

Bryn Mawr College

**Financial Statements
May 31, 2008 and 2007**

Bryn Mawr College
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May 31, 2008 and 2007

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Report of Independent Auditors

To the Board of Trustees
Bryn Mawr 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 Bryn Mawr College (the "College") at May 31, 2008 and 2007, and 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. 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

August 8, 2008

Bryn Mawr College
Statements of Financial Position
May 31, 2008 and 2007
(in thousands)

	<u>May 2008</u>	<u>May 2007</u>
Assets:		
Cash	\$ 29,561	\$ 34,135
Short-term investments	14,412	6,325
Accounts receivable (less allowance of \$223 in 2008 and \$191 in 2007)	2,732	3,787
Other assets	347	2,762
Contributions receivable (less allowance of \$513 in 2008 and \$860 in 2007)	14,332	8,948
Student loans receivable (less allowance of \$125 in 2008 and \$118 in 2007)	2,535	2,666
Plant and equipment, net of accumulated depreciation	187,674	191,471
Long term investments	<u>737,288</u>	<u>707,017</u>
Total assets	<u><u>\$ 988,881</u></u>	<u><u>\$ 957,111</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,699	\$ 3,043
Accrued expenses	3,758	3,734
Student deposits	2,516	2,449
Deferred revenue	2,095	2,212
Annuity obligations	7,135	6,548
Long-term debt	78,998	83,264
Other long-term liabilities	6,684	6,347
Advances from US government for student loans	<u>1,899</u>	<u>1,866</u>
Total liabilities	<u>107,784</u>	<u>109,463</u>
 Net Assets:		
Unrestricted	396,728	358,579
Temporarily restricted	305,654	318,853
Permanently restricted	<u>178,715</u>	<u>170,216</u>
Total net assets	<u>881,097</u>	<u>847,648</u>
Total liabilities and net assets	<u><u>\$ 988,881</u></u>	<u><u>\$ 957,111</u></u>

See accompanying notes to the financial statements.

Bryn Mawr College
Statement of Activities
Year Ended May 31, 2008

(with comparative totals for 2007, in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008	Total 2007
Operating revenues:					
Tuition and fees, net of discount of \$20,647 in 2008 and \$19,765 in 2007	\$ 34,022	\$ -	\$ -	\$ 34,022	\$ 32,926
Private contributions	6,212	12,279	-	18,491	15,680
Government grants	4,158	-	-	4,158	4,147
Endowment payout under spending formula	14,764	12,351	57	27,172	24,480
Other	4,485	-	-	4,485	5,956
Auxiliary enterprises, net of discount of \$410 in 2008 and \$481 in 2007	18,223	-	-	18,223	17,345
Interest income on cash and short-term investments	2,074	-	-	2,074	2,723
Satisfaction of program restrictions	18,229	(18,229)	-	-	-
Total operating revenues	<u>102,167</u>	<u>6,402</u>	<u>57</u>	<u>108,625</u>	<u>103,257</u>
Operating expenses:					
Instruction	34,685	-	-	34,685	32,488
Research	2,082	-	-	2,082	2,164
Public service	2,279	-	-	2,279	2,443
Academic support	10,722	-	-	10,722	9,889
Student services	7,663	-	-	7,663	7,528
Institutional support	16,734	-	-	16,734	16,024
Scholarships and fellowships	3,693	-	-	3,693	3,891
Auxiliary enterprises	18,649	-	-	18,649	19,042
Total operating expenses	<u>96,507</u>	<u>-</u>	<u>-</u>	<u>96,507</u>	<u>93,469</u>
Net changes from operations	<u>5,660</u>	<u>6,402</u>	<u>57</u>	<u>12,118</u>	<u>9,788</u>
Non-operating items:					
Private contributions	3,956	330	9,418	13,704	10,347
Actuarial changes, interest and payments	(823)	(83)	(205)	(1,111)	(3,304)
Release from restrictions	17,895	(17,895)	-	-	-
Loss on retirement of debt	-	-	-	-	(1,965)
Other	7,024	-	-	7,024	1,636
Realized and unrealized gains (losses) on investments, net of \$16,531 in 2008 and \$13,471 in 2007 appropriated for endowment spending payout	4,437	(1,952)	(771)	1,714	79,984
Net changes from non-operating activities	<u>32,489</u>	<u>(19,600)</u>	<u>8,442</u>	<u>21,331</u>	<u>86,697</u>
Change in net assets	38,149	(13,199)	8,499	33,450	96,486
Net assets at beginning of year	<u>\$ 358,579</u>	<u>\$ 318,853</u>	<u>\$ 170,216</u>	<u>\$ 847,648</u>	<u>\$ 751,162</u>
Net assets at end of year	<u>\$ 396,728</u>	<u>\$ 305,654</u>	<u>\$ 178,715</u>	<u>\$ 881,097</u>	<u>\$ 847,648</u>

See accompanying notes to the financial statements.

Bryn Mawr College
Statement of Activities
Year Ended May 31, 2007

(in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>
Operating revenues:				
Tuition and fees, net of discount of \$19,765 in 2007 and \$18,063 in 2006	\$ 32,926	\$ -	\$ -	\$ 32,926
Private contributions	6,547	9,133	-	15,680
Government grants	4,147	-	-	4,147
Endowment payout under spending formula	13,474	10,956	50	24,480
Other	5,956	-	-	5,956
Auxiliary enterprises, net of discount of \$481 in 2007 and \$499 in 2006	17,345	-	-	17,345
Interest income on cash and short-term investments	2,723	-	-	2,723
Satisfaction of program restrictions	14,796	(14,796)	-	-
Total operating revenues	<u>97,914</u>	<u>5,293</u>	<u>50</u>	<u>103,257</u>
Operating expenses:				
Instruction	32,488	-	-	32,488
Research	2,164	-	-	2,164
Public service	2,443	-	-	2,443
Academic support	9,889	-	-	9,889
Student services	7,528	-	-	7,528
Institutional support	16,024	-	-	16,024
Scholarships and fellowships	3,891	-	-	3,891
Auxiliary enterprises	19,042	-	-	19,042
Total operating expenses	<u>93,469</u>	<u>-</u>	<u>-</u>	<u>93,469</u>
Net changes from operations	<u>4,445</u>	<u>5,293</u>	<u>50</u>	<u>9,788</u>
Non-operating items:				
Private contributions	299	1,805	8,243	10,347
Actuarial changes, interest and payments	(1,402)	(1,134)	(768)	(3,304)
Release from restrictions	4,618	(5,307)	689	-
Loss on retirement of debt	(1,965)	-	-	(1,965)
Other	1,636	-	-	1,636
Realized and unrealized gains (losses) on investments, net of \$16,531 in 2008 and \$13,471 in 2007 appropriated for endowment spending payout	28,227	51,476	281	79,984
Net changes from non-operating activities	<u>31,413</u>	<u>46,840</u>	<u>8,445</u>	<u>86,698</u>
Change in net assets	35,858	52,133	8,495	96,486
Net assets at beginning of year	<u>\$ 322,721</u>	<u>\$ 266,720</u>	<u>\$ 161,721</u>	<u>\$ 751,162</u>
Net assets at end of year	<u>\$ 358,579</u>	<u>\$ 318,853</u>	<u>\$ 170,216</u>	<u>\$ 847,648</u>

See accompanying notes to the financial statements

Bryn Mawr College
Statements of Cash Flows
Years Ended May 31, 2008 and 2007
(in thousands)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Increase in net assets	\$ 33,450	\$ 96,486
Cumulative effect of accounting change		
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,353	7,831
(Loss)/gain on disposal of equipment	3,090	(36)
Loss on debt issuance		882
Provision for losses on accounts/loans receivable	(307)	(630)
Contributions restricted/designated for long-term investment	(13,572)	(10,624)
Net realized and unrealized (gains) losses on investments	(18,524)	(94,060)
Change in net present value of annuities	587	1,341
Retirement obligation	289	91
Changes in operating assets and liabilities:		
Accounts receivable, inventory and prepaid expenses	3,436	(2,510)
Accounts payable, accruals, deferred revenue and deposits	1,026	72
Contributions receivable	(5,037)	2,036
Net cash provided by operating activities	<u>12,791</u>	<u>879</u>
Cash flows from investing activities		
Proceeds from sale of investments	208,090	207,861
Purchase of long-term investments	(226,342)	(211,766)
Alumnae Association investments	48	4,466
Student loans and employee mortgages, net	(1,458)	(100)
Purchase of property, plant and equipment	(7,263)	(10,210)
Net cash used in investing activities	<u>(26,925)</u>	<u>(9,748)</u>
Cash flows from financing activities		
Contributions restricted or designated for long-term investment	13,572	10,624
Proceeds from long-term borrowing	-	23,571
Debt issuance costs	(75)	(1,965)
Repayment of debt	(3,970)	(23,675)
Government advance for loan	33	(41)
Net cash provided by financing activities	<u>9,560</u>	<u>8,514</u>
Net decrease in cash and cash equivalents	(4,574)	(355)
Cash and cash equivalents at beginning of year	<u>34,135</u>	<u>34,490</u>
Cash and cash equivalents at end of year	<u>\$ 29,561</u>	<u>\$ 34,135</u>
Supplemental data for financing activities:		
Non-cash gifts-in-kind	\$ 214	\$ 40
Interest paid	3,991	4,664
Construction related payables	604	298

See accompanying notes to the financial statements.

Bryn Mawr College
Notes to Financial Statements
May 31, 2008 and 2007

All Information is reported in thousands

1 Organization

Bryn Mawr College (the "College") is a private institution of higher education located in Bryn Mawr, Pennsylvania. The College has been granted tax-exempt status as a non-profit organization under Section 501 (c) (3) of the Internal Revenue Code.

The Undergraduate College offers a four-year, liberal arts curriculum to women and has cooperative exchanges with other area schools. Undergraduate full-time equivalent enrollment for the fiscal years was approximately 1,248 students. Geographically, 38% of undergraduate students come from the Middle Atlantic region of the United States, 47% from states in other regions, and 15% from foreign countries. Bryn Mawr also has coeducational graduate schools of Arts and Sciences and of Social Work and Social Research. Graduate school enrollment full-time equivalent enrollment was 374.

2 Summary of Significant Accounting Policies

Basis of Presentation

The College's financial statements have been prepared on an accrual basis. Resources are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets.

Temporarily restricted: Net assets whose use by the College is subject to donor-imposed restrictions which can be fulfilled by actions of the College in accordance with those restrictions or by the passage of time. Endowment income and spendable contributions with donor-imposed restrictions are reported as temporarily restricted. Such net assets are reclassified to unrestricted net assets when the donor-imposed restrictions have been met.

Unrestricted: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

During the year, management released \$17.5 million of temporarily restricted endowment funds to unrestricted net assets which related to unrestricted designated capital funds.

Expenses are reported as decreases in unrestricted net assets. Expirations or changes in donor-imposed stipulations are reported as net assets released from restrictions and treated as reclassifications between the applicable classes of net assets.

Investments

Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. Alternative investments, which are not readily marketable, include certain hedge funds, private equity and real estate investments held through limited partnerships or commingled funds. These investments

Bryn Mawr College
Notes to Financial Statements
May 31, 2008 and 2007
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are carried at estimated fair value provided by the management of the alternative investment fund as adjusted by cash receipts, cash disbursements and securities distributions through May 31, 2008 and 2007. The College agrees with the valuation methodologies used in determining the fair value of the alternative investments. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed. The College believes that the carrying value of its alternative investments, based upon the valuation methodologies above, is a reasonable estimate of fair value as of May 31.

Endowment Spending

Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment net realized gains. The law allows non-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage, between 2% and 7%, is elected annually. The endowment market value is determined based on an average spanning at least three years.

Bryn Mawr College adopted a new spending policy in October 2005. The constant growth policy is as follows: a 4.5% increase over the prior years spending plus 5% of gifts received in the most recently closed fiscal year; subject to a floor/ceiling band of 5.5% and 4.5% of the trailing 12 quarter average of the endowment value.

Plant and Equipment

Plant assets are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows: buildings (60 years); building systems, renovations and land improvements (20-25 years); information systems, equipment and furnishings (5-10 years); and books (20 years). Depreciation expense is allocated to functional categories in the statement of operations based on building square footage. Expenditures for new construction, major renovations, equipment, and library acquisitions are capitalized. Gains or losses on sale of retirement of plant assets are recorded in the year of disposition.

Works of art, special collections and similar assets have been capitalized at their estimated fair value at the date of acquisition, based upon appraisals or similar valuations. Such assets are not depreciated.

Long-lived assets to be held and used are reviewed for impairments whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. Management does not believe that there are any impairments at May 31, 2008.

New Accounting Standards

Effective June 1, 2007 the College adopted FASB interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in an unrelated business activity tax return and disclosures regarding uncertainties in tax positions. No adjustments to the financial statements were required as a result of the implementation of FIN 48. The College will continue to monitor and evaluate any unrelated business activity annually.

Bryn Mawr College
Notes to Financial Statements
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(continued)

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS 157 defines the term fair value, establishes a framework for measuring it within generally accepted accounting principles and expands disclosures about its measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 at which time the College will be required to categorize and disclose certain assets and liabilities, including investments, at fair value. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (at exit price) in the principal or most advantageous market for the asset or liability. Bryn Mawr management is evaluating the impact this will have on the financial statements beginning in fiscal year 2009.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Bryn Mawr management is evaluating what items, if any, will be measured at fair value in accordance with SFAS No. 159.

The Financial Accounting Standards Board issued FASB Staff Position 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*. The standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and expands disclosures about an organization's endowment (both donor-restricted and board-designated funds), whether or not the organization is subject to UPMIFA. The standard is to be effective for fiscal years ending after December 15, 2008. Management is still evaluating the impact of this pronouncement but does not believe the adoption will have a material impact on the financial statements.

Cash and Cash Equivalents

Cash and other investments with a maturity of three months or less at the time of purchase are reported as cash equivalents. Included in cash is \$970 of escrow deposits for construction projects which have been completed. Cash and cash equivalents representing assets of endowment and similar funds are included in long-term investments.

Non-operating items

Endowment and other non-operating activity reflect increases and decreases in net assets associated with long-term investments. The College generally designates unrestricted bequests over \$25 for long-term investment.

Of the total Other non-operating items, \$5.1 million reflects the proceeds from sale of property.

Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received at their net present value, less an allowance for estimated uncollectible amounts.

Bryn Mawr College
Notes to Financial Statements
May 31, 2008 and 2007
(continued)

Deferred Revenue

Revenues received prior to the end of the fiscal year which relate to the following fiscal year are recorded and reflected in student deposits and deferred revenue.

Other Assets

Other assets include prepaid expenses and inventories which are valued at cost. Also included is the fair value of swap agreements related to long-term debt.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Raising Expenses

Direct expenses for fundraising were \$2,797 in 2008 and \$2,691 in 2007.

3 Contributions Receivable

Contributions receivable consisted of the following at May 31. The discount rates applied to new pledges was 3.0% and 5.0% at May 31, 2008 and 2007, respectively.

Contributions receivable in:	2008	2007
Less than one year	\$ 3,608	\$ 4,552
One to five years	12,541	4,968
More than five years	8	1,319
	16,157	10,839
Less allowance for doubtful contributions	(513)	(860)
	15,644	9,979
Less discount to present value	(1,312)	(1,031)
	\$ 14,332	\$ 8,948
Contributions receivable	\$ 14,332	\$ 8,948

Bryn Mawr College
Notes to Financial Statements
May 31, 2008 and 2007
(continued)

4 Property, Plant and Equipment

At May 31 property, plant and equipment consisted of the following:

	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 9,294	\$ 9,294
Buildings and fixed equipment	223,561	223,901
Information systems	4,982	4,824
Equipment and library books	52,460	51,301
Fine arts and special collections	5,253	5,253
Construction-in-progress	<u>2,091</u>	<u>615</u>
	297,641	295,188
Accumulated depreciation	(109,967)	(103,717)
	<u>\$ 187,674</u>	<u>\$ 191,471</u>
Net property, plant, and equipment		

Depreciation expense was \$8,575 and \$7,730 at May 31, 2008 and 2007, respectively.

Included in Land and land improvements is a property valued at \$4,033 which was acquired by gift. The College reviews the value of this gift annually and intends to sell this property after certain events transpire.

5 Investments

Endowment and similar funds are classified as long-term investments and include the College's permanent endowment funds, term endowment funds, and quasi-endowment funds. Quasi-endowment funds have been established by the Board of Trustees for the same purposes as endowment funds; however, any portion of quasi-endowment funds may be expended. Certain assets in the endowment at May 31, 2008 were liquidated at year-end and were being held for investment.

Annuity, life income, and trust agreements are also classified as long-term investments. The College pays periodically either the income earned or a fixed percentage of the assets to the beneficiary designated by the donor. Upon termination of an annuity, life income, or trust agreement the College's remainder interest in the assets is available for use by the College as restricted by the donor or designated by the Board of Trustees. The College has recorded an accrued liability and deferred revenue of \$7,135 at May 31, 2008 and \$6,548 at May 31, 2007 representing gift annuities payable and pooled income fund liabilities.

Bryn Mawr College
Notes to Financial Statements
May 31, 2008 and 2007
(continued)

The market value of the College's endowments investments at May 31 were:

	2008	2007
Cash and temporary investments	\$ 8,600	\$ 22,585
Bonds	74,872	71,637
U.S. equities	165,280	184,624
International equities	119,396	137,971
Emerging markets equities	31,651	36,754
Venture capital and private equity	69,471	40,876
Marketable alternatives	143,975	128,345
Real assets	115,462	77,155
Total	<u>\$ 728,707</u>	<u>\$ 699,947</u>

Endowment investment activity for 2008 and 2007 is as follows:

Endowment investment activity for 2008 and 2007 is as follows:	Endowment & similar	Gift annuities & trusts	Trusts held by others	2008 Total	2007 Total
Investments, beginning of year	\$ 662,071	\$ 30,811	\$ 7,065	\$ 699,947	\$ 603,848
Contributions restricted by donor	5,177	4,710	-	9,887	8,639
Contributions designated for long term investment	3,685	-	-	3,685	1,985
	<u>670,933</u>	<u>35,521</u>	<u>7,065</u>	<u>713,519</u>	<u>614,472</u>
Investment returns, net of expenses of \$4,458 in 2008 and \$3,351 in 2007					
Investment dividends and interest	10,461	-	-	10,461	11,009
Realized/Unrealized gains/losses	20,842	(2,371)	(46)	18,425	93,635
	<u>31,303</u>	<u>(2,371)</u>	<u>(46)</u>	<u>28,886</u>	<u>104,644</u>
Endowment spending payout	(27,172)	-	-	(27,172)	(24,480)
	<u>4,131</u>	<u>(2,371)</u>	<u>(46)</u>	<u>1,714</u>	<u>80,164</u>
Payout returned to long-term investments	57	-	-	57	50
Annuity and trust income		598	-	598	564
Payments to annuitants and trust expenses		(1,122)	-	(1,122)	(1,111)
Maturities of annuities		(272)	-	(272)	(1,415)
Repayment of loan	(2,500)	-	-	(2,500)	(2,000)
Other increases/decreases	16,713	-	-	16,713	9,223
	<u>\$ 689,334</u>	<u>\$ 32,354</u>	<u>\$ 7,019</u>	<u>\$ 728,707</u>	<u>\$ 699,947</u>
Investments, end of year					

As of May 31, 2008, long-term investments include an equity asset of \$304 and mortgages held on residences for eligible employees that amount to \$8,277.

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The market value of the College's short-term investments at May 31:

	2008	2007
Short-term corporate fixed income	\$ 6,895	\$ 221
Short-term government fixed income	4,130	5,436
Municipal bonds	3,200	200
Equities	187	468
Total	<u>\$ 14,412</u>	<u>\$ 6,325</u>

6 Long-term Debt

Long-term debt, net of unamortized issuance costs, discounts, or premiums at May 31, consisted of the following:

	Maturity Date	Interest Rate	Original Issue, Net	2008	2007
Pennsylvania Higher Educational Facilities Authority					
College Revenue Bonds, Series 2007	12/1/2037	5.0%	\$ 23,162	\$ 23,057	\$ 23,161
Pennsylvania Higher Educational Facilities Authority					
College Revenue Bonds, Series 2002	12/1/2012	4.0%-5.25%	42,790	40,878	41,090
Pennsylvania Higher Educational Facilities Authority					
College Revenue Bonds, Series 1999	12/1/2029	25%-5.125%	16,501	15,063	15,043
Pennsylvania Higher Educational Facilities Authority					
College Revenue Bonds, Series 1997	5/31/2007	4.4%-5.1%	42,956	-	1,470
The Pew Charitable Trusts	3/31/2008	0.0%	8,500	-	2,500
				<u>\$ 78,998</u>	<u>\$ 83,264</u>

Principal payments on long-term debt are as follows:

	Series 2007	Series 2002	Series 1999	Total
2009	\$ -	\$ -	-	\$ -
2010	-	-	-	-
2011	-	665	470	1,135
2012	-	700	490	1,190
2013	-	38,665	515	39,180
Thereafter	22,170	-	14,015	36,185
				<u>\$ 77,690</u>

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(continued)

Hedging Activity

In conjunction with the interest rate swap, the College adopted Statement of Financial Accounting Standards (FAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

Swap Agreement

Effective January 3, 2006, the College sold two interest rate swap options (“swaptions”) to, and entered into two basis swaps with, a financial institution (“UBS”). The swaptions give UBS the option to require the College to enter into swaps with UBS pursuant to which the College would be required to pay a fixed rate that is higher than the market rate prevailing at the time that the swaptions were entered into. UBS paid the College for these “in-the-money” options via agreeing to pay the College an above-market rate on the basis swaps. The purpose of the swaptions transactions was to enable the College to lock in the present value of the call options on the College’s 1999 Bonds, based on interest rate levels as of January 3, 2006. The purpose of the basis swap transactions was to increase the savings from the swaptions transactions by converting the variable rate index that the College receives from a tax-exempt index to a percentage of a taxable index. On March 17, 2008 the College suspended the Series 1999 basis swap until December 1, 2012 for \$1,047. The 1999 Series swaptions may be exercised by UBS on semiannual dates beginning December 1, 2009 through December 1, 2011. If exercised, the College will pay UBS fixed rates of 5.104% (the coupon rate on the existing 1999 Series Bonds) through December 1, 2029, on certain notional principal amounts related to the 2000 Bonds, and will receive a variable interest rate from UBS, on the same principal amounts, based on the Bond Market Association (BMA) Municipal Swap Index plus 26 basis points (0.26%). If UBS exercises the swaptions, it is expected that the College would cause variable rate tax-exempt bonds to be issued on its behalf (at an expected variable rate of approximately the BMA Municipal Swap Index plus 26 basis points) and utilize the proceeds to retire the Series 1999 Bonds. At May 31, 2008, the fair value of the basis swaps were \$610 and (\$1,039), resulting in a total net fair value of (\$429), and is recorded as a liability by the College. At May 31, 2007, the fair value of the 1999 Series swaption was (\$689) and the fair value of the basis swap was \$2,726, resulting in a total net fair value of \$2,037 in the College’s favor, and was recorded as an asset by the College. The realized and unrealized gains and losses for fiscal years 2008 and 2007 are included in Other non-operating items in the Statement of Activities.

7 Employee Benefits

Eligible faculty, administration, and staff are provided pension benefits under the College’s defined contribution retirement program administered principally by TIAA/CREF. The policy of the College is to pay its share of the annual premium accrued in connection with this program; there are no unfunded benefits. Pension plan expense for the program was \$3,654 in 2008 and \$3,439 in 2007.

8 Commitments and Contingencies

Certain of the College’s long-term investments involve future cash commitments which total approximately \$138,041 at May 31, 2008.

The College has outstanding construction contracts totaling approximately \$20,943. Completion of these projects is estimated to extend through August 2010.

The College is a defendant in various legal actions. While the final amount of these claims cannot be determined at this time, management does not expect that the resolution of the outstanding claims and litigation will have a material adverse effect upon the College’s financial position.

Bryn Mawr College
Notes to Financial Statements
May 31, 2008 and 2007
(continued)

9 Net Assets

Net assets at May 31, 2008 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS
Current funds:	\$ 2,458	\$ 18,267	\$ -	\$ 20,725
Loan funds:	538	1,230	-	1,768
Endowment and similar funds:				
True endowment	-	238,012	154,971	392,983
Quasi-endowment	258,874	34,910	-	293,784
Term endowment	-	1,560	-	1,560
Annuities and trusts	3,246	5,246	23,744	32,236
Plant funds:				
Unexpended designated	10,397	-	-	10,397
Unexpended unrestricted	11,068	-	-	11,068
Capital projects	-	6,429	-	6,429
Net investment in plant	110,147	-	-	110,147
Totals	<u>\$ 396,728</u>	<u>\$ 305,654</u>	<u>\$ 178,715</u>	<u>\$ 881,097</u>

Net assets at May 31, 2007, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS
Current funds:	\$ 6,851	\$ 21,167	\$ -	\$ 28,018
Loan funds:	540	1,200	-	1,740
Endowment and similar funds:				
True endowment	-	235,224	149,024	384,248
Quasi-endowment	220,843	52,178	-	273,021
Term endowment	-	1,030	-	1,030
Annuities and trusts	4,619	5,519	21,192	31,330
Plant funds:				
Unexpended designated	2,584	-	-	2,584
Unexpended unrestricted	6,990	-	-	6,990
Capital projects	-	2,535	-	2,535
Net investment in plant	116,152	-	-	116,152
Totals	<u>\$ 358,579</u>	<u>\$ 318,853</u>	<u>\$ 170,216</u>	<u>\$ 847,648</u>

Bryn Mawr College
Notes to Financial Statements
May 31, 2008 and 2007
(continued)

10 Expenses by Natural Classifications

Expenses were incurred in the following categories for the years ended May 31:

	2008	2007
Salaries and wages	\$ 41,121	\$ 39,403
Benefits	12,611	11,861
Scholarships and fellowships	3,693	3,891
Services and contracting	14,046	14,643
Supplies and minor equipment	1,997	2,067
Travel and entertainment	2,608	2,229
Auxiliaries' cost of goods sold	2,824	2,675
Utilities	2,930	3,384
Insurance	635	691
Depreciation	8,575	7,730
Interest	5,467	4,895
Total	\$ 96,507	\$ 93,469

11 Disclosures about the Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Bonds Payable

The fair value of the College's bonds payable approximates \$81,484 at May 31, 2008. The fair value of bonds is estimated based on quoted market prices for the same or similar issues. The market prices utilized reflect the rate that the College would have to pay to a credit worthy third party to assume its obligation and do not reflect an additional liability to the College.

Student Loan Receivables

Determination of the fair value of student loan receivables, which are primarily federally-sponsored student loans with U.S. Government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, could not be made without incurring excessive costs.