



**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

A.  **Annual Financial Information and Operating Data pursuant to Rule 15c2-12**  
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: 2007-2008

B.  **Financial Statements or CAFR pursuant to Rule 15c2-12**

Fiscal Period Covered: 2007-2008

C.  **Notice of a Material Event pursuant to Rule 15c2-12** (Check as appropriate)

- |  |  |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. <input type="checkbox"/> Non-payment related defaults   | 7. <input type="checkbox"/> Modifications to rights of security holders                                      |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls   |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances  |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|  | 11. <input type="checkbox"/> Rating changes  |

D.  **Notice of Failure to Provide Annual Financial Information as Required**

E.  **Other Secondary Market Information** (Specify): \_\_\_\_\_

**I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:**

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Relationship to Issuer \_\_\_\_\_

**Obligor Contact, if any:**

Name Stephen Hannabury Title Vice President for Financial Affairs & Treasurer  
Employer Franklin W. Olin College of Engineering  
Address Olin Way City Needham State MA Zip Code 02492  
Telephone 781-292-2401 Fax 781-292-2420  
Email Address hannabury@olin.edu Obligor Web Site Address www.olin.edu

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

**Franklin W. Olin College of Engineering**

**Annual Financial Information and Operating Data  
Audited Financial Statements**

**October, 2008**

<b>Academic Year</b>	<b>Applications Received</b>	<b>Applications Accepted</b>	<b>Acceptance Ratio %</b>	<b>Enrolled</b>	<b>Matriculation Ratio %</b>	<b>Middle 50% of SAT Scores for Matriculated Students</b>	<b>Average GPA</b>
2002-03	1,201 (1)	93	7.7%	75	80.6%	1440-1530	4.3/4.0 scale
2003-04	596	90	15.1%	75	83.3%	1420-1530	4.4/4.0 scale
2004-05	546	122	22.3%	71	58.2%	1450-1540	4.35/4.0 scale
2005-06	546	134	24.5%	77	57.4%	1450-1550	4.2/4.0 scale
2006-07	784	137	17.5%	89	65.0%	2090-2350 (2)	4.3/4.0 scale
2007-08	1054	111	10.5%	79(3)	62.16%(4)	2150-2310	4.3/4.0 scale
2008-09	969	131	13.5%	80	61%	2140-2310	4.3/4.0 scale

- 1) 665 applications were submitted in winter 2001 for the 30 "Olin Partners" who came to campus in August 2001; 536 applications were submitted in winter 2002 for the remaining places in the Class of 2006 that came to campus in August 2002.
- 2) SAT's now scored on 2400 point scale (3 parts, max 800 each).
- 3) These figures include the 10 students deferred from 2005 and 2006.
- 4) The matriculation ratio is based on the 69 students admitted in this cycle, not the deferred students.

<b>Academic Year</b>	<b>Freshmen</b>	<b>Sophomores</b>	<b>Juniors</b>	<b>Seniors</b>	<b>Other</b>	<b>Total</b>
2002-03	75	0	0	0	0	75
2003-04	75	75	0	0	0	150
2004-05	71	75	70	0	0	216
2005-06	77	69	73	66	0	285
2006-07	89	76	67	72	2 (1)	306
2007-08	78	82	71	65	3 (1)	299
2008-09	80	76	80	71	7 (1)	314

(1) Full-time exchange students or cross-registered students

**Table 3 – Tuition, Room, Board and Student Fees**

<b>Academic Year</b>	<b>Tuition</b>	<b>Room</b>	<b>Board</b>	<b>Student Activity Fee</b>	<b>Laptop Fee</b>	<b>General Fee (begin Fall 2008)</b>
2002-03	\$26,900	\$7,000	\$3,400	\$100	\$2,382	
2003-04	\$28,000	\$7,000	\$3,550	\$100	\$2,500	
2004-05	\$29,400	\$7,000	\$3,720	\$100	\$2,500	
2005-06	\$30,600	\$7,000	\$3,870	\$150	\$2,500	
2006-07	\$32,100	\$7,500	\$4,100	\$150	\$2,500	
2007-08	\$33,600	\$7,800	\$4,000	\$175	\$2,500	
2008-09	\$35,000	\$8,100	\$4,300	\$175	\$2,500	\$200

**Table 4 – Financial Aid**

<b>Academic Year</b>	<b>Unrestricted Institutional</b>	<b>Restricted Institutional</b>	<b>Federal</b>	<b>State (Byrd Scholars)</b>	<b>Other</b>
2002-03	\$2,542,500	\$11,397	\$0	\$7,038	\$72,750
2003-04	\$5,247,000	\$16,846	\$0	\$6,000	\$58,700
2004-05	\$7,258,450	\$108,778	\$0	\$14,100	\$124,439
2005-06	\$8,678,117	\$169,437	\$0	\$19,400	182,727
2006-07	\$10,427,268	\$36,398	\$51,050	\$47,900	\$222,169
2007-08	\$10,090,056	\$17,602	\$82,083	\$55,400	\$452,752
2008-09	\$10,947,795	\$7,000	\$83,950	\$59,250	\$368,774

# **Financial Statements**

## **Franklin W. Olin College of Engineering, Inc.**

June 30, 2008 and 2007

# FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

## *Financial Statements*

### *Table of Contents*

#### ***Financial Statements:***

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*Independent Auditors' Report*

The Board of Trustees  
Franklin W. Olin College of Engineering, Inc.  
Needham, Massachusetts

We have audited the accompanying statements of financial position of Franklin W. Olin College of Engineering, Inc. (the College) as of June 30, 2008 and 2007, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2008 and 2007, 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.

A handwritten signature in cursive script that reads "Tofias PC".

October 8, 2008  
Cambridge, Massachusetts

Independent Member of BKR International

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**FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.**

*Statements of Financial Position*  
(in thousands)

<b>Assets</b>	<i>June 30,</i>	
	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	\$ 685	\$ 1,263
Accounts receivable, net	516	588
Prepaid expenses and other assets	730	610
Employee loans receivable, net	423	617
Trusteed funds held for debt service and construction, at fair value	2,768	2,938
Interest rate agreements	-	5,492
Unamortized bond issuance costs	1,733	4,597
Contributions receivable, net	190	5,070
Long-term investments, at fair value	469,182	482,573
Long-term investments, facilities renewal and replacement fund	388	89
Plant and equipment, net	124,989	129,658
<b>Total assets</b>	<b>\$ 601,604</b>	<b>\$ 633,495</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 4,359	\$ 4,851
Deferred revenue and deposits	613	701
Bonds payable, net	157,982	157,934
Interest rate agreements	2,689	-
<b>Total liabilities</b>	<b>165,643</b>	<b>163,486</b>
Net assets:		
Unrestricted	13,541	16,554
Temporarily restricted	420,465	451,531
Permanently restricted	1,955	1,924
<b>Total net assets</b>	<b>435,961</b>	<b>470,009</b>
<b>Total liabilities and net assets</b>	<b>\$ 601,604</b>	<b>\$ 633,495</b>

See accompanying notes to the financial statements.

**FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.**

**Statements of Activities**  
**(in thousands)**

**Years Ended June 30,**

	2008			2007	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Operating revenues</b>					
Tuition and fees	\$ 10,249	\$ -	\$ -	\$ 10,249	\$ 10,055
Room and board	3,433	-	-	3,433	3,470
Less: Student aid	(10,116)	-	-	(10,116)	(10,455)
Student revenues, net	<u>3,566</u>	<u>-</u>	<u>-</u>	<u>3,566</u>	<u>3,070</u>
Contributions	256	8,194	-	8,450	310
Government grants and other contracts	1,717	-	-	1,717	2,021
Other	1,039	436	-	1,475	1,566
Net assets released for Olin Endowment spending	24,645	-	-	24,645	20,493
Net assets released for other purpose restrictions	936	(936)	-	-	-
Net assets released for depreciation	4,392	-	-	4,392	4,744
<b>Total operating revenues</b>	<u>36,551</u>	<u>7,694</u>	<u>-</u>	<u>44,245</u>	<u>32,204</u>
<b>Operating expenses</b>					
Instruction	11,080	-	-	11,080	11,866
Research	1,383	-	-	1,383	1,117
Academic support	3,223	-	-	3,223	3,187
Student services	12,151	-	-	12,151	10,923
Sponsored programs	2,337	-	-	2,337	2,300
Development and fundraising	375	-	-	375	509
Institutional support	7,209	-	-	7,209	6,767
<b>Total operating expenses</b>	<u>37,758</u>	<u>-</u>	<u>-</u>	<u>37,758</u>	<u>36,669</u>
<b>Change in net assets from operating activities</b>	<u>(1,207)</u>	<u>7,694</u>	<u>-</u>	<u>6,487</u>	<u>(4,465)</u>
<b>Nonoperating activities</b>					
Contributions, net	-	-	31	31	82
Interest and dividend income	892	7,388	-	8,280	9,833
Net realized and unrealized gain (loss) on long-term investments	(14)	(8,930)	-	(8,944)	64,654
Net assets released for Olin Endowment spending	-	(24,645)	-	(24,645)	(20,493)
Net assets released for depreciation	-	(4,392)	-	(4,392)	(4,744)
Write-off unamortized bond issue costs	(2,684)	-	-	(2,684)	-
Change in fair value of interest rate agreement	(8,181)	-	-	(8,181)	7,349
Net assets released for change in fair value of interest rate agreement	8,181	(8,181)	-	-	-
<b>Change in net assets from nonoperating activities</b>	<u>(1,806)</u>	<u>(38,760)</u>	<u>31</u>	<u>(40,535)</u>	<u>56,681</u>
<b>Change in net assets</b>	<u>(3,013)</u>	<u>(31,066)</u>	<u>31</u>	<u>(34,048)</u>	<u>52,216</u>
Net assets, beginning of year	16,554	451,531	1,924	470,009	417,793
<b>Net assets, end of year</b>	<u>\$ 13,541</u>	<u>\$ 420,465</u>	<u>\$ 1,955</u>	<u>\$ 435,961</u>	<u>\$ 470,009</u>

See accompanying notes to the financial statements.

**FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.**

**Statement of Activities**  
**(in thousands)**

**Year Ended June 30, 2007**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Operating revenues</b>				
Tuition and fees	\$ 10,055	\$ -	\$ -	\$ 10,055
Room and board	3,470	-	-	3,470
Less: Student aid	(10,455)	-	-	(10,455)
Student revenues, net	<u>3,070</u>	<u>-</u>	<u>-</u>	<u>3,070</u>
Contributions	217	93	-	310
Government grants and other contracts	2,021	-	-	2,021
Miscellaneous	1,175	391	-	1,566
Net assets released for Olin Endowment spending	20,493	-	-	20,493
Net assets released for other purpose restrictions	405	(412)	7	-
Net assets released for depreciation	<u>4,744</u>	<u>-</u>	<u>-</u>	<u>4,744</u>
<b>Total operating revenues</b>	<u><b>32,125</b></u>	<u><b>72</b></u>	<u><b>7</b></u>	<u><b>32,204</b></u>
<b>Operating expenses</b>				
Instruction	11,866	-	-	11,866
Research	1,117	-	-	1,117
Academic support	3,187	-	-	3,187
Student services	10,923	-	-	10,923
Sponsored programs	2,300	-	-	2,300
Development and fundraising	509	-	-	509
Institutional support	<u>6,767</u>	<u>-</u>	<u>-</u>	<u>6,767</u>
<b>Total operating expenses</b>	<u><b>36,669</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>36,669</b></u>
<b>Change in net assets from operating activities</b>	<u><b>(4,544)</b></u>	<u><b>72</b></u>	<u><b>7</b></u>	<u><b>(4,465)</b></u>
<b>Nonoperating activities</b>				
Contributions	-	28	54	82
Interest and dividend income	755	9,078	-	9,833
Net realized and unrealized gain on long-term investments	-	64,654	-	64,654
Net assets released for Olin Endowment spending	-	(20,493)	-	(20,493)
Net assets released for depreciation	-	(4,744)	-	(4,744)
Change in fair value of interest rate agreement	7,349	-	-	7,349
Net assets released for change in fair value of interest rate agreement	<u>(1,857)</u>	<u>1,857</u>	<u>-</u>	<u>-</u>
<b>Change in net assets from nonoperating activities</b>	<u><b>6,247</b></u>	<u><b>50,380</b></u>	<u><b>54</b></u>	<u><b>56,681</b></u>
<b>Change in net assets</b>	<b>1,703</b>	<b>50,452</b>	<b>61</b>	<b>52,216</b>
Net assets, beginning of year	<u>14,851</u>	<u>401,079</u>	<u>1,863</u>	<u>417,793</u>
<b>Net assets, end of year</b>	<u><u><b>\$ 16,554</b></u></u>	<u><u><b>\$ 451,531</b></u></u>	<u><u><b>\$ 1,924</b></u></u>	<u><u><b>\$ 470,009</b></u></u>

See accompanying notes to the financial statements.

**FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.**

***Statements of Cash Flows***  
***(in thousands)***

	<i>Years Ended June 30,</i>	
	<i>2008</i>	<i>2007</i>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (34,048)	\$ 52,216
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,746	5,896
Write off of unamortized bond issuance costs	2,684	-
Net realized and unrealized gain (loss) on long-term investments	8,944	(64,668)
Contributions designated for long-term investment	(31)	(54)
Change in value of interest rate agreement	8,181	(7,349)
Changes in operating assets and liabilities:		
Accounts receivable, prepaid expenses and other assets	(48)	(232)
Accounts payable and accrued expenses, deferred revenues	(580)	210
Contributions receivable	4,880	20
	<u>(4,272)</u>	<u>(13,961)</u>
<b>Net cash used in operating activities</b>	<b>(4,272)</b>	<b>(13,961)</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(199,404)	(98,527)
Sales and maturities of investments	203,552	112,647
Acquisition and construction of property and equipment	(849)	(1,069)
Proceeds from sale of property and equipment	-	85
Use of trustee funds held for construction	170	914
Change in employee loans receivable	194	10
	<u>3,663</u>	<u>14,060</u>
<b>Net cash provided by investing activities</b>	<b>3,663</b>	<b>14,060</b>
<b>Cash flows from financing activities:</b>		
Contributions designated for long-term investment	<u>31</u>	<u>54</u>
<b>Net cash provided by financing activities</b>	<b>31</b>	<b>54</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(578)</b>	<b>153</b>
Cash and cash equivalents, beginning of year	<u>1,263</u>	<u>1,110</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>685</u></b>	<b>\$ <u>1,263</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 8,267</u>	<u>\$ 7,593</u>

*See accompanying notes to the financial statements.*

# FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

## *Notes to Financial Statements (in thousands)*

### *Note 1 - Nature of Operations*

Franklin W. Olin College of Engineering, Inc. (the College), was founded in 1997 by the F. W. Olin Foundation, Inc. (the Foundation), and graduated its first class in May 2006. The College is an independent, nonsectarian college offering undergraduate engineering degrees. There are approximately 300 students predominantly drawn from across the United States. The campus is located in Needham, Massachusetts. The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The College is accredited by the New England Association of Schools and Colleges, and the three degree programs are accredited by ABET.

The College's funding was primarily sourced from the F.W. Olin Foundation under the terms of the Grant Agreement (the Agreement) which created the Olin Endowment and stipulates a number of financial and other requirements associated with the operations of the College. The Agreement further provides for the use of the Olin Endowment in certain circumstances, such as for the payment of certain debt service should unrestricted net assets be insufficient for that purpose, and for certain capital outlays. The College is obligated to maintain the Olin Endowment in perpetuity, except for the circumstances previously described. For the purposes of financial statement presentation, the endowment sourced from the Foundation is considered temporarily restricted net assets as defined in Note 2 given the potential for distribution to support debt service and capital outlays that the College may need in the future.

### *Note 2 - Summary of Significant Accounting Policies*

#### *Basis of Presentation*

The accompanying financial statements are presented on the accrual basis of accounting and have been prepared to focus on the College as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted net assets* - Net assets that the College may use at its discretion.

*Temporarily restricted net assets* - Net assets that result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the College pursuant to those stipulations.

*Permanently restricted net assets* - Net assets from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the College.

#### *Classifications*

Investment return for operating activities subject to donor stipulations are reported as increases in temporarily restricted net assets. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as releases between the applicable classes of net assets. Expirations of temporary restrictions occur when donor-imposed stipulated purposes have been accomplished and/or the stipulated time period has elapsed.

# FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

## *Notes to Financial Statements (in thousands)*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Contributions*

Contributions, including unconditional promises to give, are recognized as revenue in the period verifiably committed. The College reports all temporarily restricted contributions as increases to the temporarily restricted net asset class and reclassifies them to unrestricted net assets when the restrictions are met. Contributions restricted for the acquisition or construction of buildings and capitalized equipment are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets over the useful lives of the related assets. Promises to give subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions scheduled to be received after one year are discounted at a rate commensurate with the risk involved.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash in banks and short-term investments with a maturity date from purchase of three months or less. Cash and cash equivalents held by investment managers are considered part of investments.

#### *Investments*

Investments in marketable securities and debt securities are valued at quoted prices from major securities exchanges. Certain non-marketable securities, such as private equity, venture capital, and hedge funds include investments for which quoted market prices are not readily available. The fair values of these investments are based on the most recent estimates by the investment managers or partners. Estimates of fair value may differ from the values that would have been used had a ready market for the investments existed. The College believes that the carrying amount of its non-marketable securities is a reasonable estimate of fair value as of June 30, 2008 and 2007.

Dividends, interest, and net gain (loss) on investments are reported as follows:

- as increases in permanently restricted net assets if the terms of the contribution require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the contribution impose restrictions on the current use of the income or net gains; and
- as increases (decreases) in unrestricted net assets in all other cases.

Investments are comprised of the assets of the College's endowment and other restricted funds. These funds are considered either temporarily or permanently restricted, but exceed the associated net assets. The difference is from bond proceeds that repaid the College for construction costs previously funded by Foundation gifts. These funds were invested in long-term assets that the College agreed to consider part of the Olin Endowment. This was a condition of the gift agreement from the Foundation.

# FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

## *Notes to Financial Statements (in thousands)*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Endowment Spending Policy*

The Endowment Grant Agreement stipulates that the cash basis endowment spending rate may generally not exceed 6% of the Olin Endowment. Endowment spending beyond this 6% limit requires affirmative Board appropriation. Accrued draws in excess of 6% are permitted without Board approval.

#### *Property and Equipment*

Land, buildings, and equipment are reported at cost at the date of acquisition or at fair value at the date of donation in the case of gifts. For assets placed in service, depreciation is provided using the straight-line method over the estimated useful lives of the assets. Expenditures for new construction, and major renewals, replacements and equipment are capitalized. Gift funded assets are classified as temporarily restricted net assets, and released in the amount of depreciation each year.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15 to 40
Equipment	3 to 20

#### *Operating and Nonoperating Activities*

The College recognizes revenue on grants and contracts for research as related costs are incurred. Payments received in advance of expenditures are recorded as deferred revenue. Advance payments received for student-related activities are recorded as deposits.

The cost of providing the College's operating activities has been summarized on a functional basis in the accompanying statements of activities. Expenses associated with the College's facilities costs, including depreciation, operations, and maintenance expenses, are functionally allocated based on estimated space utilized.

Nonoperating activities include returns associated with long-term investments, restricted contributions, and changes in the fair value of the interest rate swap agreements on the College's 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, as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

#### *Reclassifications*

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

**FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.**

*Notes to Financial Statements*  
(in thousands)

**Note 3 - Employee Loans Receivable**

The College made loans to certain employees to assist with their purchase of a primary residence in the local area. These loans carry below-market interest rates, have balloon repayment terms and are secured by the real estate.

**Note 4 - Contributions Receivable, Net**

Contributions receivable consisted of the following at June 30:

	<i>2008</i>	<i>2007</i>
Amounts due in:		
Less than one year	\$ 105	\$ 5,035
One to five years	114	76
<b>Total due</b>	<b>219</b>	<b>5,111</b>
Less:		
Unamortized discount	14	11
Allowance for doubtful accounts	15	30
<b>Contributions receivable, net</b>	<b>\$ 190</b>	<b>\$ 5,070</b>

Discount rates used to present value the estimated cash flows from contributions ranged from 2.77% to 5.03% for the year ended June 30, 2008 and 5.03% for the year ended June 30, 2007.

At June 30, 2007, the Foundation had committed to transfer the remaining balance of its available assets to the College upon final settlement of the Foundation. In return, the College committed to add these funds to the Olin Endowment. During 2008, the Foundation made its final contribution to the College in the amount of \$12,885, which is included in temporarily restricted contributions.

**Note 5 - Long-Term Investments**

Long-term investments consisted of the following at June 30:

	<i>2008</i>	<i>2007</i>
Equities and equity funds:		
Domestic	\$ 137,092	\$ 143,170
International	67,426	78,213
Marketable alternatives	134,695	146,681
Nonmarketable alternatives	21,241	6,699
Fixed-income securities funds	73,644	87,969
Real estate	33,277	17,142
Short-term investments	2,195	2,788
<b>Long-term investments, at fair value</b>	<b>\$ 469,570</b>	<b>\$ 482,662</b>



**FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.**

*Notes to Financial Statements*  
(in thousands)

*Note 5 - Long-Term Investments (Continued)*

Long-term investment activity for 2008 and 2007 was as follows:

	<i>2008</i>	<i>2007</i>
Investments, beginning of year	\$ 482,662	\$ 432,114
Investment return:		
Net realized and unrealized investment gains (losses)	(8,944)	64,668
Dividends and interest available	7,388	9,078
<b>Total investment return</b>	<b>(1,556)</b>	<b>73,746</b>
Contributions	12,963	157
Other activity	146	(280)
Cash-basis endowment draw	(24,645)	(23,075)
<b>Investments, end of year</b>	<b>\$ 469,570</b>	<b>\$ 482,662</b>

The College is obligated under certain limited partnership agreements to advance additional funding periodically up to specified levels. At June 30, 2008, the College had capital commitments of approximately \$45,734, which will be funded from existing investments. Investment management expenses were \$11,764 and \$9,382 for the years ended June 30, 2008 and 2007, respectively.

Of the above balance, \$2,339 is temporarily or permanently restricted for specific purpose funds and \$388 is designated for facilities renewal and replacement. Management considers the remaining balance of \$466,843 to be the Olin Endowment, which can be used only in accordance with the terms of the Grant Agreement, regardless of the accounting classification (see Note 1 for discussion of the terms of the Grant Agreement).

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on the investment portfolios of many institutions. As a result, the College's investments have likely incurred a decline in fair value since June 30, 2008.

# FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

## *Notes to Financial Statements (in thousands)*

### *Note 6 - Plant and Equipment, Net*

Property and equipment consisted of the following at June 30:

	<i>2008</i>	<i>2007</i>
Land	\$ 14,605	\$ 14,605
Buildings and improvements	129,671	129,412
Equipment	8,753	7,947
Construction in progress	104	320
	153,133	152,284
Less accumulated depreciation	(28,144)	(22,626)
<b>Plant and equipment, net</b>	<b>\$ 124,989</b>	<b>\$ 129,658</b>

### *Note 7 - Pension Plans*

#### *Defined Contribution Plan*

The College has established a contributory retirement plan (the Plan) for eligible personnel. The Plan is mandatory for all employees starting on the first day of the month following four months of employment. The Plan is designed in accordance with the provisions of Section 403(b) of the Code. The College's expenses under the Plan were \$788 and \$771 for the years ended June 30, 2008 and 2007, respectively.

The College also has a supplemental retirement plan under Section 403(b) of the Code, which is funded by voluntary employee contributions.

#### *Deferred Compensation Plan*

The College designed a plan in accordance with Section 457(b) of the Code. Under the terms of this plan, no contributions are made by the College, but it is fully funded by voluntary pre-tax contributions by highly-compensated employees. The assets and liabilities of this plan are recorded in the statements of financial position and total \$374 and \$304 in 2008 and 2007, respectively. The assets and liabilities are recorded in prepaid expenses and accounts payable and accrued expenses, respectively.

### *Note 8 - Collaboration and Shared Services Agreement*

The College has a Collaboration Agreement and a Shared Service Agreement with Babson College that defines their cooperation on academic programming and purchasing of services. The College pays Babson College a fee for certain administrative and programmatic services, and other associated expenses. Fees incurred under these agreements were \$921 and \$933, of which approximately \$82 and \$76 were included in accounts payable and accrued expenses as of June 30, 2008 and 2007 respectively. These costs have been included in institutional support, instruction and student services in the accompanying statements of activities

**FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.**

*Notes to Financial Statements  
(in thousands)*

**Note 9 - Bonds Payable**

Debt consisted of the following as of June 30:

	<b>2008</b>	<b>2007</b>
Taxable Revenue Bonds Series A-1 and A-2 Auction Variable Rate Securities, maturing serially from 2030 to 2033, at an average rate of 6.40% in fiscal year 2008	\$ 93,200	\$ 93,200
Tax-Exempt Revenue Bonds Series B, at a fixed rate of 5.25%, maturing serially from 2028 to 2033	65,910	65,910
	159,110	159,110
Less unamortized bond discount	(1,128)	(1,176)
	<b>\$ 157,982</b>	<b>\$ 157,934</b>

The College issued multiple series of bonds in August 2003. A portion of the proceeds from these bonds was used for construction of Phase I of the main campus (including reimbursement to the College for expenditures made prior to the bond closing), and the remaining balance was used for construction of a second residence hall. The bonds are secured by approximately 42.6 acres of the College's land, along with the associated buildings, facilities and improvements. The terms of the bonds include debt covenants such as maintaining certain values of net assets available for debt service, with which the College is in compliance at June 30, 2008 and 2007.

Repayments of Series A-1 are as follows: \$10,000 in 2030, \$10,000 in 2031, \$10,000 in 2032 and \$10,000 in 2033. The lump-sum repayment of the \$53,200 Series A-2 bonds is due in 2033.

Sinking fund payments on the Series B bonds are as follows: \$1,025 in 2028, \$10,315 in 2029, \$11,545 in 2030, \$12,870 in 2031, \$14,305 in 2032, and \$15,850 in 2033.

Interest expense was \$8,565 and \$7,593 for the years ended June 30, 2008 and 2007, respectively.

On September 4, 2008, the \$93,200 of outstanding Series A-1 and A-2 bonds were refunded with \$94,000 of Variable Rate Demand Bonds with repayments beginning in 2034. Unamortized Series A-1 and A-2 bond issuance costs of \$2,684 were deemed to be impaired at June 30, 2008 and were written off.

Unamortized bond discount and issue costs are being amortized on the effective interest method through the final maturity date of each respective bond issue.

In June of 2006, the College entered into two basis swaps to mitigate the interest rate risk associated with the Series A-1 and A-2 variable rate debt. The College pays the product of USD-SIFMA Municipal Swap Index times 1.45 on principal amounts of \$40,000 and \$53,190. The counterparty is obligated to pay the College 3-month USD-LIBOR plus 0.53% and 0.55% on the same principal amounts. In December 2006, the College entered into a variable to fixed interest rate swap to eliminate the interest rate risk associated with the Series A-1 variable rate. The College pays an annual fixed interest rate of 5.12% and the counterparty is obligated to pay the College 3-month USD-LIBOR on the principal amount of \$40,000. The fair value of the swap agreements is reflected on the Statements of Financial Position as a liability of \$2,689 as of June 30, 2008, and an asset of

# FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

## *Notes to Financial Statements* (in thousands)

### *Note 9 - Bonds Payable (Continued)*

\$5,492 as of June 30, 2007. The gains and losses associated with the swap agreements are reflected as nonoperating items in the Statements of Activities. The interest rate swap agreements contain provisions indicating events that would cause the immediate termination of the swaps, or allow one party to terminate the swap in the event of default by the other party. These events include the credit ratings of either party dropping below certain levels, bankruptcy of either party, or other events of non-performance by the parties. The College also has the option to terminate the swap arrangements without cause at any time; however the counterparty does not have any right to cancel the swaps unless there is an event of default by the College. Termination of the swap arrangements would involve settlement of the swaps at the fair market value at the time of termination. Management monitors the risk associated with the swaps as part of its ongoing review of operations.

During 2008, the College entered into a line of credit agreement with a financial institution that allows for borrowings up to \$1,000. At June 30, 2008, there were no outstanding borrowings under this agreement. The agreement will be reviewed annually to determine whether the line of credit should be continued or renewed.

### *Note 10 - Restricted Net Assets and Releases*

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets consisted of the following at June 30:

	<i>2008</i>	<i>2007</i>
Olin Endowment contribution receivable from the Foundation	\$ -	\$ 5,000
Temporarily Restricted Portion of the Olin Endowment Purpose restrictions	334,675	356,865
Investment in property and equipment (to be released over time)	1,468	952
	84,322	88,714
	<b>\$ 420,465</b>	<b>\$ 451,531</b>

#### *Permanently Restricted Net Assets*

Permanently restricted net assets consisted of the following at June 30:

	<i>2008</i>	<i>2007</i>
Bioengineering chair	\$ 1,633	\$ 1,633
Wynn Library Fund	200	175
Permanently Restricted Portion of the Olin Endowment	72	66
Samuel and Rae Eckman Endowment	50	50
	1,955	1,924
	<b>\$ 1,955</b>	<b>\$ 1,924</b>

FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

*Notes to Financial Statements*  
*(in thousands)*

*Note 10 - Restricted Net Assets and Releases (Continued)*

*Net Assets Released from Restrictions*

Net assets released from restrictions consisted of the following at June 30:

	<i>2008</i>	<i>2007</i>
Depreciation of gifted capitalized assets	\$ 4,392	\$ 4,744
Olin Endowment spending	24,645	20,493
Interest Rate Agreements	8,181	(1,857)
Scholarship	22	49
Other	914	363
	<u>\$ 38,154</u>	<u>\$ 23,792</u>

Included in Olin Endowment release for the year ended June 30, 2008 is \$300 for the facilities renewal and replacement fund for which the cash was not transferred to the operating account. The Olin Endowment cash draw amounted to \$24,645 and \$23,075 for the years ended June 30, 2008 and 2007, respectively.

See Notes 1 and 5 for additional discussion of the Olin Endowment.