

# **Financial Statements**

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

June 30, 2006 and 2005

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

***Financial Statements***

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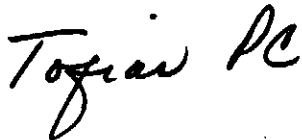
*Independent Auditors' Report*

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

We have audited the accompanying statement of financial position of Franklin W. Olin College of Engineering, Inc. (the College) as of June 30, 2006, and the related statement of activities and cash flows for the year 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 audit. The financial statements as of and for the year ended June 30, 2005 were audited by other auditors whose report dated September 16, 2005 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



August 18, 2006  
Cambridge, Massachusetts

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

*Statements of Financial Position*

(in thousands)

	<i>June 30,</i>	
<b>Assets</b>	<b>2006</b>	<b>2005</b>
Current assets:		
Cash and cash equivalents	\$ 1,110	\$ 2,041
Accounts receivable, net	303	135
Prepaid expenses and other current assets	568	1,295
Employee loans receivable, net	627	620
Trusted funds held for construction, at fair value	2,122	3,849
Unamortized bond issuance costs	4,777	4,967
Contributions receivable, net	5,090	5,132
Long-term investments, at fair value	432,114	418,732
Plant and equipment, net	134,341	138,132
<b>Total assets</b>	<b>\$ 581,052</b>	<b>\$ 574,903</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,828	\$ 3,297
Deferred revenue and deposits	689	170
Bonds payable, net	157,885	157,836
Interest rate agreements	1,857	-
<b>Total liabilities</b>	<b>163,259</b>	<b>161,303</b>
Net assets:		
Unrestricted	14,851	15,023
Temporarily restricted	401,079	396,750
Permanently restricted	1,863	1,827
<b>Total net assets</b>	<b>417,793</b>	<b>413,600</b>
<b>Total liabilities and net assets</b>	<b>\$ 581,052</b>	<b>\$ 574,903</b>

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

*Statements of Activities*  
(in thousands)

Years Ended June 30,

	2006			2005	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
<b>Operating revenues</b>					
Tuition and fees	\$ 8,963	\$ -	\$ -	\$ 8,963	\$ 6,560
Room and board	3,010	-	-	3,010	2,194
Less: Student aid	(9,669)	-	-	(9,669)	(7,312)
Student revenues, net	<u>2,304</u>	<u>-</u>	<u>-</u>	<u>2,304</u>	<u>1,442</u>
Contributions	130	121	-	251	203
Government grants and other contracts	2,302	-	-	2,302	1,309
Other	650	234	-	884	318
Net assets released for Olin Endowment spending	26,630	(26,630)	-	-	-
Net assets released for other purpose restrictions	304	(304)	-	-	-
Net assets released for depreciation	<u>4,747</u>	<u>(4,747)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating revenues</b>	<u><b>37,067</b></u>	<u><b>(31,326)</b></u>	<u><b>-</b></u>	<u><b>5,741</b></u>	<u><b>3,272</b></u>
<b>Operating expenses</b>					
Instruction	11,175	-	-	11,175	7,086
Research	1,122	-	-	1,122	1,125
Academic support	3,307	-	-	3,307	3,434
Student services	10,612	-	-	10,612	6,812
Sponsored programs	2,382	-	-	2,382	1,469
Development and fundraising	371	-	-	371	393
Institutional support	<u>6,537</u>	<u>-</u>	<u>-</u>	<u>6,537</u>	<u>9,095</u>
<b>Total operating expenses</b>	<u><b>35,506</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>35,506</b></u>	<u><b>29,414</b></u>
<b>Change in net assets from operating activities</b>	<u><b>1,561</b></u>	<u><b>(31,326)</b></u>	<u><b>-</b></u>	<u><b>(29,765)</b></u>	<u><b>(26,142)</b></u>
<b>Nonoperating activities</b>					
Contributions	-	-	36	36	34,873
Change in fair value of contributions receivable from the Foundation	-	-	-	-	(1,718)
Interest and dividend income	124	6,659	-	6,783	7,751
Net realized and unrealized gain on long-term investments	-	28,996	-	28,996	11,068
Change in fair value of interest rate agreement	<u>(1,857)</u>	<u>-</u>	<u>-</u>	<u>(1,857)</u>	<u>-</u>
<b>Change in net assets from nonoperating activities</b>	<u><b>(1,733)</b></u>	<u><b>35,655</b></u>	<u><b>36</b></u>	<u><b>33,958</b></u>	<u><b>51,974</b></u>
<b>Change in net assets</b>	<b>(172)</b>	<b>4,329</b>	<b>36</b>	<b>4,193</b>	<b>25,832</b>
<b>Net assets, beginning of year</b>	<u><b>15,023</b></u>	<u><b>396,750</b></u>	<u><b>1,827</b></u>	<u><b>413,600</b></u>	<u><b>387,768</b></u>
<b>Net assets, end of year</b>	<u><u><b>\$ 14,851</b></u></u>	<u><u><b>\$ 401,079</b></u></u>	<u><u><b>\$ 1,863</b></u></u>	<u><u><b>\$ 417,793</b></u></u>	<u><u><b>\$ 413,600</b></u></u>

See accompanying notes to the financial statements.

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

*Statement of Activities*

*Year Ended June 30, 2005*

*(in thousands)*

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<b>Operating revenues</b>				
Tuition and fees	\$ 6,560	\$ -	\$ -	\$ 6,560
Room and board	2,194	-	-	2,194
Less: Student aid	(7,312)	-	-	(7,312)
Student revenues, net	<u>1,442</u>	<u>-</u>	<u>-</u>	<u>1,442</u>
Contributions	80	123	-	203
Government grants and other contracts	1,309	-	-	1,309
Other	105	213	-	318
Net assets released for Olin Endowment spending	21,709	(21,709)	-	-
Net assets released by Olin Foundation	14,605	-	(14,605)	-
Net assets released for other purpose restrictions	113	(113)	-	-
Net assets released for depreciation	<u>4,590</u>	<u>(4,590)</u>	<u>-</u>	<u>-</u>
<b>Total operating revenues</b>	<u>43,953</u>	<u>(26,076)</u>	<u>(14,605)</u>	<u>3,272</u>
<b>Operating expenses</b>				
Instruction	7,086	-	-	7,086
Research	1,125	-	-	1,125
Academic support	3,434	-	-	3,434
Student services	6,812	-	-	6,812
Sponsored programs	1,469	-	-	1,469
Development and fundraising	393	-	-	393
Institutional support	<u>9,095</u>	<u>-</u>	<u>-</u>	<u>9,095</u>
<b>Total operating expenses</b>	<u>29,414</u>	<u>-</u>	<u>-</u>	<u>29,414</u>
<b>Change in net assets from operating activities</b>	<u>14,539</u>	<u>(26,076)</u>	<u>(14,605)</u>	<u>(26,142)</u>
<b>Nonoperating activities</b>				
Contributions	-	34,796	77	34,873
Change in fair value of contributions receivable from the Foundation	-	(1,718)	-	(1,718)
Interest and dividend income	66	7,685	-	7,751
Net realized and unrealized gain on long-term investments	-	11,068	-	11,068
Change in fair value of interest rate agreement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net assets from nonoperating activities</b>	<u>66</u>	<u>51,831</u>	<u>77</u>	<u>51,974</u>
<b>Change in net assets</b>	<u>14,605</u>	<u>25,755</u>	<u>(14,528)</u>	<u>25,832</u>
Net assets, beginning of year	<u>418</u>	<u>370,995</u>	<u>16,355</u>	<u>387,768</u>
Net assets, end of year	<u>\$ 15,023</u>	<u>\$ 396,750</u>	<u>\$ 1,827</u>	<u>\$ 413,600</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>2006</i>	<i>2005</i>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 4,193	\$ 25,832
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,480	4,820
Net realized and unrealized gain on long-term investments	(28,996)	(11,068)
Gift of securities	-	(27,065)
Contributions designated for long-term investment	36	(2,731)
Decline in value of interest rate agreement	1,857	-
Change in operating assets and liabilities		
Accounts receivable, prepaid expenses and other assets	559	415
Accounts payable and accrued expenses, deferred revenues	50	(241)
Contributions receivable	42	718
	<u>(16,779)</u>	<u>(9,320)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(837,414)	(954,937)
Sales and maturities of investments	853,028	960,538
Acquisition and construction of property and equipment	(1,455)	(13,191)
Sales of property and equipment	5	8
Trusteed funds held for construction, at fair value	1,727	13,299
Increase in employee loans receivable	(7)	(21)
	<u>15,884</u>	<u>5,696</u>
<b>Cash flows from financing activities</b>		
Contributions designated for long-term investment	(36)	2,731
	<u>(36)</u>	<u>2,731</u>
<b>Net cash provided by (used in) financing activities</b>		
	<u>(931)</u>	<u>(893)</u>
<b>Net decrease in cash and cash equivalents</b>		
	<u>(931)</u>	<u>(893)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>2,041</u>	<u>2,934</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,110</u>	<u>\$ 2,041</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 7,449	\$ 7,230
Securities received from the Foundation	-	102,736

# FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

## *Notes to Financial Statements*

### *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 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 has also been granted Candidate for Accreditation status by the New England Association of Schools and Colleges, and is progressing toward accreditation. Candidacy status has allowed the College to become eligible to participate in the Title IV student financial aid programs of the Higher Education Act of 1965 and also to grant I-20 documentation so that foreign nationals may apply for a visa to study at the College.

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 debt service should unrestricted net assets be insufficient for that purpose, and for 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.

### *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*

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

**Contributions** - Contributions, including unconditional promises to give, are recognized as revenue in the period received. 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, 2006 and 2005.

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. This results from the College agreeing to terms in a gift agreement from the Foundation that stipulated the restriction of certain bond proceeds. These bond proceeds repaid the College for construction costs previously funded by Foundation gifts.

**Endowment Spending Policy** - The Endowment Grant Agreement stipulates that the endowment spending rate may generally not exceed 6% of the Olin Endowment. Endowment spending beyond this 6% limit requires affirmative Board appropriation.

**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.

# FRANKLIN W. OLIN COLLEGE OF ENGINEERING, INC.

## *Notes to Financial Statements*

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

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. For the years ended June 30, 2006 and 2005, 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 basis swap on the College's debt.

***Use of Estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted 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 2005 balances have been reclassified to conform to the 2006 presentation.

### ***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***

The Foundation has 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, and also agreed to certain other covenants including the payment of any debt or expenses that may arise after the assets have been transferred to the College. Included in the Contribution receivable is the \$5,000 due from the Foundation. The estimated amount receivable is based on the amount unconditionally promised to the College.

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

*Notes to Financial Statements*

**Note 5 - Long-Term Investments**

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

	<b>2006</b>	<b>2005</b>
Equities and equity funds:		
Domestic	\$ 135,892	\$ 190,123
International	56,594	80,700
Marketable alternatives	158,107	-
Nonmarketable alternatives	523	-
Fixed-income securities funds	75,201	147,763
Short-term investments	5,797	146
<b>Long-term investments, at fair value</b>	<b>\$ 432,114</b>	<b>\$ 418,732</b>

Long-term investment activity for 2006 and 2005 was as follows:

	<b>2006</b>	<b>2005</b>
Investments, beginning of year	\$ 418,732	\$ 310,529
Contributions	86	110,446
Net realized and unrealized investment gains	28,996	11,068
Dividends and interest available net of expenses of \$2,065 and \$1,641	6,659	6,783
Other activity	641	806
Cash-basis endowment draw	(23,000)	(20,900)
Excess (deficiency) of earnings over draw	13,296	(2,243)
<b>Investments, end of year</b>	<b>\$ 432,114</b>	<b>\$ 418,732</b>

The College is obligated under certain limited partnership agreements to advance additional funding periodically up to specified levels. At June 30, 2006, the College had capital commitments of approximately \$41,477, which will be funded from existing investments.

Of the above balance, \$1,833 is permanently restricted for specific purpose funds; management considers the remaining balance of \$430,281 to be the Olin Endowment. The College has agreed to use the Olin Endowment 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.

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

*Notes to Financial Statements*

**Note 6 - Property and Equipment**

Property and equipment consisted of the following as of June 30:

	<i>2006</i>	<i>2005</i>
Land	\$ 14,605	\$ 14,610
Buildings and improvements	128,496	106,905
Equipment	7,514	7,164
Construction in progress	685	21,170
	151,300	149,849
Less accumulated depreciation	(16,959)	(11,717)
<b>Property and equipment, net</b>	<b>\$ 134,341</b>	<b>\$ 138,132</b>

The College capitalized interest associated with the construction of the second residence hall in the amount of \$1,160 for the year ended June 30, 2005.

**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 and the College’s expenses under the Plan were \$728 and \$676 for the years ended June 30, 2006 and 2005, 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 contributions by eligible employees. The assets and liabilities of this plan are recorded in the Statements of Financial Position and total \$219 and \$150 in 2006 and 2005, 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 \$2,761 and \$2,525, of which approximately \$359 and \$218 were included in accounts payable and accrued expenses, as of June 30, 2006 and 2005 respectively. Those fees have been included in Institutional support, Instruction and Student services in the accompanying Statements of Activities. The College is continuing to become less dependent on Babson for administrative and support services. Management believes that alternatives for services purchased from Babson are available in the community.

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

*Notes to Financial Statements*

**Note 9 - Bonds Payable**

Debt consisted of the following as of June 30:

	<b>2006</b>	<b>2005</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 4.2% in fiscal year 2006	\$ 93,200	\$ 93,200
Tax-Exempt Revenue Bonds Series B, at a rate of 5.25%, maturing serially from 2028 to 2033	65,910	65,910
	159,110	159,110
Less unamortized bond discount	(1,225)	(1,274)
<b>Bonds payable, net</b>	<b>\$ 157,885</b>	<b>\$ 157,836</b>

The College issued multiple series of bonds in August 2003. A portion of the proceeds from these bonds was used to reimburse the College for construction of Phase I of the main campus, 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, 2006 and 2005.

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 \$7,364 and \$4,668 for the years ended June 30, 2006 and 2005, respectively.

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 a basis swap 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-BMA 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 principal amounts of \$40,000 and \$53,190, respectively. At June 30, 2006, the fair value of the swap agreements is reflected on the Statements of Financial Position as a liability of \$1,857. The loss associated with the swap agreements is reflected as a nonoperating item in the Statements of Activities.

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

*Notes to Financial Statements*

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

**Temporarily Restricted Net Assets** - Temporarily restricted net assets consisted of the following as of June 30:

	<b>2006</b>		<b>2005</b>
Olin Endowment contribution receivable from the Foundation	\$ 5,000	\$	5,000
Temporarily Restricted Portion of the Olin Endowment Purpose restrictions	301,768		292,855
	853		690
Investment in property and equipment (to be released over time)	93,458		98,205
	<u>93,458</u>		<u>98,205</u>
	<b>\$ 401,079</b>	<b>\$</b>	<b>396,750</b>

**Permanently Restricted Net Assets** - Permanently restricted net assets consisted of the following as of June 30:

	<b>2006</b>		<b>2005</b>
Bioengineering chair	\$ 1,633	\$	1,633
Milas Library Fund	150		125
Permanently Restricted Portion of the Olin Endowment	30		19
Samuel & Rae Eckman Endowment	50		50
	<u>50</u>		<u>50</u>
	<b>\$ 1,863</b>	<b>\$</b>	<b>1,827</b>

**Net Assets Released from Restrictions** - Net assets released from restrictions consisted of the following as of June 30:

	<b>2006</b>		<b>2005</b>
Depreciation of gifted capitalized assets	\$ 4,747	\$	4,590
Olin Endowment spending	26,630		21,709
Land acquisition costs	-		14,605
Scholarship	95		103
Other	209		10
	<u>209</u>		<u>10</u>
	<b>\$ 31,681</b>	<b>\$</b>	<b>41,017</b>

Included in Olin Endowment release for the year ended June 30, 2006 and 2005 is \$4,439 and \$809 of accrued expenses for which the cash has not been transferred to the operating account. The Olin Endowment cash draw amounted to \$23,000 and \$20,900 for the years ended June 30, 2006 and 2005, respectively.

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

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

*Notes to Financial Statements*

*Note 11 - Contingencies*

There are currently several cases pending involving construction and labor relations related to the normal operation of the College. The College believes that the outcome of these cases will have no significant effect on the financial position or result from operations of the College.