

Bryn Mawr College

Financial Statements

May 31, 2006 and 2005

Bryn Mawr College
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May 31, 2006 and 2005

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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, 2006 and 2005, 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 4, 2006

Bryn Mawr College
Statements of Financial Position
May 31, 2006 and 2005
(in thousands)

	<u>May 2006</u>	<u>May 2005</u>
Assets:		
Cash	\$ 32,922	\$ 31,633
Cash restricted in use	1,568	1,591
Short-term Investments	11,583	28,171
Accounts Receivable (less allowance of \$90 in 2006 and \$31 in 2005)	1,857	2,788
Inventories and Prepaid Expenses	1,001	863
Contributions Receivable (less allowance of \$1,592 in 2006 and \$2,485 in 2005)	10,252	12,370
Student Loans Receivable (less allowance of \$117 in 2006 and \$226 in 2005)	2,513	2,441
Plant and Equipment, net of accumulated depreciation	188,991	184,500
Long Term Investments:		
Endowment and similar funds	567,458	501,564
Life income, annuity, and trust funds	29,679	26,699
Trust funds held by others	<u>6,711</u>	<u>6,315</u>
 Total assets	 \$ <u>854,535</u>	 \$ <u>798,935</u>
Liabilities and net assets:		
Liabilities		
Accounts Payable	\$ 3,330	\$ 1,090
Accrued Expenses	4,192	4,335
Student Deposits	1,985	2,004
Deferred Revenue	1,859	1,814
Annuity Obligations	5,206	5,415
Long-term Debt	83,068	87,002
Asset Retirement Obligation	1,826	-
Advances from U.S.government for student loans	<u>1,907</u>	<u>1,946</u>
 Total liabilities	 <u>103,373</u>	 <u>103,607</u>
Net Assets		
Unrestricted	322,721	315,186
Temporarily restricted	266,720	225,706
Permanently restricted	<u>161,721</u>	<u>154,436</u>
 Total net assets	 <u>751,162</u>	 <u>695,328</u>
 Total liabilities and net assets	 \$ <u>854,535</u>	 \$ <u>798,935</u>

See accompanying notes to the financial statements

Bryn Mawr College
Statements of Activities
Year Ended May 31, 2006
(with comparative totals for 2005, in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2006	Total 2005
Operating revenues					
Tuition and fees, net of discount of \$18,063 in 2006 and \$16,436 in 2005	\$ 29,916	\$ -	\$ -	\$ 29,916	\$ 28,633
Private contribution	5,388	5,291	-	10,679	9,693
Government grants	3,113	-	-	3,113	2,924
Endowment payout under spending formula	15,458	7,453	4	22,915	22,752
Other	4,829	-	-	4,829	4,721
Auxiliary enterprises, net of discount of \$499 in 2006 and \$442 in 2005	15,816	-	-	15,816	15,423
Interest income on cash and short-term investments	2,856	-	-	2,856	2,702
Satisfaction of program restriction	13,876	(13,876)	-	-	-
Total operating revenue	91,252	(1,132)	4	90,124	86,848
Operating expenses					
Instruction	30,334	-	-	30,334	27,782
Research	2,398	-	-	2,398	2,288
Public service	2,254	-	-	2,254	2,337
Academic support	10,255	-	-	10,255	10,740
Student services	7,710	-	-	7,710	7,266
Institutional support	13,753	-	-	13,753	14,306
Scholarships and fellowships	3,420	-	-	3,420	4,111
Auxiliary enterprises	15,968	-	-	15,968	15,818
Total operating expenses	86,092	0	0	86,092	84,648
Net changes from operations	5,160	(1,132)	4	4,032	2,200
Non-operating items					
Private contributions	4,327	2,457	6,996	13,780	12,087
Actuarial changes, interest, payments, and maturities of annuities	-	(579)	144	(435)	(1,535)
Realized and unrealized gains (losses) on investments, net of \$13,151 in 2006 and \$12,413 in 2005 appropriated for endowment payout	(276)	40,266	142	40,132	27,494
Net changes from non-operating activities	4,052	42,145	7,281	53,478	38,046
Change in net assets before cumulative effect of accounting change	9,212	41,013	7,285	57,510	40,246
Cumulative effect of accounting change	(1,677)	-	-	(1,677)	-
Change in net assets	7,535	41,013	7,285	55,833	40,246
Net assets at beginning of year	\$ 315,186	\$ 225,706	\$ 154,436	\$ 695,328	\$ 655,082
Net assets at end of year	\$ 322,721	\$ 266,719	\$ 161,721	\$ 751,161	\$ 695,328

See accompanying notes to the financial statements

Bryn Mawr College
Statement of Activities
Year Ended May 31, 2005
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2005
Operating revenues:				
Tuition and fees, net of discount of \$16,436 in 2005 and \$16,673 in 2004	\$ 28,633	\$ -	\$ -	\$ 28,633
Private contributions	5,424	4,269	-	9,693
Government grants	2,924	-	-	2,924
Endowment payout under spending formula	12,893	9,857	2	22,752
Other endowment income	-	-	-	-
Other	4,721	-	-	4,721
Auxiliary enterprises, net of discount of \$442 in 2005 and \$425 in 2004	15,423	-	-	15,423
Interest income on cash and short-term investments	2,702	-	-	2,702
Satisfaction of program restrictions	22,525	(22,525)	-	-
	<u>95,245</u>	<u>(8,399)</u>	<u>2</u>	<u>86,848</u>
Total operating revenues				
Operating expenses:				
Instruction	27,782	-	-	27,782
Research	2,288	-	-	2,288
Public service	2,337	-	-	2,337
Academic support	10,740	-	-	10,740
Student services	7,266	-	-	7,266
Institutional support	14,306	-	-	14,306
Scholarships and fellowships	4,111	-	-	4,111
Auxiliary enterprises	15,818	-	-	15,818
	<u>84,648</u>	<u>-</u>	<u>-</u>	<u>84,648</u>
Total operating expenses				
Net changes from operations	<u>10,597</u>	<u>(8,399)</u>	<u>2</u>	<u>2,200</u>
Non-operating items:				
Private contributions	40	6,171	5,876	12,087
Actuarial changes, interest, payments, and maturities of annuities	-	(203)	(1,332)	(1,535)
Realized and unrealized gains (losses) on investments, net of \$12,413 in 2005 and \$14,353 in 2004 appropriated for endowment payout	5,851	21,025	618	27,494
	<u>5,891</u>	<u>26,993</u>	<u>5,162</u>	<u>38,046</u>
Net changes from non-operating activities				
Change in net assets	16,488	18,594	5,164	40,246
Net assets at beginning of year	\$ 298,698	\$ 207,112	\$ 149,272	\$ 655,082
Net assets at end of year	<u>\$ 315,186</u>	<u>\$ 225,706</u>	<u>\$ 154,436</u>	<u>\$ 695,328</u>

See accompanying notes to the financial statements

Bryn Mawr College
Statements of Cash Flows
Years Ended May 31, 2006 and 2005
(in thousands)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$55,833	\$40,246
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,661	8,050
Loss on disposal of equipment	23	62
Provision for losses on accounts/loans receivable	(943)	2,063
Contributions restricted/designated for long-term investment	(13,121)	(11,988)
Unrealized and realized (gains)/losses on short-term investments	326	(2,347)
Unrealized and realized (gains)/losses on investments	(53,516)	(37,561)
Change in net present value of annuities	(209)	591
Retirement obligation	1,826	-
Changes in operating assets and liabilities:		
Restricted cash	23	(9)
Accounts receivable	872	(737)
Contributions receivable	3,011	4,073
Inventories and prepaid expenses	(138)	(275)
Accounts payable and accrued expenses	2,097	1,403
Deferred revenue and student deposits	26	843
Net cash provided by operating activities	<u>3,770</u>	<u>4,414</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of long-term investments	172,417	317,665
Purchase of long-term investments	(186,915)	(317,082)
Mortgage loans made	(1,388)	(812)
Mortgage principal repaid	134	347
Student loans made	(555)	(586)
Student loans repaid	592	486
Purchase of property, plant and equipment	(12,345)	(16,826)
Short-term investment sales	18,815	2,520
Short-term investment purchases	(2,553)	(1,960)
Net cash used in investing activities	<u>(11,798)</u>	<u>(16,248)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted or designated for long-term investment	13,121	11,988
Repayment of debt	(3,765)	(4,065)
Government advance for loans	(39)	25
Net cash provided by financing activities	<u>9,317</u>	<u>7,948</u>

Bryn Mawr College
Notes to the Financial Statements
May 31, 2006

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 1,230 students. Geographically, 39% of undergraduate students come from the Middle Atlantic region of the United States, 51% from states in other regions, and 10% 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 273.

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 follow:

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. Such assets are included in the College's permanent endowment funds.

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 stipulations 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.

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. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. 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.

Bryn Mawr College
Notes to the Financial Statements,
continued

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.

The policy allowed for a payout of 5.25% of the three-year average market value of the consolidated portfolio for fiscal years 2006 and 2005.

Plant and Equipment

Plant assets are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of buildings (60 years); building systems, renovations and land improvements (20-25 years); information systems, equipment and furnishings (5-10 years); and books (20 years). Expenditures for new construction, major renovations, equipment, and library acquisitions are capitalized. Gains or losses on sale or 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, 2006.

New Accounting Standards

In March 2005, the FASB issued FASB interpretation No.47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47), which was issued to clarify recognition of conditional asset retirement obligations, as referred to in FASB Statement No.143, "Accounting for Asset Retirement Obligations." FIN 47 defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the College. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of the liability. Since legal obligation to perform the asset retirement activity is unconditional, a liability should be recognized. FIN 47 also provides guidance on how to determine whether sufficient information exists to reasonably estimate the fair value of an asset retirement obligation. Based on the guidance in FIN 47, the College has determined that sufficient information was available to reasonably estimate the fair value of known retirement obligations.

FIN 47 requires the initial application of the interpretation to be recognized as a cumulative effect of a change in an accounting principle. Specifically, FIN 47 requires the recognition, a cumulative effect, the cumulative accretion and accumulated depreciation for the period from the date the liability was incurred to the date of adoption of this interpretation. The liability incurred date is presumed to be the date upon which the legal requirement to perform the asset retirement activity was enacted. The College's asset retirement obligations are related to the costs of abatement and disposal of asbestos.

Bryn Mawr College
Notes to the Financial Statements,
continued

Upon initial application of FIN 47, the College recognized \$1,677,441 as the cumulative effect of a change in accounting principle in the statement of activity. As of May 31, 2006, \$52,345 of asset retirement costs, net of accumulated depreciation, have been included in property, plant and equipment and \$1,825,928 of conditional retirement asset obligations are included in the statement of financial position.

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. 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 \$25,000 for long-term investment.

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.

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.

Fund Raising Expenses

Direct expenses for fund raising were \$2,677,560 in 2006 and \$2,802,315 in 2005.

Inventories

Inventories are valued at cost.

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.

Reclassifications

Certain reclassifications have been made to 2005 amounts to conform to the 2006 presentation.

Bryn Mawr College
Notes to the Financial Statements,
continued

3. Contributions Receivable

Contributions receivable consisted of the following at May 31 (in thousands). The discount rates applied to new pledges was 6.0% and 5.5% at May 31, 2006 and 2005, respectively.

	2006	2005
Bequests	\$ 1,683	\$ 1,149
Contributions receivable in:		
Less than one year	4,126	4,369
One to five years	7,720	9,601
More than five years	387	475
	13,916	15,594
<u>Less allowance for doubtful contributions</u>	<u>(1,592)</u>	<u>(2,485)</u>
	12,324	13,109
<u>Less discount to present value</u>	<u>(2,072)</u>	<u>(739)</u>
	\$ 10,252	\$ 12,370

4. Property, Plant and Equipment

At May 31 property, plant, and equipment consisted of the following (in thousands):

	2006	2005
Land and land improvements	\$ 9,294	\$ 9,294
Buildings and fixed equipment	202,508	196,399
Information systems	4,774	4,721
Equipment and library books	50,368	49,470
Fine arts and special collections	5,253	5,253
Construction-in-progress	12,859	7,678
	285,056	272,815
<u>Accumulated depreciation</u>	<u>(96,065)</u>	<u>(88,315)</u>
	\$ 188,991	\$ 184,500

Depreciation expense was \$8,217,730 and \$8,159,524 at May 31, 2006 and 2005 respectively.

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.

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 a liability of \$5,206,270 at May 31, 2006 and \$5,414,852 at May 31, 2005 representing the present value of future cash payments to annuitants based on the annuitants' life expectancy.

Bryn Mawr College
Notes to the Financial Statements,
continued

The market value of the College's long-term investments at May 31 was (in thousands):

	2006	2005
Cash and temporary investments	\$ 33,241	\$ 69,232
Bonds	108,985	106,631
U.S. equities	204,807	202,737
International equities	129,993	68,975
Venture capital and limited partnerships	19,173	87,003
Marketable alternatives	74,687	-
Inflation hedging	32,962	-
Total	\$ 603,848	\$ 534,578

Long-term investment activity for 2006 and 2005 is as follows (in thousands):

	Endowment and similar funds	Gift annuities and trusts	Trusts held by others	2006 Total	2005 Total
Investments beginning of year	\$501,564	\$26,699	\$6,315	\$534,578	\$497,135
Contributions restricted by donor	6,336	920	-	7,256	8,193
Contributions designated for long-term investment	5,865	-	-	5,865	5,425
Maturities of annuities	-	(421)	-	(421)	(667)
	12,201	499	-	12,700	12,951
Investment returns net of expenses of \$2,297 in 2006 and \$1,729 in 2005					
Annuity and trust income	-	521	-	521	465
Investment dividends and interest	10,016	-	-	10,016	10,633
Realized gains/losses	75,828	2,641	396	78,865	43,013
Unrealized gains/losses	(25,726)	379	-	(25,347)	(5,452)
	60,118	3,541	396	64,055	48,659
Endowment spending payout	(22,915)	-	-	(22,915)	(22,752)
Payout returned to long-term investments	4	-	-	4	49
Payments to annuitants and trust expenses	-	(1,060)	-	(1,060)	(1,037)
Repayment of loan	(2,000)	-	-	(2,000)	(2,000)
Other increases/decreases	18,486	-	-	18,486	1,573
	(6,425)	(1,060)	-	(7,485)	(24,167)
Investments end of year	\$567,458	\$29,679	\$6,711	\$603,848	\$534,578

The market value of the College's short-term investments at May 31 was (in thousands):

	2006	2005
Short-term corporate fixed income	\$ 4,280	\$ 4,924
Short-term government fixed income	7,155	17,967
Municipal bonds	-	5,035
Equities	148	245
Total	\$ 11,583	\$ 28,171

Bryn Mawr College
Notes to the Financial Statements,
continued

6. Long-term Debt

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

	2006	2005
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 2002	\$ 41,302	\$ 41,514
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 1999	15,003	15,002
Pennsylvania Higher Educational Facilities Authority College Revenue Bonds, Series 1997	22,263	23,986
The Pew Charitable Trusts	4,500	6,500
Total	83,068	87,002

The College is obligated to the Pennsylvania Higher Educational Facilities Authority and to others under indentures relating to the College Revenue Bonds, Series 2002, issued at a par value of \$40,030,000, of which \$40,030,000 plus unamortized premium of \$1,272,063 remains outstanding at May 31, 2006. These bonds have interest rates ranging from 4.00% to 5.25%. The debt matures in varying amounts through December 2012.

The College is obligated to the Pennsylvania Higher Educational Facilities Authority and to others under indentures relating to the College Revenue Bonds, Series 1999, issued at a par value of \$17,175,000, of which \$15,490,000 less unamortized discount of \$486,868 remains outstanding at May 31, 2006. These bonds have interest rates ranging from 4.125% to 5.125%. The debt matures in varying amounts through December 2029.

The College is also obligated to the Pennsylvania Higher Educational Facilities Authority and to others under indentures relating to the College Revenue Bonds, Series 1997, issued at a par value of \$44,335,000 during fiscal year 1997. At May 31, 2005, \$23,145,000 remains outstanding, less unamortized discount of \$881,992. The trust indenture requires that a Sinking Fund account be funded on December 1, 2008, in the amount of \$2,045,000 with an additional deposit on December 1, 2009, in the amount of \$2,160,000 for retirement of the principal amounts due December 1, 2009. These bonds have interest rates ranging from 4.40% to 5.625%. The debt matures in varying amounts through December 2027.

The Series 2000, Series 1999 and Series 1997 bonds are collateralized by an interest in, and lien on, the College's Unrestricted Revenues. In addition, the College is subject to certain restrictions related to additional indebtedness, and the maintenance of various financial ratios.

The aggregate amount of principal payments required on all bond issues through May 31, 2011 is as follows: in 2007 - \$1,400,000; in 2008 - \$1,470,000; in 2009 - \$1,540,000; in 2010 - \$1,625,000; and in 2011 - \$1,710,000. After 2011, the principal balance on current debt will be \$70,920,000.

Bryn Mawr College
Notes to the Financial Statements,
continued

During fiscal year 2000 the College received a non-interest bearing loan in the amount of \$8,500,000 from The Pew Charitable Trusts. Income earned from the investments is to be used for operations. The imputed interest on the loan is treated as gift income and interest expense in the Statement of Activities. During the fiscal year the second repayment of the proceeds was made. The repayment schedule for the outstanding loan amount is:

Fiscal Year 2007	\$2,000,000
Fiscal Year 2008	\$2,500,000

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 swaption transactions was to enable the College to lock in the present value of the call options on the College's 1997 and 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 swaption transactions by converting the variable rate index that the College receives from a tax-exempt index to a percentage of a taxable index. The swaption may be exercised by UBS on semiannual dates beginning December 1, 2009 through December 1, 2011 for the 1999 Series bonds, and June 1, 2007 through June 1, 2009 for the 1997 Series bonds. If exercised, the College will pay UBS fixed rates of 5.607% and 5.104% (the coupon rate on the existing 1997 and 1999 Series bonds, respectively) through December 1, 2027 and December 1, 2029, respectively, 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 1997 and 1999 Bonds. At May 31, 2006, the fair value of the two swaptions was (\$1,505,268) and the fair value of the two basis swaps was \$2,332,452, resulting in a total net fair value of \$827,184 in the College's favor, and is recorded as an asset by the College. The unrealized gain of \$827,184 for fiscal 2006 is included in net unrealized and realized gains in the Statement of Activities.

Bryn Mawr College
Notes to the Financial Statements,
continued

7. Net Assets

Net assets at May 31, 2006, consisted of the following (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS
<u>Current funds:</u>				
Unrestricted	\$ 6,531	\$ -	\$ -	\$ 6,531
Temporarily restricted	-	19,814	-	19,814
Loan funds:	518	1,183	-	1,701
<u>Endowment and similar funds:</u>				
Pure endowment	-	189,176	140,680	329,856
Quasi-endowment	192,021	43,775	-	235,796
Term endowment	-	957	-	957
Annuities and trusts	-	10,142	21,041	31,183
<u>Plant funds:</u>				
Unexpended designated	3,957	-	-	3,957
Unexpended unrestricted	2,123	-	-	2,123
Capital projects	-	1,673	-	1,673
Net investment in plant	117,571	-	-	117,571
TOTALS	\$ 322,721	\$266,720	\$161,721	\$751,162

Net assets at May 31, 2005, consisted of the following (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS
<u>Current funds:</u>				
Unrestricted	\$ 1,506	\$ -	\$ -	\$ 1,506
Temporarily restricted	-	21,016	-	21,016
Loan funds:	432	1,182	-	1,614
<u>Endowment and similar funds:</u>				
Pure endowment	-	166,109	134,394	300,503
Quasi-endowment	170,292	26,392	-	196,684
Term endowment	-	869	-	869
Annuities and trusts	-	7,557	20,042	27,599
<u>Plant funds:</u>				
Unexpended designated	7,228	-	-	7,228
Unexpended unrestricted	16,365	-	-	16,365
Capital projects	-	2,582	-	2,582
Net investment in plant	119,363	-	-	119,363
TOTALS	\$ 315,186	\$225,706	\$154,436	\$695,328

8. 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 \$3,355,976 in 2006 and \$3,160,643 in 2005.

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9. Expenses by Natural Classifications

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

	2006	2005
Salaries and wages	\$ 37,422	\$ 35,025
Benefits	11,106	10,396
Scholarships and fellowships	3,420	4,111
Services and contracting	11,232	12,750
Supplies and minor equipment	1,796	1,966
Travel and entertainment	2,026	2,031
Auxiliaries' cost of goods sold	2,605	2,561
Utilities	3,107	2,734
Insurance	881	824
Depreciation	8,218	8,159
Interest	4,269	4,091
Total	\$ 86,092	\$ 84,648

10. Commitments and Contingencies

Certain of the College's investments in partnerships involve future cash commitments which total approximately \$85,644,800 million at May 31, 2006.

The College has outstanding construction contracts totaling approximately \$4,574,000. Completion of these projects is estimated to extend through April 2007.

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.

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 \$82,369,203 at May 31, 2006. 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.

The fair value of the loan from The Pew Charitable Trusts at May 31, 2006, is \$4,500,000.

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.