

Simmons College

**Financial Statements
June 30, 2012 and 2011**

Simmons College
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June 30, 2012 and 2011

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Report of Independent Auditors

To the Board of Trustees of Simmons College

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Simmons College (the "College") at June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 17, 2012

Simmons College
Statements of Financial Position
June 30, 2012 and 2011

(in thousands of dollars)

	2012	2011
Assets		
Cash and cash equivalents	\$ 34,939	\$ 31,612
Accounts receivable, net	5,731	5,330
Contributions receivable, net	5,367	3,154
Amounts held under agreement with bond trustee	5,987	8,019
Investments and life income funds	155,214	159,273
Loans to students, net	5,484	5,804
Other assets	2,545	2,118
Deferred charges, net	3,536	3,719
Property, plant, and equipment, net	193,621	197,163
Total assets	<u>\$ 412,424</u>	<u>\$ 416,192</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 11,698	\$ 14,705
Deposits payable and deferred revenues	7,648	7,499
Bonds payable	180,243	183,534
Loan payable	1,185	1,407
U.S. government loan advances	3,246	3,338
Other liabilities	3,472	3,483
Total liabilities	<u>207,492</u>	<u>213,966</u>
Net assets		
Unrestricted	78,049	73,564
Temporarily restricted	63,663	67,894
Permanently restricted	63,220	60,768
Total net assets	<u>204,932</u>	<u>202,226</u>
Total liabilities and net assets	<u>\$ 412,424</u>	<u>\$ 416,192</u>

The accompanying notes are an integral part of these financial statements.

Simmons College
Statements of Activities
Years Ended June 30, 2012 and 2011

(in thousands of dollars)

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Operating activities								
Operating revenues								
Tuition and fees	\$ 111,013	\$ 112,019	\$ -	\$ -	\$ -	\$ -	\$ 111,013	\$ 112,019
Less: Student aid	(25,703)	(24,052)	-	-	-	-	(25,703)	(24,052)
Net tuition and fees	85,310	87,967	-	-	-	-	85,310	87,967
Auxiliary enterprises	15,634	14,344	-	-	-	-	15,634	14,344
Investment return in support of operations	6,745	6,576	-	-	-	-	6,745	6,576
Gifts	5,026	3,599	-	-	-	-	5,026	3,599
Government and private grants	3,356	2,989	-	-	-	-	3,356	2,989
Leases	2,946	3,500	-	-	-	-	2,946	3,500
Other	3,778	3,113	-	-	-	-	3,778	3,113
Net assets released from restrictions	2,491	1,805	-	-	-	-	2,491	1,805
Total operating revenues	125,286	123,893	-	-	-	-	125,286	123,893
Operating expenses								
Salaries and wages	55,501	52,402	-	-	-	-	55,501	52,402
Employee benefits	14,461	14,038	-	-	-	-	14,461	14,038
Materials, supplies, and services	29,616	32,590	-	-	-	-	29,616	32,590
Interest expense	7,613	7,183	-	-	-	-	7,613	7,183
Total operating expenses	107,191	106,213	-	-	-	-	107,191	106,213
Results from operations before depreciation	18,095	17,680	-	-	-	-	18,095	17,680
Depreciation	(12,274)	(12,484)	-	-	-	-	(12,274)	(12,484)
Results from operations after depreciation	5,821	5,196	-	-	-	-	5,821	5,196
Nonoperating revenues, gains, and losses								
Gifts	-	17	3,855	1,740	3,057	2,824	6,912	4,581
Investment gains (loss)	(660)	7,490	(956)	17,066	(552)	1,151	(2,168)	25,707
Distribution of investment return in support of operations	(6,745)	(6,576)	-	-	-	-	(6,745)	(6,576)
Other Income	1,377	20	-	-	-	-	1,377	20
Net assets released from restriction	4,692	4,762	(7,130)	(6,645)	(53)	78	(2,491)	(1,805)
Change from nonoperating activity	(1,336)	5,713	(4,231)	12,161	2,452	4,053	(3,115)	21,927
Change in net assets	4,485	10,909	(4,231)	12,161	2,452	4,053	2,706	27,123
Net assets								
Beginning of year	73,564	62,655	67,894	55,733	60,768	56,715	202,226	175,103
End of year	\$ 78,049	\$ 73,564	\$ 63,663	\$ 67,894	\$ 63,220	\$ 60,768	\$ 204,932	\$ 202,226

The accompanying notes are an integral part of these financial statements.

Simmons College
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

(in thousands of dollars)

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 2,706	\$ 27,123
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	12,091	12,291
Amortization of bond premium/discount and bond issuance costs	(83)	(525)
Stocks and gifts in kind	(565)	(260)
Net realized and unrealized loss (gains) on investments	3,088	(25,003)
Contributions for long-term investment	(3,223)	(2,830)
Changes in assets and liabilities		
(Decrease) increase in account receivable and other assets	(3,041)	(158)
(Decrease) Increase in accounts payable and other accruals	(4,111)	745
Increase (decrease) in deferred revenues and deposits payable	150	(162)
Net cash provided by operating activities	<u>7,012</u>	<u>11,221</u>
Cash flows from investing activities		
Purchases of property, plant, and equipment	(7,193)	(4,679)
Proceeds from the sale and maturities of investments	46,121	144,636
Purchases of investments	(44,586)	(142,946)
Decrease in amounts held under agreement with bond trustee	2,032	651
Student loans advanced	(502)	(564)
Student loans collected	823	684
Net cash used in investing activities	<u>(3,305)</u>	<u>(2,218)</u>
Cash flows from financing activities		
Repayments of long-term debt	(3,247)	(3,017)
Payments to annuity beneficiaries	(356)	(382)
Contributions to be used for long-term investment	3,223	2,830
Net cash used in financing activities	<u>(380)</u>	<u>(569)</u>
Net increase in cash and cash equivalents	3,327	8,434
Cash and cash equivalents		
Beginning of year	<u>31,612</u>	<u>23,178</u>
End of year	<u>\$ 34,939</u>	<u>\$ 31,612</u>
Supplemental data		
Interest paid	\$ 7,436	\$ 7,600

The accompanying notes are an integral part of these financial statements.

Simmons College

Notes to Financial Statements

June 30, 2012 and 2011

1. Accounting Policies

Organization

Simmons College (the "College") is a private, nonsectarian institution located in Boston's Back Bay that currently serves approximately 1,785 undergraduate women and 3,000 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").

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

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 as well as unexpended endowment income allocated under the spending formula. 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.

Nonoperating Revenues, Gains and Losses

The nonoperating revenues, gains and losses include investment income, realized and unrealized investment gains and losses net of amounts distributed in support of operations, contributions to temporarily restricted and permanently restricted net assets, realized gains on the sale of property and the nonoperating net assets utilized or released from restriction.

Expenses associated with fund-raising were \$2,860,000 and \$2,627,000 in 2012 and 2011, respectively, and are included in institutional support expenditures disclosed in Note 13,

Simmons College
Notes to Financial Statements
June 30, 2012 and 2011

Cash Equivalents

Cash and cash equivalents include highly liquid investments purchased with an initial maturity date of three months or less. For purposes of the statements of financial position and 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 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 (Note 4 and Note 5).

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. UPMIFA provides greater flexibility for organizations that may consider spending from underwater endowment funds. UPMIFA did not impact the College's spending from endowment funds in fiscal year 2012 and 2011.

The Trustees have interpreted state law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a temporarily restricted net asset classification until appropriated by the Trustees and expended.

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 discretion over their investment programs, subject to appropriate constraints reflected in the College's Investment Policy Statement or in the applicable investment management contracts.

Simmons College
Notes to Financial Statements
June 30, 2012 and 2011

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, 2012 and June 30, 2011 was 4.5%. For the year ended June 30, 2012, the Board approved a change in the methodology for calculating the annual spending rate from a three-year average of market values as of December 31, to one based on the average of the prior twelve quarter end market values as of December 31. To the extent that current yield is inadequate to meet the spending rate a portion of cumulative realized and unrealized net gains is also 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. 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:

Furniture, fixtures and equipment	3–15 years
Land improvements	10 years
Library books	10 years
Building renovations	20 years
Buildings	40 years

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, 2012 and 2011 is included in other liabilities in the statements of financial position. Changes in this balance for the years ended June 30 are as follows:

<i>(in thousands of dollars)</i>	2012	2011
Balance at beginning of year	\$ 1,482	\$ 1,428
Accretion expense	56	54
Balance at end of year	<u>\$ 1,538</u>	<u>\$ 1,482</u>

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Notes to Financial Statements
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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 fair market value of the College's financial debt instruments based on current borrowing rates for loans with similar maturities and average maturities was estimated to be approximately \$192,719,000 and \$198,557,000 as of June 30, 2012 and 2011, respectively.

Tuition and Fees Revenue

The College recognizes tuition and fees 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. 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.

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.

Noncash Items

Noncash transactions impacting recorded assets and liabilities and therefore not resulting in cash receipts or payments reflected in the statements of cash flows include \$2,131,000 and \$830,000 of accrued liabilities related to plant and equipment purchases at June 30, 2012 and 2011, respectively.

Simmons College
Notes to Financial Statements
June 30, 2012 and 2011

Funds with Shortfalls

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. Shortfalls of this nature are reported in unrestricted net assets, and totaled \$382,000 and \$232,000 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Subsequent Events

Subsequent events have been evaluated through October 17, 2012, which is the date when the financial statements were issued.

Revision of Prior Period Statements

In the current fiscal year, the College recognized the tuition and fee revenues and the related expenses of the summer session on a pro-rata basis from the start date of the class through June 30, 2012. Previously, the College recognized all tuition and fee revenues and the related expenses of its summer term for those classes that started on or before June 30. In order to correctly present comparative information with fiscal year 2012 certain amounts as described below have been revised in the reported statements for fiscal year 2011.

The Statement of Financial Position as previously reported for the year ended June 30, 2011 has a cumulative change in opening net assets for prior years of \$3,012,000 and an overall impact to the Statement of Activities for FY 2011 of a \$236,000 decrease in results from operations after depreciation. The College does not believe the revision is material to any prior period.

Simmons College
Notes to Financial Statements
June 30, 2012 and 2011

The detail of effect of the change on the College financial statements for the year ended June 30, 2011 was as follows:

	6/30/2011 Reported	Adjustment	6/30/2011 Revised
Changes to the Statement of Financial Position			
Accounts receivable, net	\$ 5,010	\$ 320	\$ 5,330
Total assets	415,872	320	416,192
Accounts payable and accrued liabilities	15,378	(673)	14,705
Deposits payable and deferred revenues	3,258	4,241	7,499
Total liabilities	210,398	3,568	213,966
Unrestricted net assets	76,812	(3,248)	73,564
Total net assets	205,474	(3,248)	202,226
Total liabilities and net assets	415,872	320	416,192
Unrestricted net assets beginning balance	65,667	(3,012)	62,655
Total net assets beginning balance	178,115	(3,012)	175,103
Changes to the Statement of Activities			
Tuition and Fees	112,621	(602)	112,019
Less: Student aid	(24,140)	88	(24,052)
Net tuition and fees	88,481	(514)	87,967
Salaries and wages	52,676	(274)	52,402
Employee benefits	14,042	(4)	14,038
Total operating expenses	106,491	(278)	106,213
Results from operations before depreciation	17,916	(236)	17,680
Results from operations after depreciation	5,432	(236)	5,196
Change in net assets	27,359	(236)	27,123
Changes to the Statement of Cash Flows			
Change in net assets	27,359	(236)	27,123
(Decrease) increase in account receivable and other assets	(70)	(88)	(158)
(Decrease) Increase in accounts payable and other accruals	1,023	(278)	745
Increase (decrease) in deferred revenues and deposits payable	(764)	602	(162)
Net cash provided by operating activities	\$ 11,201	\$ -	\$ 11,201

2. Accounts Receivable

At June 30 accounts receivable consisted of the following:

(in thousands of dollars)

	2012	2011
Accounts receivable - student and other	\$ 6,573	\$ 5,974
Accounts receivable for sponsored programs	390	469
Less: Allowance for doubtful accounts	(1,232)	(1,113)
Accounts receivable, net	<u>\$ 5,731</u>	<u>\$ 5,330</u>

Simmons College
Notes to Financial Statements
June 30, 2012 and 2011

3. Loans to Students

Loans to students are net of an allowance for uncollectible loans of \$355,000 at both June 30, 2012 and 2011.

The College regularly assesses the adequacy of the allowance for doubtful accounts related to loans to students by performing ongoing evaluations of the student loan portfolio, including such factors as the economic environment in which the borrowers operate and the level of delinquent loans. The College also performs a detailed review of the aging of the student loan receivable balances in comparison to prior years. The level of the allowance is adjusted based on the results of this analysis. The College considers the allowance recorded at June 30, 2012 and June 30, 2011 to be reasonable and adequate to absorb the potential credit losses inherent in the student loan portfolio.

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:

<i>(in thousands of dollars)</i>	2012	2011
Cash and cash equivalents	\$ 8,178	\$ 11,654
Fixed income	21,493	18,733
Equities	69,374	76,492
Alternative investments	56,138	52,356
Other	31	38
Total investments	<u>\$ 155,214</u>	<u>\$ 159,273</u>

Alternative investments consist primarily of hedge fund and private equity holdings. The fair value of certain private equity, real estate, natural resource and other equity investments represents the College's ownership interest in the capital account of limited partnerships. The value of these investments is determined by the general partner and is based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the underlying investment, the fair value is determined by the general partner taking into consideration among other things, multiples of comparable companies in the public markets and/or discounted cash flow analyses. The College performs additional procedures with respect to valuation including due diligence reviews on its investments in limited partnerships and including, but not limited to, general partners' compliance with the Fair Value Measurements standard, price transparency and valuation procedures in place.

The College is obligated under certain alternative investment agreements to periodically advance additional funding up to their contractual levels.

Simmons College
Notes to Financial Statements
June 30, 2012 and 2011

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

<i>(in thousands of dollars)</i>	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividend income	\$ 113	\$ 802	\$ 5	\$ 920
Net realized losses	(529)	(1,166)	(226)	(1,921)
Net change in unrealized gains and losses on investments	(244)	(592)	(331)	(1,167)
Total investment return on long-term investments	<u>\$ (660)</u>	<u>\$ (956)</u>	<u>\$ (552)</u>	<u>\$ (2,168)</u>

<i>(in thousands of dollars)</i>	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividend income	\$ 204	\$ 493	\$ 5	\$ 702
Net realized gains	2,659	5,796	59	8,514
Net change in unrealized gains and losses on investments	4,627	10,777	1,087	16,491
Total investment return on long-term investments	<u>\$ 7,490</u>	<u>\$ 17,066</u>	<u>\$ 1,151</u>	<u>\$ 25,707</u>

Internal Borrowing from Endowment

In September 2008, the College's 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. The principal amount of the loan outstanding was \$8,371,000 and \$10,371,000 at June 30, 2012, and 2011, respectively. Annual principal payments began in fiscal year 2011 and continue through 2018 or until completely paid.

5. Fair Value Measurements

U.S. GAAP 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. U.S. GAAP 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 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.

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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 participants 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 measured at fair value are as follows:

- Level 1 Inputs that are based on unadjusted quoted prices in active markets for identical assets that the College is able to access on the date of valuation. Instruments categorized in Level 1 would be common stocks, bonds held in custody in the College's name and mutual funds with daily NAV that are publicly listed on market exchanges and have daily process and trading activity.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; 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. Level 2 investments can include thinly traded securities and private investments in publicly traded companies. Commingled funds with documented transactions on the reporting date at an established NAV, and the ability to liquidate at NAV in the near-term (90 days or less) would also be classified as Level 2.
- Level 3 Inputs that are typically unobservable, in illiquid markets and rely on assumptions and estimates about pricing derived available information. Typical Level 3 investments include private equity, private real estate partnerships and other illiquid securities with little or no regular market activity. Typically private equity partnerships can never be redeemed, but rather that the College receives distribution through the liquidation of the partnerships' underlying assets. Investments that are not redeemable at NAV in the near-term (greater than 90 days) are also classified as Level 3.

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.

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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 are as follows:

<i>(in thousands of dollars)</i>	Assets at Fair Value at June 30, 2012			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and cash equivalents	\$ 7,866	\$ -	\$ -	\$ 7,866
Fixed income securities	18,495	-	-	18,495
Equity securities	32,013	30,995	-	63,008
Alternative investments - hedge funds	-	15,472	10,713	26,185
Alternative investments - private equity	-	-	29,737	29,737
	<u>58,374</u>	<u>46,467</u>	<u>40,450</u>	<u>145,291</u>
Charitable annuities and pooled income funds				
Cash and cash equivalents	42	-	-	42
Fixed income securities	-	1,038	-	1,038
Equity securities	-	1,248	-	1,248
Perpetual trusts held by third parties	-	-	7,595	7,595
	<u>42</u>	<u>2,286</u>	<u>7,595</u>	<u>9,923</u>
	<u>\$ 58,416</u>	<u>\$ 48,753</u>	<u>\$ 48,045</u>	<u>\$ 155,214</u>

<i>(in thousands of dollars)</i>	Assets at Fair Value at June 30, 2011			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and cash equivalents	\$ 11,421	\$ -	\$ -	\$ 11,421
Fixed-income securities	15,513	-	-	15,513
Equity securities	30,557	38,737	-	69,294
Alternative investments - hedge funds	-	15,757	11,332	27,089
Alternative investments - private equity	-	-	25,158	25,158
	<u>57,491</u>	<u>54,494</u>	<u>36,490</u>	<u>148,475</u>
Charitable annuities and pooled income funds				
Cash and cash equivalents	45	-	-	45
Fixed-income securities	-	1,185	-	1,185
Equity securities	-	1,396	-	1,396
Perpetual trusts held by third parties	-	-	8,172	8,172
	<u>45</u>	<u>2,581</u>	<u>8,172</u>	<u>10,798</u>
	<u>\$ 57,536</u>	<u>\$ 57,075</u>	<u>\$ 44,662</u>	<u>\$ 159,273</u>

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A summary of changes in the fair value of the College's Level 3 assets for the year ended June 30, 2012 is as follows:

<i>(in thousands of dollars)</i>	Private Equity	Hedge Funds	Perpetual Trusts	Total
Balance at beginning of year	\$ 25,158	\$ 11,332	\$ 8,172	\$ 44,662
Realized gains (losses)	382	(517)	-	(135)
Unrealized gains (losses)	1,611	468	(577)	1,502
Purchases and capital calls	4,625	-	-	4,625
Sales and redemptions	(2,039)	(570)	-	(2,609)
Balance at end of year	<u>\$ 29,737</u>	<u>\$ 10,713</u>	<u>\$ 7,595</u>	<u>\$ 48,045</u>

A summary of changes in the fair value of the College's Level 3 assets for the year ended June 30, 2011 is as follows:

<i>(in thousands of dollars)</i>	Private Equity	Hedge Funds	Perpetual Trusts	Total
Balance at beginning of year	\$ 25,858	\$ 7,370	\$ 7,101	\$ 40,329
Reclassified to level 2	-	(3,203)	-	(3,203)
Total realized and unrealized gains (losses), net	2,609	612	1,071	4,292
Purchases	3,343	8,250	-	11,593
Sales	(6,652)	(1,697)	-	(8,349)
Balance at end of year	<u>\$ 25,158</u>	<u>\$ 11,332</u>	<u>\$ 8,172</u>	<u>\$ 44,662</u>

The following table for June 30, 2012, sets forth a summary of the College's investments with a reported NAV:

Fair Value Estimated Using Net Asset Value			
June 30, 2012			
<i>(in thousands of dollars)</i>	Fair Value *	Unfunded Commitments	Redemption Frequency
Investment			
Fixed Income securities ^(a)	\$ 1,038	\$ -	Daily
Equity securities ^(b)	32,243		Varies from 100% daily, less than 30 days, to 30-60 days
Limited partnerships - NAV ^(c)			
Hedge funds	26,185		Varies from quarterly with 30 days notice, semi-annually with 30-180 days notice, to none.
Private equity	<u>29,737</u>	<u>11,629</u>	N/A
	<u>\$ 89,203</u>	<u>\$ 11,629</u>	

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- 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.

6. Donor-Restricted and Board-Designated Funds

Donor-restricted and board-designated net assets by type of fund as of June 30, 2012 are as follows:

<i>(in thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Donor restricted	\$ -	\$ 54,932	\$ 55,206	\$ 110,138
Board designated	46,671	-	-	46,671
Total endowment net assets	46,671	54,932	55,206	156,809
Designated for specific purposes				
Perpetual trusts held by third parties	-	-	6,363	6,363
Annuity and life income funds	-	1,796	(169)	1,627
Donor-restricted funds	-	6,935	1,820	8,755
	<u>\$ 46,671</u>	<u>\$ 63,663</u>	<u>\$ 63,220</u>	<u>\$ 173,554</u>

Changes in donor-restricted and board-designated net assets for the fiscal year ended June 30, 2012 are as follows:

<i>(in thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated funds, beginning of year	\$ 48,806	\$ 67,894	\$ 60,768	\$ 177,468
Contributions	-	3,855	3,057	6,912
Investment income	113	802	5	920
Net appreciation	(773)	(1,758)	(557)	(3,088)
Amounts appropriated for expenditure	(1,475)	(7,130)	(53)	(8,658)
Donor-restricted and board-designated funds, end of year	<u>\$ 46,671</u>	<u>\$ 63,663</u>	<u>\$ 63,220</u>	<u>\$ 173,554</u>

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Donor-restricted and board-designated net assets by type of fund as of June 30, 2011 are as follows:

<i>(in thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Donor restricted	\$ -	\$ 61,082	\$ 52,235	\$ 113,317
Board designated	<u>48,806</u>	<u>-</u>	<u>-</u>	<u>48,806</u>
Total endowment net assets	48,806	61,082	52,235	162,123
Designated for specific purposes				
Perpetual trusts held by third parties	-	-	6,888	6,888
Annuity and life income funds	-	2,005	(95)	1,910
Donor-restricted funds	<u>-</u>	<u>4,807</u>	<u>1,740</u>	<u>6,547</u>
	<u>\$ 48,806</u>	<u>\$ 67,894</u>	<u>\$ 60,768</u>	<u>\$ 177,468</u>

Changes in donor-restricted and board-designated net assets for the fiscal year ended June 30, 2011 are as follows:

<i>(in thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted and board-designated funds, beginning of year				
	\$ 43,201	\$ 55,733	\$ 56,715	\$ 155,649
Contributions	-	1,740	2,824	4,564
Investment income	204	493	5	702
Net appreciation	7,286	16,573	1,146	25,005
Amounts appropriated for expenditure	<u>(1,885)</u>	<u>(6,645)</u>	<u>78</u>	<u>(8,452)</u>
Donor-restricted and board-designated funds, end of year				
	<u>\$ 48,806</u>	<u>\$ 67,894</u>	<u>\$ 60,768</u>	<u>\$ 177,468</u>

Total endowment net assets include the balance of the internal loan which was \$8,371,000 and \$10,371,000 at June 30, 2012 and 2011, respectively.

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7. Contributions Receivable

Contributions receivable as of June 30 consist of the following:

<i>(in thousands of dollars)</i>	2012	2011
Due in one year or less	\$ 1,252	\$ 1,120
Due between one year and five years	3,308	1,527
Beyond five years	1,450	1,075
	<u>6,010</u>	<u>3,722</u>
Less: Allowance for uncollectible contributions	(351)	(279)
Less: Discount to present value (discount rates range from .72%–3.4%)	(292)	(289)
Contributions receivable, net	<u>\$ 5,367</u>	<u>\$ 3,154</u>

The change in contributions receivable, net during the year ended June 30, 2012, is summarized as follows:

<i>(in thousands of dollars)</i>	
Balance at July 1, 2011	\$ 3,154
New pledges	4,126
Collections on pledges	(1,838)
Increase in allowance for uncollectible contributions	(72)
Increase in unamortized discounts	(3)
Balance at June 30, 2012	<u>\$ 5,367</u>

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:

<i>(in thousands of dollars)</i>	2012	2011
Land and improvements	\$ 815	\$ 815
Buildings and improvements	244,007	239,679
Furniture, fixtures, and equipment	39,568	35,874
Library books	8,946	8,482
	<u>293,336</u>	<u>284,850</u>
Less: Accumulated depreciation	(99,715)	(87,687)
Property, plant, and equipment, net	<u>\$ 193,621</u>	<u>\$ 197,163</u>

The College has contractual obligations outstanding, related to various renovations on campus, of \$2,137,000 and \$1,757,000 at June 30, 2012 and 2011, respectively.

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9. Bonds Payable

Bonds payable as of June 30 consisted of the following:

<i>(in thousands of dollars)</i>	2012	2011
Massachusetts Health and Educational Facilities Authority (MHEFA) Revenue Bonds		
Simmons College Series C, 4%–5.125%, payable through 2028	\$ 9,130	\$ 9,460
Simmons College Series D, 4.6%–6.15%, payable through 2029	-	825
Simmons College Series F, 4%–5%, payable through 2033	2,755	3,590
Simmons College Series I, 6%–8%, payable through 2039	61,055	61,055
Massachusetts Development Finance Agency (MDFA) Revenue Bonds		
Simmons College Series G Variable Rate Demand Variable Mode Revenue Bonds, payable through 2036	49,610	49,610
Simmons College Series H, 4%–5.25%, payable through 2033	39,030	39,280
Simmons College Bonds Series 2008 Taxable, payable through 2022	15,770	16,555
	<u>177,350</u>	<u>180,375</u>
Unamortized bond premium/discount, net	2,893	3,159
Total MHEFA and MDFA Revenue Bonds	<u>\$ 180,243</u>	<u>\$ 183,534</u>

On January 4, 2007, the College issued MDFA Revenue Bonds, Simmons College Series H (the "Series H Bonds") in the amount of \$45,344,000. 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 \$44,283,000 of the proceeds of the Series H Bonds in a refunding trust and has been accounted for as legal defeasance. Accordingly, the defeased bonds and the assets in the defeasance trust were removed from the statements of financial position in 2007. At June 30, 2012, the outstanding principal amount of the defeased bonds was \$31,065,000.

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 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 average interest rate in fiscal year 2012 on these bonds was .13%.

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 average interest rate on these bonds in fiscal year 2012 was .18%.

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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 \$22,491,000.

Loan Payable

In July 2008, the College acquired a nine-year \$2,000,000 loan from its cafeteria management vendor to assist with the expansion of the Fens Cafeteria. Principal payments of \$222,000 are due each year. The note carries no stated interest.

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

(in thousands of dollars)

Years Ending June 30,	
2013	\$ 3,497
2014	4,702
2015	4,977
2016	5,517
2017	5,782
Thereafter	<u>154,059</u>
	<u>\$ 178,534</u>

Included in the College's debt is \$65,380,000 of variable rate demand bonds ("VRDBs"). In order to secure bond repayment and interest obligations associated with these VRDBs, the College has entered into irrevocable letters of credit ("LOC") with two financial institutions that meet the College's criteria for financial stability and risk diversification.

In fiscal year 2012, the College chose to terminate its existing two letters of credit and substitute them with two new agreements with the same providers that extend the maturity dates while materially reducing the covenants. The new agreements were executed on September 1, 2011. The providers, balances of the new letters of credit as of June 30, 2012 and the respective expiration dates are as follows:

(in thousands of dollars)

Issue	Provider	Balance	Maturity Date
Series G Bonds	JPMorgan Chase	\$ 50,344	September 1, 2016
2008 Taxable	TD Bank	16,003	September 1, 2016

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To date, the College has never had an instance where its VRDBs failed to be remarketed. However, in the unlikely event that the VRDBs cannot be remarketed successfully, they may be "put" in part or in full to the above LOC provider. Based on the repayment and maturity terms under the LOC, if they failed to remarket in their entirety the aggregate scheduled principal payments would be as follows: \$2,628,000, \$18,321,000, \$19,652,000, \$21,100,000, \$3,154,000 and \$525,000 in 2013, 2014, 2015, 2016, 2017 and 2018, respectively.

Bank Lines

The College maintained a line of credit with a bank in the amount of \$7,500,000. There were no amounts outstanding on the line at June 30, 2012 and 2011.

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 additional indebtedness.

10. Other Liabilities

Other liabilities as of June 30 consist of the following:

<i>(in thousands of dollars)</i>	2012	2011
Present value of charitable annuities payable	\$ 1,934	\$ 2,001
Asset retirement obligation liability	1,538	1,482
Total other liabilities	<u>\$ 3,472</u>	<u>\$ 3,483</u>

11. Temporarily Restricted Net Assets

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

<i>(in thousands of dollars)</i>	2012	2011
Educational and general purposes	\$ 7,108	\$ 3,368
Capital needs	356	2,144
Annuity and life income agreements	1,796	2,005
Net appreciation of permanently restricted net assets available for board appropriation	54,403	60,377
Total temporarily restricted net assets	<u>\$ 63,663</u>	<u>\$ 67,894</u>

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12. Permanently Restricted Net Assets

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

<i>(in thousands of dollars)</i>	2012	2011
True Endowment - general	\$ 55,206	\$ 52,235
True Endowment - student loans	1,820	1,740
Annuity and life income agreements	(169)	(95)
Perpetual trusts held by third parties	<u>6,363</u>	<u>6,888</u>
Total permanently restricted net assets	<u>\$ 63,220</u>	<u>\$ 60,768</u>

13. 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:

<i>(in thousands of dollars)</i>	2012	2011
Instruction and academic support	\$ 70,908	\$ 68,196
Student services	6,348	6,812
Institutional support and advancement	29,917	32,277
Sponsored activities	1,399	1,301
Auxiliary operations and other	<u>10,893</u>	<u>10,111</u>
Total expenses	<u>\$ 119,465</u>	<u>\$ 118,697</u>

14. 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 \$3,229,000 and \$3,188,000 for 2012 and 2011, respectively.

At June 30, 2011, \$1,391,000 was outstanding on obligations related to an early retirement program offered to full-time tenured faculty meeting a certain age criteria in 2010 and is reported as a component of accrued liabilities in the statement of financial position.

15. 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, 2012, would not have a material effect on the financial position of the College.

On January 9, 2009, the College terminated its three interest rate swaps it had previously entered into with Lehman Brothers Special Financing, Inc. (LBSF). These swaps were issued in connection with three variable debt issues: Series E Bonds, Series G Bonds, and the 2008 Taxable Bonds. Pursuant to the swap agreements, the College exercised its right to terminate the swaps due to LBSF's filing for bankruptcy in October 2008, and failure to make payments due under the swaps.

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Using the methodology permitted under the agreement, the College computed a settlement amount of \$6,300,000, of which \$5,500,000 was remitted to LBSF on January 22, 2009. As permitted the College, as the nondefaulting party, held back from the settlement amount \$300,000 to cover its out-of-pocket expenses in terminating the swap. The College also held back a reserve of \$500,000 to cover subsequent out-of-pocket expenses. The reserve is included in accrued liabilities as of June 30, 2012 and 2011.

LBSF does not agree with the settlement amount paid by the College and on May 31, 2012, LBSF filed a Derivative ADR Notice with the College as part of a process required by the Lehman bankruptcy proceedings to seek to settle such disputes. Simmons and LBSF are presently engaged in a bankruptcy court sponsored mediation of the dispute required by an order in the LBSF bankruptcy proceedings. Since the proceedings are ongoing and involve multiple parties the College cannot predict the outcome of this matter at this time and no additional accrual has been recorded.

The College continues to believe it has fully performed all of its obligations under the swap agreements and has no further obligations to LBSF with respect to the swaps, provided however, no assurance can be given with respect to the final resolution of this issue or that any additional payment required of the College would not have a material adverse impact on 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.