787</u>
Total investment return on long-term investments	<u>\$ 14,456,497</u>	<u>\$ 12,370,727</u>	<u>\$ 326,753</u>	<u>\$ 27,153,977</u>

Under the College's spending policy, in both fiscal 2007 and 2006, the Trustees approved a 4% spending rate, which was based on a three-year moving average of the market value of the endowment. Under the spending policy, \$5,845,920 and \$5,279,284 was utilized in support of operations in fiscal 2007 and 2006, respectively. The portion of the spending policy that is funded from net appreciation of permanently restricted net assets, \$4,368,752 and \$3,285,625 in 2007 and 2006, respectively, is reflected as a component of temporarily restricted net assets released from restrictions in the statements of activities.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable due as of June 30, 2007 and 2006 consist of the following:

	2007	2006
Due in one year or less	\$ 3,792,921	\$ 1,977,375
Due between one year and five years	<u>862,370</u>	<u>1,880,463</u>
	4,655,291	3,857,838
Less allowance for uncollectible contributions	(137,438)	(112,509)
Less discount to present value (discount rates range from 1.1%–5.1%)	<u>(74,018)</u>	<u>(107,536)</u>
Contributions receivable — net	<u>\$ 4,443,835</u>	<u>\$ 3,637,793</u>

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as of June 30, 2007 and 2006 consist of the following:

	2007	2006
Prepaid departmental expenditures	\$ 1,714,907	\$ 1,558,717
Fair value of interest rate swap, MDFA Series G revenue bond	<u>786,610</u>	<u>363,128</u>
Total prepaid expenses and other assets	<u>\$ 2,501,517</u>	<u>\$ 1,921,845</u>

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, 2007 and 2006, is summarized as follows:

	2007	2006
Land and improvements	\$ 840,933	\$ 840,933
Buildings and improvements	165,240,130	154,708,446
Furniture, fixtures, and equipment	56,240,515	50,308,973
Construction in process	34,730,920	9,897,992
Library books	<u>6,745,618</u>	<u>5,880,474</u>
Total	263,798,116	221,636,818
Less accumulated depreciation	<u>(92,084,598)</u>	<u>(82,721,159)</u>
Property, plant, and equipment — net	<u>\$ 171,713,518</u>	<u>\$ 138,915,659</u>

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, 2007, the College has contractual obligations outstanding of approximately \$44,360,749 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 2007 and 2006, the College recognized \$936,440 of the deferred gain.

8. BONDS PAYABLE

Bonds payable at June 30, 2007 and 2006 consisted of the following:

	2007	2006
Massachusetts Health and Educational Facilities Authority (MHEFA) Revenue Bonds:		
Simmons College Series C, 4%–5.125%, payable through 2028	\$ 10,885,000	\$ 20,420,000
Simmons College Series D, 4.6%–6.15%, payable through 2029	2,210,000	4,620,000
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	6,028,684	37,949,725
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	<u>45,232,015</u>	<u> </u>
Total MHEFA and MDFA Revenue Bonds	145,105,699	143,739,725
Less current portion	<u>(515,000)</u>	<u>(915,000)</u>
Bonds payable	<u>\$144,590,699</u>	<u>\$142,824,725</u>

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 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*. At June 30, 2007, 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 the swap depreciated by \$249,193 during the year ended June 30, 2007, and appreciated by \$3,037,626 during the year ended June 30, 2006. 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, \$2,020,664 at June 30, 2007 and \$1,771,471 at June 30, 2006, is included in other liabilities in the statements of financial position.

On January 12, 2006, the College issued Massachusetts Development Finance Agency (MDFA) Variable Rate Demand Variable Mode Revenue Bonds, Simmons College Issue Series G (the "G Bonds") of \$49,610,000. This purpose of this issue was threefold: (1) to refinance the projects financed with the proceeds of the Simmons College Variable Rate Demand Revenue Bonds Capital Asset Program Series B & C, (2) to finance the construction, equipping, and furnishing of an approximately 75,000 square-foot academic building and approximately 365 underground parking spaces in a parking facility having a total of approximately 715 parking spaces, and (3) renovations, additions, and improvements to academic, residential, and administrative buildings.

Interest on the Series G Bonds is payable at a variable rate; however, on May 13, 2005, in anticipation of issuing a new variable debt issue in fiscal 2006, the College entered into an interest-rate swap agreement with a major investment bank in order to secure the interest rate of the new issue at a fixed rate of 3.804%. The terms of the swap agreement are such that it is structured to expire at maturity of the new issue, and the notional principal amount will decrease as the new bonds mature. The fair value of this swap appreciated by \$423,482 and \$4,128,129 during the years ended June 30, 2007 and 2006, respectively. The change in the fair value of the swap is reflected in the statements of activities. The fair values of the derivative, \$786,610 at June 30, 2007, and \$363,128 at June 30, 2006, are included in prepaid expenses and other assets, and other liabilities, respectively, in the statements of financial position.

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

On January 4, 2007, the College issued Massachusetts Development Finance Agency Revenue Bonds, Simmons College Issue H (the “Series H Bonds”) in the amount of \$39,885,000. The Series H Bonds were issued at a premium of \$5,458,798. The primary purpose of this issue was to refinance the projects financed and refinanced with the proceeds of a portion of the Massachusetts Health and Educational Facilities Revenue Authority (the “Authority”) Revenue Bonds, Simmons College, Series C Bonds, The Authority’s Revenue Bonds, Simmons College, Series D Bonds, and the Authority’s Revenue Bonds, Simmons College, Series F Bonds.

The defeasance was achieved through the deposit of \$44,282,763 of the proceeds of the 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*. Accordingly, the defeased bonds and the assets in the defeasance trust have been removed from the accompanying statement of financial position at June 30, 2007. At June 30, 2007, the outstanding principal amount of the defeased bonds was \$42,095,000.

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.

The refunded bonds and maturity/redemption dates are as follows:

Series C Bonds maturing October 1, 2008, 2009, 2010, 2011, 2012, 2014, 2019, and 2028 in the outstanding principal amount of \$9,045,000. The Series C Bonds with maturity dates after October 1, 2008 may be redeemed on October 1, 2008 at the applicable redemption price.

Series D Bonds maturing October 1, 2007, 2008, and 2012 in the outstanding principal amount of \$1,985,000. The Series D Bonds maturing on October 1, 2012 may be redeemed on October 1, 2010 at the applicable redemption price.

Series F Bonds maturing October 1, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2027, and 2033 in the outstanding principal amount of \$31,065,000. The total of all these bonds may be redeemed on October 1, 2013 at the applicable redemption price.

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

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, 2007, the College is in compliance with its debt covenants.

Aggregate principal payments are due as follows:

Year Ending June 30	
2008	\$ 515,000
2009	1,155,000
2010	2,015,000
2011	2,305,000
2012	2,465,000
Thereafter	<u>136,650,699</u>
Total	<u>\$ 145,105,699</u>

The College maintains certain investment funds with the bond trustee and MHEFA. The balances of these funds are \$8,547,191 and \$41,677,195 as of June 30, 2007 and 2006, respectively, of which \$3,765,515 and \$3,889,056, respectively, are included in cash and cash equivalents.

9. OTHER LIABILITIES

Other liabilities at June 30, 2007 and 2006 consist of the following:

	2007	2006
Fair value of interest rate swap, MHEFA Series E revenue bond	\$ 2,020,664	\$ 1,771,471
Present value of charitable annuities payable	1,699,609	1,655,230
Asset retirement obligation liability	1,319,299	1,278,285
Other compensated absences	<u>17,244</u>	<u>76,532</u>
Total other liabilities	<u>\$ 5,056,816</u>	<u>\$ 4,781,518</u>

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2007 and 2006 consist of the following:

	2007	2006
Educational and general purposes	\$ 2,104,925	\$ 2,384,586
Capital needs	2,230,401	3,021,662
Annuity and life income agreements	2,677,342	2,435,725
Net appreciation of permanently restricted net assets available for board appropriation	<u>90,590,989</u>	<u>74,510,505</u>
Total temporarily restricted net assets	<u>\$ 97,603,657</u>	<u>\$ 82,352,478</u>

11. PERMANENTLY RESTRICTED NET ASSETS

As of June 30, 2007 and 2006, permanently restricted net assets are restricted to the following:

	2007	2006
Earnings to be used for endowment	\$40,929,365	\$37,454,586
Earnings to be used for student loans	1,520,227	1,480,414
Annuity and life income agreements	265,825	249,304
Perpetual trusts held by third parties	<u>8,059,191</u>	<u>7,324,019</u>
Total permanently restricted net assets	<u>\$50,774,608</u>	<u>\$46,508,323</u>

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 \$3,111,300 and \$2,949,572 for 2007 and 2006, 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, 2007, 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 extends until August 31, 2009. It is anticipated that during this period, the College will 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. In addition, the lease may be extended for a period of up to two years beyond the initial expiration date.

Rent expense was \$1,023,996 in 2007 and \$1,043,953 in 2006. Minimum rental payments over the term of the operating lease are as follows:

Year Ending June 30	
2008	\$1,023,996
2009	1,023,996
2010	<u>170,666</u>
Total	<u>\$2,218,658</u>

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