Simmons College

Financial Statements as of and for the Years Ended June 30, 2009 and 2008 (as Restated), 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, 2009 and 2008, 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, 2009 and 2008, 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.

As discussed in Note 17, the College's statement of cash flows for the year ended June 30, 2008, has been restated.

Deloitte & Touche LLP

October 22, 2009

SIMMONS COLLEGE

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,583,718	$ 563,780
Short-term investments	-	2,785,504
Interest accrued and receivable	12,390	326,799
Accounts receivable — net	6,107,323	6,759,980
Contributions receivable — net	1,305,391	2,093,129
Prepaid expenses and other assets	1,420,913	2,303,926
Total current assets	14,429,735	14,833,118
OTHER ASSETS:		
Amounts held under agreement with bond trustee	9,306,045	162,118
Investments	135,092,046	193,939,584
Property, plant, and equipment — net	214,269,873	208,374,665
Deferred charges — bonds payable — net of amortization	4,103,723	3,432,876
Loans to students — net	6,070,586	6,917,938
Contributions receivable — net	1,439,930	1,846,692
Other assets	333,384	-
Total other assets	370,615,587	414,673,873
TOTAL	$ 385,045,322	$ 429,506,991
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 9,806,576	$ 28,411,862
Deposits payable and deferred revenues	4,482,451	3,082,229
Current portion of deferred gain on sale of buildings	-	1,092,513
Current portion of loan payable	222,222	-
Current portion of bonds payable	2,570,000	1,995,000
Total current liabilities	17,081,249	34,581,604
COMMITMENTS AND CONTINGENCIES		
LONG-TERM LIABILITIES:		
Bonds payable	187,192,668	161,096,864
Loan payable	1,629,630	-
U.S. government loan advances	3,435,588	3,450,338
Other	3,277,150	10,223,209
Total long-term liabilities	195,535,036	174,770,411
Total liabilities	212,616,285	209,352,015
NET ASSETS:		
Unrestricted	61,921,976	76,510,256
Temporarily restricted	57,351,819	91,651,807
Permanently restricted	53,155,242	51,992,913
Total net assets	172,429,037	220,154,976
TOTAL	$ 385,045,322	$ 429,506,991

See notes to financial statements.

SIMMONS COLLEGE

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
OPERATING ACTIVITIES								
OPERATING REVENUES:								
Tuition and fees	$ 99,452,364	$ 94,905,548	$ -	$ -	$ -	$ -	$ 99,452,364	$ 94,905,548
Less student aid	(21,501,563)	(22,262,042)	-	-	-	-	(21,501,563)	(22,262,042)
Net tuition and fees	77,950,801	72,643,506	-	-	-	-	77,950,801	72,643,506
Government and private grants	2,873,181	3,427,328	-	-	-	-	2,873,181	3,427,328
Investment return in support of operations	8,460,772	5,709,699	-	-	-	-	8,460,772	5,709,699
Gifts	5,043,265	3,953,409	-	-	-	-	5,043,265	3,953,409
Auxiliary enterprises	15,097,475	14,514,492	-	-	-	-	15,097,475	14,514,492
Leadership conference revenue	865,521	1,363,768	-	-	-	-	865,521	1,363,768
Property insurance proceeds	-	905,179	-	-	-	-	-	905,179
Lease revenue	922,976	-	-	-	-	-	922,976	-
Other sources	1,859,418	4,371,684	-	-	-	-	1,859,418	4,371,684
Net assets released from restrictions	2,357,857	2,145,319	-	-	-	-	2,357,857	2,145,319
Total operating revenues	115,431,266	109,034,384	-	-	-	-	115,431,266	109,034,384
OPERATING EXPENSES:								
Salaries and wages	56,277,248	55,796,439	-	-	-	-	56,277,248	55,796,439
Employee benefits	13,553,409	13,784,489	-	-	-	-	13,553,409	13,784,489
Materials, supplies and services	29,073,726	35,107,994	-	-	-	-	29,073,726	35,107,994
Interest expense	6,046,883	4,520,068	-	-	-	-	6,046,883	4,520,068
Total operating expenses	104,951,266	109,208,990	-	-	-	-	104,951,266	109,208,990
RESULTS FROM OPERATIONS BEFORE DEPRECIATION	10,480,000	(174,606)	-	-	-	-	10,480,000	(174,606)
DEPRECIATION AND ACCRETION EXPENSE	(11,769,231)	(10,244,231)	-	-	-	-	(11,769,231)	(10,244,231)
RESULTS FROM OPERATIONS AFTER DEPRECIATION	(1,289,231)	(10,418,837)	-	-	-	-	(1,289,231)	(10,418,837)
NON-OPERATING REVENUES, GAINS AND LOSSES:								
Gifts	-	-	1,026,440	3,423,503	3,036,269	2,308,507	4,062,709	5,732,010
Investment loss	(11,922,865)	(600,127)	(26,922,020)	(2,460,204)	(1,832,113)	(872,119)	(40,676,998)	(3,932,450)
Distribution of investment income and accumulated investment gains	(8,460,772)	(5,709,699)	-	-	-	-	(8,460,772)	(5,709,699)
Gain (loss) on interest rate swap agreements	401,080	(5,501,342)	-	-	-	-	401,080	(5,501,342)
Realized gain on sale of property	1,148,809	919,513	-	-	-	-	1,148,809	919,513
Net assets released from restriction	6,088,378	4,987,913	(8,404,408)	(6,915,149)	(41,827)	(218,083)	(2,357,857)	(2,145,319)
Change from non-operating activity	(12,745,370)	(5,903,742)	(34,299,988)	(5,951,850)	1,162,329	1,218,305	(45,883,029)	(10,637,287)
CHANGE IN NET ASSETS BEFORE DEBT ACTIVITY	(14,034,601)	(16,322,579)	(34,299,988)	(5,951,850)	1,162,329	1,218,305	(47,172,260)	(21,056,124)
DEBT EXTINGUISHMENT CHARGES	(553,679)	(678,346)	-	-	-	-	(553,679)	(678,346)
CHANGE IN NET ASSETS	(14,588,280)	(17,000,925)	(34,299,988)	(5,951,850)	1,162,329	1,218,305	(47,725,939)	(21,734,470)
NET ASSETS — Beginning of year	76,510,256	93,511,181	91,651,807	97,603,657	51,992,913	50,774,608	220,154,976	241,889,446
NET ASSETS — End 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

See notes to financial statements.

SIMMONS COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008 (As Restated see Note 17)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (47,725,939)	$ (21,734,470)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on debt extinguishment	553,679	678,346
Depreciation	11,729,284	10,280,083
Amortization of bond premium/discount	(11,201)	(61,145)
Stocks and gifts in kind	(309,425)	(2,254,318)
Net realized and unrealized losses on investments	41,526,628	11,148,710
Net realized gain on sale of property, plant, and equipment	(1,078,639)	(919,513)
Contributions for long-term investment	(3,361,236)	(1,970,664)
Changes in assets and liabilities:		
Decrease in assets	5,011,644	3,812,357
(Decrease) increase in liabilities	(2,349,114)	2,209,812
Net cash flows provided by operating activities	3,985,681	1,189,198
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(32,777,187)	(35,584,852)
Proceeds from the sale and maturities of investments	132,868,988	75,020,009
Purchases of investments	(115,639,733)	(67,494,193)
Net (increase) decrease in amounts held under agreement with bond trustee	(9,143,927)	4,619,558
Student loans advanced	(803,595)	(21,837,577)
Student loans collected	1,650,946	23,224,726
Net cash flows used in investing activities	(23,844,508)	(22,052,329)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	59,998,380	18,730,000
Proceeds from issuance of loan payable	2,000,000	-
Payment of debt issuance costs	(1,405,902)	(732,741)
Termination of interest rate swaps	(5,791,800)	-
Repayments of long-term debt	(33,283,148)	(515,000)
Contributions to be used for long-term investment	3,361,236	1,970,664
Net cash flows provided by financing activities	24,878,766	19,452,923
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,019,939	(1,410,208)
CASH AND CASH EQUIVALENTS — Beginning of year	563,780	1,973,988
CASH AND CASH EQUIVALENTS — End of year	$ 5,583,719	$ 563,780
SUPPLEMENTAL DATA — Interest paid — inclusive of capitalized interest of $2,111,121 and $2,531,928 in 2009 and 2008, respectively	$ 8,133,194	$ 6,757,807

See notes to financial statements.

1. ACCOUNTING POLICIES

Organization — Simmons College (the "College") is a private, nonsectarian institution located in Boston's Back Bay that currently serves approximately 2,060 undergraduate women and 2,870 men and women in its graduate programs at the master and doctoral levels.

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

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

Unrestricted Net Assets — Unrestricted net assets are the net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the College's board of trustees (the "Trustees").

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

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

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

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

The presentation of the statement of activities has been changed to conform more closely to industry practice by presenting operational expenditures by natural classification.

Expenses associated with fund-raising were $2,812,782 and $3,614,525 in 2009 and 2008, 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 — Investments 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.

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. 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, 2009 and 2008, $5,424,419 and $4,497,187, 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 risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes could occur and materially affect the amounts reported in the financial statements.

Property, Plant, and Equipment — Property, plant, and equipment are recorded at cost or, if acquired by gift, at fair market value on the date of receipt. Depreciation is computed by the straight-line method based on the estimated useful lives of the assets. Additions, 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

Conditional Asset Retirement Obligations — 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, in accordance with Financial Accounting Standards Board (FASB) Statement No. 143, *Accounting for*

Asset Retirement Obligations, and FASB Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations (an interpretation of FASB No. 143)*. 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 statement of activities. The College has recognized an asset retirement obligation for the future remediation of asbestos in campus facilities. The accrual balance for this obligation as of June 30, 2009 and 2008 is $1,395,740 and $1,344,592, respectively and is included in other long-term liabilities in the statement of financial position. Changes in this balance for the years ended June 30 are as follows:

	2009	**2008**
Balance — July 1	$ 1,344,592	$ 1,319,299
Asset retirement	-	(16,274)
Accretion expense	51,148	41,567
Balance — June 30	$ 1,395,740	$ 1,344,592

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, 2009 and 2008.

The fair value of the interest-rate swap agreements at June 30, 2008 was estimated by management.

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

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

Tax Status — The College is 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 excluded from the statements of cash flows include $95,000 and $15,138,820 of accrued liabilities related to plant and equipment purchases for 2009 and 2008, 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 $1,613,790 as of June 30, 2009. 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 22, 2009 which is the date when the financial statements were issued.

Recently Adopted Accounting Pronouncements — In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*. FASB No. 157 defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements of assets and liabilities. 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. The College adopted FASB Statement No. 157 as of July 1, 2008 (Note 5).

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This standard permits entities the option, at specific election dates, to measure certain financial assets and financial liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument by instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The College adopted FASB Statement No. 159 as of July 1, 2008, but it did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

In August 2008, the FASB issued FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FSP No. FAS 117-1 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. FSP No. FAS 117-1 is effective for fiscal years ending after December 15, 2008. The College adopted FSP No. FAS 117-1 for the fiscal year ended June 30, 2009 (Note 6).

2. ACCOUNTS RECEIVABLE

At June 30, accounts receivable consisted of the following:

	2009	2008
Accounts receivable — student and other	$6,605,243	$7,272,212
Accounts receivable for sponsored programs	405,080	341,768
Less allowance for doubtful accounts	(903,000)	(854,000)
Accounts receivable — net	$6,107,323	$6,759,980

3. LOANS TO STUDENTS

Loans to students are net of an allowance for uncollectible loans of $283,600 at both June 30, 2009 and 2008, respectively.

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:

	2009	2008
Cash and cash equivalents	$ 39,259,136	$ 10,385,562
Short-term investments	1,846,039	-
Fixed income	5,368,190	32,412,632
Equities	56,802,983	102,821,128
Alternative investments	31,670,567	48,033,759
Other	145,131	286,503
Total investments	$135,092,046	$193,939,584

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, 2009 and 2008, the College had an unfunded commitment of $24,357,399 and $40,190,741, respectively, callable upon demand.

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

	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 return on long-term investments	$ (11,922,865)	$ (26,922,020)	$ (1,832,113)	$ (40,676,998)

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

Under the College's spending policy, in fiscal years 2009 and 2008, 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 2009 and 2008, the Trustees approved special distributions from the endowment of $1,645,000 and $882,000, respectively, in support of the College's strategic plan, which includes the School of Management's strategic initiative to obtain accreditation from the Association to Advance Collegiate Schools of Business (AACSB). Under the spending policy, $8,460,772 and $5,709,699 was utilized in support of operations in fiscal years 2009 and 2008, respectively.

5. FAIR VALUE MEASUREMENTS

As discussed in Note 1, as of July 1, 2008, the College adopted SFAS No. 157, *Fair Value Measurements*, and has valued its investments in accordance with this standard.

SFAS No. 157 clarifies that fair value is 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 should be 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, SFAS No. 157 establishes 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 under SFAS No. 157 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 following presents the College's assets measured at fair value for each hierarchy level as of June 30, 2009:

	Assets at Fair Value			
	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

The following table sets forth a summary of changes in the fair value of the College's Level 3 assets for the year ended June 30, 2009:

Balance — July 1, 2008	$ 48,033,759
Total gains or losses (realized and unrealized) included in non-operating losses	(11,641,089)
Purchases, sales, gifts, issuances and settlements	(4,722,103)
Balance — June 30, 2009	$ 31,670,567

6. DONOR RESTRICTED AND BOARD DESIGNATED FUNDS

Donor restricted and board designated fund composition by type of fund as of June 30, 2009 is 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 funds 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:

	2009	2008
Due in one year or less	$1,345,264	$2,157,864
Due between one year and five years	1,561,180	2,035,047
	2,906,444	4,192,911
Less allowance for uncollectible contributions	(84,906)	(121,850)
Less discount to present value (discount rates range from 2.54%–5.10%)	(76,217)	(131,240)
Contributions receivable — net	$2,745,321	$3,939,821

The following table summarizes the change in contributions receivable, net during the year ended June 30 2009.

Balance — July 1, 2008	$ 3,939,821
New pledges	1,702,000
Collections on pledges	(2,988,467)
Increase in allowance for uncollectible contributions	36,944
Increase in unamortized discounts	55,023
Balance — June 30, 2009	$ 2,745,321

8. 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, are summarized as follows:

	2009	2008
Land and improvements	$ 840,933	$ 840,933
Buildings and improvements	258,078,276	183,462,951
Furniture, fixtures, and equipment	57,583,895	55,646,118
Construction in process	-	59,790,170
Library books	8,069,167	7,662,133
Total	324,572,271	307,402,305
Less accumulated depreciation	(110,302,398)	(99,027,640)
Property, plant, and equipment — net	$ 214,269,873	$208,374,665

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, 2009, the College has contractual obligations outstanding of $95,000 for construction of a new academic building and an underground parking garage.

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 year 2005, and approximately $3,902,000 was deferred and recognized over the term of the lease. In 2009 and 2008, the College recognized $1,092,513 and $936,440, respectively, of the deferred gain. The lease terminated on December 31, 2008.

9. SWAP TERMINATIONS

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

Using the methodology permitted under the agreement, the College computed a settlement amount of $6.3 million of which $5.5 million was remitted to LBSF on January 22, 2009. As permitted in the agreement, the College, as the non-defaulting party, held back from the settlement amount a reserve of $300,000 to cover its out-of-pocket expenses incurred in terminating the swap. The College also held back a reserve of a further $500,000 to cover subsequent out-of-pocket expenses. These reserves are included in accrued expenses as of June 30, 2009.

The College recognized a gain of $401,080 upon its termination of the swaps for the fiscal year ended June 30, 2009 and unrealized losses of $5,501,342 for the fiscal year ended June 30, 2008 which are recorded in non-operating gains in the statement of activities.

As of June 30, 2009, LBSF was still under bankruptcy court proceedings. While the College believes that it has fully performed all of its obligations under the swap agreements it has not yet received confirmation from LBSF.

10. BONDS PAYABLE

Bonds payable at June 30, consisted of the following:

	2009	2008
Massachusetts Health and Educational Facilities Authority (MHEFA) Revenue Bonds:		
Simmons College Series C, 4%–5.125%, payable through 2028	$ 10,080,000	$ 10,370,000
Simmons College Series D, 4.6%–6.15%, payable through 2029	2,210,000	2,210,000
Simmons College Series E Variable Rate Demand Variable Mode Revenue Bonds, payable through 2029	-	31,140,000
Simmons College Series F, 4%–5%, payable through 2033	5,288,147	6,023,415
Simmons College Series I, 6%–8%, payable through 2039	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	44,649,882	45,008,449
Simmons College Bonds Series 2008 Taxable, payable through 2022	17,890,000	18,730,000
Total MHEFA and MDFA Revenue Bonds	189,762,668	163,091,864
Less current portion	(2,570,000)	(1,995,000)
Bonds payable	$ 187,192,668	$ 161,096,864

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

The defeasance was achieved through the deposit of $44,282,763 of the proceeds of the Series H Bonds in a refunding trust and has been accounted for as legal defeasance under FASB Statement No. 140. Accordingly, the defeased bonds and the assets in the defeasance trust have been removed from the statement of financial position at June 30, 2008. At June 30, 2009, the outstanding principal amount of the defeased bonds was $40,780,000.

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, 2009 was 0.25%.

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, 2009 was 0.50%.

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 $24,082,816.

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. The principal amount of this loan outstanding at June 30, 2009 was $12,371,168. Annual principal payments of $1,374,575 begin in fiscal year 2011 and will continue through fiscal year 2018.

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, note payable, and the internal borrowing from endowment are as follows:

Years Ending June 30	
2010	$ 2,792,222
2011	4,391,797
2012	4,621,797
2013	4,871,797
2014	6,076,797
Thereafter	181,231,278
Total	$203,985,688

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 at June 30, 2009, and their respective expiration dates are as follows:

	June 30, 2009		
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.

11. OTHER LIABILITIES

Other liabilities at June 30, consist of the following:

	2009	2008
Fair value of interest rate swap — MHEFA Series E revenue bond	$ -	$ 3,995,785
Fair value of interest rate swap — MHEFA Series G revenue bond	-	2,692,379
Fair value of interest rate swap — Simmons College Series 2008 Taxable	-	47,232
Present value of charitable annuities payable	1,881,410	1,807,616
Asset retirement obligation liability	1,395,740	1,344,592
Other compensated absences	-	335,605
Total other liabilities	$ 3,277,150	$ 10,223,209

12. TEMPORARILY RESTRICTED NET ASSETS

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

	2009	2008
Educational and general purposes	$ 3,065,940	$ 3,050,445
Capital needs	2,215,595	3,442,240
Annuity and life income agreements	1,380,737	2,072,633
Net appreciation of permanently restricted net assets available for board appropriation	50,689,547	83,086,489
Total temporarily restricted net assets	$ 57,351,819	$ 91,651,807

13. PERMANENTLY RESTRICTED NET ASSETS

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

	2009	2008
Earnings to be used for endowment	$ 46,067,879	$ 42,946,054
Earnings to be used for student loans	1,633,559	1,575,698
Annuity and life income agreements	(120,047)	278,424
Perpetual trusts held by third parties	5,573,851	7,192,737
Total permanently restricted net assets	$ 53,155,242	$ 51,992,913

14. FUNCTIONAL CLASSIFICATIONS OF EXPENDITURES

The statement of activities presents operating expenditures by natural classification. The following table presents operating expenditures on a functional basis.

	2009	2008
Instruction	$ 44,076,847	$ 44,711,158
Academic support	7,437,900	7,334,268
Student services	5,478,856	6,002,647
Institutional support and advancement	22,493,359	26,939,016
Sponsored research and work-study	1,346,400	1,419,314
Auxiliary operations	7,833,987	7,918,204
Plant	9,025,044	9,526,427
Interest expense	6,046,883	4,520,068
Other	1,211,990	837,888
Total operating expenses	$ 104,951,266	$ 109,208,990

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 $2,306,306 and $3,267,106 for 2009 and 2008, respectively.

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, 2009, 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.

17. RESTATEMENT

Subsequent to the issuance of the June 30, 2008 financial statements, the College determined that it had made an error in reporting non-cash transactions in the statement of cash flows related to construction costs that were included in accounts payable and accrued liabilities as of June 30, 2008. Although these transactions did not impact the net change in cash and cash equivalents in that year, the statement of cash flows incorrectly reported an overstatement of net cash flows provided by operating activities and an overstatement of net cash flows used in investing activities of $15,138,820 for the year ended June 30, 2008. The applicable line items of the statement of cash flows have been restated to correct this error and disclosure has been included of the non cash transaction that impacted these accounts. The line items restated in the statement of cash flows were as follows:

	2008 (As Previously Reported)	2008 (As Restated)
Cash flows from operating activities:		
Increase in liabilities	$ 17,348,632	$ 2,209,812
Net cash flows provided by operating activities	16,328,018	1,189,198
Cash flows from investing activities:		
Purchases of property, plant and equipment	(50,723,672)	(35,584,852)
Net cash flows used in investing activities	(37,191,149)	(22,052,329)

The adjustment resulted in no change in the total net change in cash and cash equivalents and has no impact on any of the other primary financial statements.

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