

HAMPSHIRE COLLEGE

Financial Statements

Year Ended June 30, 2022

(With Comparative Totals for June 30, 2021)

(With Independent Auditors' Report Thereon)



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HAMPSHIRE COLLEGE

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Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Hampshire College
Amherst, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hampshire College (a nonprofit corporation), which comprise the balance sheets as of June 30, 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hampshire College as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hampshire College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hampshire College's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hampshire College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hampshire College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Hampshire College's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP



Boston, Massachusetts
December 21, 2022

HAMPSHIRE COLLEGE
Statement of Financial Position
June 30, 2022
(With Comparative Totals for June 30, 2021)

	2022	2021
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,105,172	\$ 2,965,249
Accounts and loans receivable, net (Note 2)	935,950	287,430
Employee retention tax credit receivable	5,530,169	3,730,169
Contributions receivable, net (Note 3)	5,261,424	7,900,579
Prepaid expenses, inventories and other assets	80,180	161,158
Investments - at fair value (Note 4)	37,571,780	53,391,278
Funds held in trust by others (Notes 4 and 6)	2,318,611	2,297,248
Property, plant and equipment, net (Note 7)	43,482,738	45,568,063
TOTAL ASSETS	\$ 99,286,024	\$ 116,301,174
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ 764,087	\$ 717,395
Deposits and deferred income	874,845	961,918
Contingent asset retirement obligation	3,283,482	3,252,211
Long term debt, net (Note 8)	23,099,446	24,065,215
TOTAL LIABILITIES	28,021,860	28,996,739
<u>NET ASSETS</u>		
Net Assets without Donor Restrictions (Note 9)	36,865,404	39,682,614
Net Assets with Donor Restrictions (Note 9)	34,398,760	47,621,821
TOTAL NET ASSETS	71,264,164	87,304,435
TOTAL LIABILITIES AND NET ASSETS	\$ 99,286,024	\$ 116,301,174

See accompanying Notes to Financial Statements.

HAMPSHIRE COLLEGE

Statement of Activities

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/2022	Total 6/30/2021
<u>Operating Activities</u>				
Revenues and other additions:				
Tuition, room, board and other fees	\$ 28,466,341	\$ -	\$ 28,466,341	\$ 30,199,788
Less: student aid awarded	(17,451,714)	-	(17,451,714)	(16,473,951)
Net tuition and fees	11,014,627	-	11,014,627	13,725,837
Contributions, gifts and grants	5,796,196	1,547,556	7,343,752	13,707,667
Federal relief funding	3,863,038	-	3,863,038	9,062,179
Other income	1,439,774	-	1,439,774	743,382
Investment income for operations (Note 4)	7,931,154	1,351,304	9,282,458	5,083,861
Other auxiliary enterprises	1,963,734	-	1,963,734	778,484
Net assets released from restrictions for operating purposes	10,541,363	(10,541,363)	-	-
Total operating revenues and other support	42,549,886	(7,642,503)	34,907,383	43,101,410
Expenses and other deductions:				
Instruction	8,144,777	-	8,144,777	8,104,611
Research	594,610	-	594,610	1,022,999
Student services	6,986,307	-	6,986,307	6,346,211
Institutional support	9,887,023	-	9,887,023	10,140,168
Academic support	2,615,640	-	2,615,640	2,224,657
Auxiliary enterprises	6,994,653	-	6,994,653	5,637,766
Total operating expenses and other deductions	35,223,010	-	35,223,010	33,476,412
Change in net assets from operating activities	7,326,876	(7,642,503)	(315,627)	9,624,998
<u>Nonoperating Activities</u>				
Contributions for long-term investment	1,331	26,701	28,032	24,017
Net loss (return) on long-term investments (Note 4)	(2,288,777)	(4,225,904)	(6,514,681)	12,408,404
Investment income for operations (Note 4)	(7,931,154)	(1,351,304)	(9,282,458)	(5,083,861)
Other deductions	74,514	(30,051)	44,463	(156,505)
Asset transfer - CLPP	-	-	-	(1,198,120)
Net assets released from restrictions for nonoperating purposes	-	-	-	-
Change in net assets from nonoperating activities	(10,144,086)	(5,580,558)	(15,724,644)	5,993,935
Total change in net assets	(2,817,210)	(13,223,061)	(16,040,271)	15,618,933
Net assets, beginning of year	39,682,614	47,621,821	87,304,435	71,685,502
Net assets, end of year	\$ 36,865,404	\$ 34,398,760	\$ 71,264,164	\$ 87,304,435

See accompanying Notes to Financial Statements.

HAMPSHIRE COLLEGE

Statement of Cash Flows

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Cash provided by operating activities:		
Change in net assets	\$ (16,040,271)	\$ 15,618,933
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Forgiveness of long term debt	-	(4,155,500)
Depreciation	2,473,131	2,617,106
Bad debt expense	147,706	229,302
Net realized and unrealized losses (gains)	6,514,112	(12,078,544)
Contributions for donor-restricted endowment	(60,201)	(39,568)
Change in accounts and loans receivable	(2,750,807)	(3,894,770)
Change in funds held in trust by others	(21,363)	18,851
Change in contributions receivable	2,594,255	(5,160,761)
Change in prepaid expenses, inventories, and other assets	80,978	(87,305)
Change in accounts payable and accrued expenses	46,692	(1,717,522)
Change in accrued liability - CLPP	-	(7,589,968)
Change in deposits payable and deferred revenues	(87,073)	(745,675)
Change in conditional asset retirement obligation	31,271	30,974
Net cash used by operating activities	(7,071,570)	(16,954,447)
Cash used by investing activities:		
Purchase of property, plant and equipment	(475,025)	(281,874)
Proceeds from property, plant, and equipment	87,219	132,299
Change in employee mortgages and notes receivable	199,481	(85,151)
Purchase of investments	(11,282,555)	(23,213,850)
Sale and maturities of investments	20,587,941	34,449,299
Net cash provided by investing activities	9,117,061	11,000,723
Cash provided by financing activities:		
Repayment of long term debt	(965,769)	(934,401)
Cash proceeds from long term debt	-	-
Contributions for donor-restricted endowment	60,201	39,568
Net cash provided (used) by financing activities	(905,568)	(894,833)
Net change in cash and cash equivalents	1,139,923	(6,848,557)
Cash and cash equivalents, beginning of year	2,965,249	9,813,806
Cash and cash equivalents, end of year	\$ 4,105,172	\$ 2,965,249

See accompanying Notes to Financial Statements.

HAMPSHIRE COLLEGE

Statement of Cash Flows (Continued)

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	\$ <u>678,310</u>	\$ <u>708,703</u>

See accompanying Notes to Financial Statements.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Organization

Hampshire College (the College) is a residential, coeducational, liberal arts college, which offers an academic program leading to the Bachelor of Arts degree. The College was founded in 1965 and commenced academic classes in September 1970. The average student enrollment was 450 and 500 during fiscal years 2022 and 2021, respectively.

(b) Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

The classification of net assets and revenues, expenses, gains, and losses are determined by the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations but may be designated for specific purposes by action of the board of trustees or management.

With Donor Restrictions – Net assets whose use by the College is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the College pursuant to those stipulations. This category includes realized and unrealized gains on donor-restricted endowment funds that have not been appropriated for expenditure by the board of trustees in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This category also includes net assets whose corpus is restricted by the donor to be invested in perpetuity whose income may be made available for stipulated purposes.

Contributions are reported as increases in the appropriate category of net assets, based on the existence or absence of donor restriction or inherent time restriction. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments based on the existence or absence of donor-imposed restrictions, are reported as increases or decreases in net assets with donor restrictions or net assets without donor restrictions generally based on the donor-imposed restriction or the use of gains or losses as well as by the College's interpretation of relevant state law. Expirations of donor restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from net assets with donor restrictions to net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Exchange transactions are recorded as revenues without donor restrictions when they are earned.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies (Continued)

(c) *Operating Activities*

The statement of activities includes all of the College's revenues and expenses as part of operating activities except for changes in value of split interest agreements, gifts for long-term investment, nonoperating asset transfers and deductions, releases from restrictions for nonoperating purposes and realized and unrealized gains (losses) on investments, net of amount appropriated for operations. The investment earnings appropriated for operations include the College's annual spending distribution and additional draws that are approved by the board of directors. See note 5 for additional details related to investment earnings that were approved by the board of trustees and appropriated for operations.

(d) *Cash and Cash Equivalents*

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase.

(e) *Prepaid Expenses, Inventories, and Other Assets*

Prepaid expenses, inventories, and other assets include supplies and inventory for sale, and amounts paid in advance for future services.

(f) *Revenue Recognition and Release of Restrictions*

Tuition and Fees

The College recognizes student tuition and fees revenue within the fiscal year in which educational services are provided. Scholarships and financial aid grants are reported as a reduction of tuition and fee revenues in the form of a scholarship allowance in the statements of activities. Scholarship allowances are provided from earnings on restricted funds, certain board-designated endowments, and through unfunded discounts. Tuition and fees are presented net of scholarship allowances on the statements of activities and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. The Scholarship allowance provided to students was \$17,451,714 in 2022, and \$16,473,951 in 2021. Cash payments to students in excess of published prices, excluding compensation, are reported as Scholarship Allowances in the statements of activities.

The College's tuition and fee revenue is derived from its residential, coeducational, undergraduate liberal arts program leading to a Bachelor of Arts degree. The program has Fall (August-December) and Spring (January-May) terms. There is no summer term. First-year students secure their enrollment and housing in the campus-based programs by paying nonrefundable deposits for the following Fall academic term. The deposits are applied against the charges for the academic and residential programs.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies (Continued)

(f) Revenue Recognition and Release of Restrictions (Continued)

Contributions

Contributions, which include unconditional promises to give, are reported as increases in net assets without donor restrictions unless use of the related assets is limited by explicit donor stipulation or by the passage of time. Contributions are recognized as revenues in the period an unconditional promise is made or a gift is received, net of a reserve for uncollectible amounts. Contributions to be received after one year are discounted using the appropriate risk-free rate and amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution. As of June 30, 2022, the College has unrecorded conditional agreements of \$221,706 from government sponsors related to Higher Education Emergency Relief Funds (HEERF), due to the conditions for recognizing revenue not being met.

The College is the irrevocable remainder beneficiary of several forms of split-interest agreements, including charitable remainder trusts, charitable gift annuities, and pooled income agreements. Contributions to these trusts are reported as increases in donor-restricted net assets. The amount of contribution revenue recognized is reduced by an actuarial estimate of the trust's liability for payments to an intermediate income beneficiary (or beneficiaries) over the term of the trust.

Investment Income or Loss

Investment income or loss includes (a) interest, dividends, and realized and unrealized gains and losses on investments controlled by the College, (b) income received from, and changes in the fair value of, investments held in trusts by others, and (c) changes in valuation of alternative investments based on net asset value. In the absence of explicit donor stipulations for its use, investment income is reported as an increase in net assets without donor restriction. Change in the fair value of investments held in trust by others is reported as donor-restricted investment income or loss, consistent with the classification of underlying assets.

Auxiliary Enterprises

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public. A fee is charged for the goods or services, which may or may not equal the costs of the goods or services. Residence halls and food services make up the majority of auxiliary revenues. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions. Payments for housing and dining services are due approximately 30 days prior to the start of the academic term. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies (Continued)

(f) Revenue Recognition and Release of Restrictions (Continued)

Release from Restrictions

Net assets are released from donor restrictions when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed. Donor restrictions on contributions made for the acquisition of long-lived assets are released when the stipulated assets are placed in service. Donor restrictions also expire upon termination of a split-interest gift agreement, which does not contain restrictions on the use of the remainder assets. These events are reported as net assets released from restrictions on the statements of activities.

Deferred Revenue

Deferred revenue represents payments received prior to the start of the academic term. Deferred revenue related to tuition and fees totaled \$260,443 and \$220,008 at June 30, 2022 and 2021, respectively. The balance of deferred revenue at June 30, 2022 less any refunds will be recognized as revenue as services are rendered. The College applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The College anticipates that students enrolled for the Fall semester will continue their studies in the Spring semester, and that students who receive their baccalaureate degree in December or May will be replaced by an equivalent number of new enrollees.

The activity and balances for deposits and deferred revenues from contacts with customers are shown in the following table:

	Tuition, Fees, Room and Board	Other	Total
Balance at June 30, 2020	\$ 789,988	\$ 917,605	\$ 1,707,593
Revenue Recognized	(789,988)	(917,605)	(1,707,593)
Amounts Received for Future Performance			
Obligations	220,008	741,910	961,918
Balance at June 30, 2021	220,008	741,910	961,918
Revenue Recognized	(220,008)	(741,910)	(961,918)
Amounts Received for Future Performance			
Obligations	260,443	614,402	874,845
Balance at June 30, 2022	\$ 260,443	\$ 614,402	\$ 874,845

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies (Continued)

(f) *Revenue Recognition and Release of Restrictions (Continued)*

Federal Relief Funding

Federal relief funding represents amounts received from the government to assist organizations due to the COVID-19 pandemic. Federal relief funding amounts total \$3,863,038 as of June 30, 2022 and consisted of these items: \$1,800,000 of Employee Retention Credit (ERC), \$610,196 of Federal Emergency Management Agency funds (FEMA) and \$1,452,852 of Higher Education Emergency Relief Funds (HEERF). As of June 30, 2021 federal relief funding amounts total \$9,062,179 consisting of \$4,155,500 of Paycheck Protection Program (PPP) forgiveness, \$3,730,169 of Employee Retention Credit (ERC), and \$1,176,510 of Higher Education Emergency Relief Funds (HEERF).

(g) *Investments*

Investments are reported at fair value. If an investment is held directly by the College and an active market with quoted prices exists, the College reports the fair value as the market price of an identical security. The College also holds shares or units in alternative investments such as private equity, and real asset strategies. Such funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, those investments may hold assets, which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The College has utilized the net asset value (NAV) reported by each of the underlying funds as a practical expedient to estimating the fair value of the investments. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interest in the funds. Furthermore, changes in the liquidity provisions of the funds may significantly impact the fair value of the College's interests in the funds. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different from the reported value.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies (Continued)

(h) *Fair Value of Financial Instruments*

The fair value of investments is disclosed in note 4. Fair value for marketable securities is based upon quoted market prices. Fair values for trusts held by others, and other alternative investments are valued based upon net asset values as reported by third parties responsible for administering and/or managing such investments. Fair value represents the price that would be received upon sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date.

Except for investments reported at net asset value or its equivalent (NAV) as a practical expedient to estimate fair value, the College uses a three-tiered hierarchy to categorize those assets carried at fair value based on the valuation methodologies employed. The hierarchy is defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at measurement date.
- **Level 2:** Quoted prices, other than those included in Level 1, that are either directly or indirectly observable for the assets or liabilities.
- **Level 3:** No observable quoted prices, reliance on assumptions market participants would use if a market existed for the assets or liabilities.

The level in the fair value hierarchy used to classify an item is based on the lowest level that is significant to the fair value being established.

The College utilizes the NAV as its estimate of fair value for those funds whose value is determined by the appropriate fund manager. The majority of investments report at NAV consisting of shares or units in funds as opposed to direct interest in the funds' underlying securities, which may be readily marketable and not difficult to value.

The private equity amount included in level three is stock for a privately held company. Annually the private company is valued by a third party and the valuation is provided to all shareholders. The College used the valuation provided to determine the value of its investment as of June 30, 2020. This investment was fully liquidated as of June 30, 2021.

(i) *Investment in Plant*

Constructed and purchased property, equipment and library collections are carried at cost. The College capitalizes purchases that have a value of at least \$5,000 and a useful life exceeding one year. Land, buildings, or equipment donated to the College are generally carried in the accounts at appraised value at the date of the gift. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over the estimated useful lives.

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the College capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, the difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies (Continued)

(j) *Deposits and Deferred Revenues*

Deposits and deferred revenues represent amounts collected through June 30, from outside groups for summer conferences and from students relating to student registration for the upcoming fall semester. Such amounts are reported as revenue during the subsequent fiscal year.

(k) *Tax Status*

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 federal taxes pursuant to Section 501(a) of the Code. The College has assessed uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

(l) *Use of Estimates*

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities, as well as the reported amounts of revenues and expenses. These estimates include the allowance for uncollectible accounts, pledges and loans receivable, and the fair value of certain investments. Actual results could differ from these estimates.

(m) *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited. Expenses are allocated per building, by square footage. All functional expense categories, with the exception of administrative and general, can be classified as expenses supporting the College's main program. Administrative and general support expenses are considered administrative expenses and include fundraising expenses.

(n) *Risk and Uncertainties*

The novel coronavirus (COVID-19) had adversely affected and may continue to adversely affect the economic activity globally, national, and locally. While the College's campus closed in March 2020, classes continued in a remote setting. The Campus re-opened for the fall 2020 semester with a hybrid approach offering both in-person and remote learning. The extent of any impact on the College's operations will depend on future developments, including the duration of the outbreak, business interruption, and any related governmental or other regulatory actions, which cannot be predicted at this time.

Due to COVID-19, the Federal Government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) on December 27, 2020, and the American Rescue Plan Act (ARP) on March 11, 2021 which included funding for HEERF. These funds were awarded to institutions of higher education in two allotments; institutional aid to provide support for defraying expenses associated with coronavirus, and a student portion to provide emergency financial aid grants to students.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies (Continued)

(n) Risk and Uncertainties (Continued)

Through June 30, 2021, the College has received an allocation of \$2,762,896 in student portion and \$3,339,803 in institutional portion. From the institutional portion, the College has expended \$2,023,498 and \$1,205,453 for various eligible expenses for the years ended June 30, 2022 and 2021, respectively. The College has expended \$1,762,236 and \$889,806 related to emergency student grants for the years ended June 30, 2022 and 2021, respectively.

(o) New Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021.

Management is evaluating the impact of the above standard on the College's financial statements.

(2) Accounts and Loans Receivable

The following summarizes the aging of student accounts receivable for the years ended June 30:

	2022	2021
0-90 Days	\$ 29,900	\$ 35,723
91-180 Days	10,333	27,109
181-360 Days	113,564	62,761
Over 360 Days	178,734	254,024
	<u>\$ 332,531</u>	<u>\$ 379,617</u>

Accounts and loans receivable are summarized as follows at June 30:

	2022	2021
Student accounts	\$ 332,531	\$ 379,617
Other	844,697	216,758
	1,177,228	596,375
Less allowance for uncollectible accounts	(241,278)	(308,945)
Accounts and loans receivable, net	<u>\$ 935,950</u>	<u>\$ 287,430</u>

Bad debt expense amounted to approximately \$31,500 and \$35,800 as of June 30, 2022 and 2021, respectively.

At June 30, 2022 and 2021, respectively, the balance of the contract assets shown as student accounts receivable, net on the statements of financial position was \$332,531 and \$379,617. At the beginning of 2021, the balance of contract assets was \$689,419.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(3) Contributions Receivable

Contributions receivable are summarized as follows at June 30:

Unconditional promises expected to be collected:

	<u>2022</u>		<u>2021</u>
In one year or less	\$ 1,632,625	\$	1,984,662
Between one and five years	3,959,972		5,669,747
In more than five years	<u>20,000</u>		<u>537,500</u>
	5,612,597		8,191,909
Less unamortized discount and allowance for uncollectible accounts	<u>(351,173)</u>		<u>(291,330)</u>
Contributions receivable, net	<u>\$ 5,261,424</u>	\$	<u>7,900,579</u>

Discount rates used to calculate the present value of contributions receivable ranged from 0.25% to 1.45%. Bad debt expense amounted to approximately \$51,600 and \$13,000 as of June 30, 2022 and 2021, respectively.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(4) Fair Value and Investments

The following table summarizes the valuation of the College's investments and other assets at June 30, 2022.

	Quoted Prices in Active Markets - Level 1	Significant Other Observable Inputs - Level 2	Significant Unobservable Inputs - Level 3	Investments Measured at Net Asset Value	2022 Total	Redemption
Long-term investments:						
U.S. equity:						
Large Cap	\$ 4,903,978	\$ -	\$ -	\$ -	\$ 4,903,978	Daily
Non-U.S. equity fund	1,128,594	-	-	9,075,048	10,203,642	Monthly/Quarterly
Fixed income	10,507,437	-	-	-	10,507,437	Daily
Hedge funds	-	-	-	7,111,517	7,111,517	Quarterly
Real asset	2,631,232	-	-	995,412	3,626,644	Daily/Monthly
Private equity	-	-	754,646	-	754,646	Illiquid
Private partnerships	-	-	-	271,704	271,704	Illiquid
Pooled life income funds and other	-	-	130,482	-	130,482	N/A
Total investments measured at fair value	<u>19,171,241</u>	<u>-</u>	<u>885,128</u>	<u>17,453,681</u>	<u>37,510,050</u>	
Cash and cash equivalents	<u>61,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,730</u>	Daily
Total investments	<u>19,232,971</u>	<u>-</u>	<u>885,128</u>	<u>17,453,681</u>	<u>37,571,780</u>	
Other assets:						
Funds held in trust by others	-	-	2,318,611	-	2,318,611	N/A
Total	<u>\$ 19,232,971</u>	<u>\$ -</u>	<u>\$ 3,203,739</u>	<u>\$ 17,453,681</u>	<u>\$ 39,890,391</u>	

The following table summarizes the valuation of the College's investments and other assets at June 30, 2021.

	Quoted Prices in Active Markets - Level 1	Significant Other Observable Inputs - Level 2	Significant Unobservable Inputs - Level 3	Investments Measured at Net Asset Value	2021 Total	Redemption
Long-term investments:						
U.S. equity:						
Large Cap	\$ 5,645,834	\$ -	\$ -	\$ -	\$ 5,645,834	Daily
Non-U.S. equity fund	437,994	-	-	17,195,442	17,633,436	Monthly/Quarterly
Fixed income	16,662,921	-	-	-	16,662,921	Daily
Hedge funds	-	-	-	8,575,170	8,575,170	Quarterly
Real asset	2,580,043	-	-	1,170,039	3,750,082	Daily/Monthly
Private equity	-	-	251,313	-	251,313	Illiquid
Private partnerships	-	-	-	295,373	295,373	Illiquid
Pooled life income funds and other	-	-	100,092	-	100,092	N/A
Total investments measured at fair value	<u>25,326,792</u>	<u>-</u>	<u>351,405</u>	<u>27,236,024</u>	<u>52,914,221</u>	
Cash and cash equivalents	<u>477,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,057</u>	Daily
Total investments	<u>25,803,849</u>	<u>-</u>	<u>351,405</u>	<u>27,236,024</u>	<u>53,391,278</u>	
Other assets:						
Funds held in trust by others	-	-	2,297,248	-	2,297,248	N/A
Total	<u>\$ 25,803,849</u>	<u>\$ -</u>	<u>\$ 2,648,653</u>	<u>\$ 27,236,024</u>	<u>\$ 55,688,526</u>	

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(4) Fair Value and Investments (Continued)

The following table presents the College's activity for the fiscal years ended June 30, 2022 and 2021 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Funds Held by Others and Pooled Life		
	<u>Private Equity</u>	<u>Income Funds</u>	<u>Total</u>
Fair value June 30, 2021	\$ 251,313	\$ 2,397,340	\$ 2,648,653
Acquisitions	484,968	-	484,968
Dispositions	(50,519)	-	(50,519)
Management Fees	(17,500)	-	(17,500)
Income	37,578	-	37,578
Unrealized gains/losses	48,806	51,753	100,559
Fair value June 30, 2022	<u>\$ 754,646</u>	<u>\$ 2,449,093</u>	<u>\$ 3,203,739</u>
Fair value June 30, 2020	\$ 5,232,112	\$ 2,416,190	\$ 7,648,302
Acquisitions	-	-	-
Dispositions	(6,088,935)	-	(6,088,935)
Management Fees	-	-	-
Income	-	-	-
Unrealized gains/losses	1,108,136	(18,850)	1,089,286
Fair value June 30, 2021	<u>\$ 251,313</u>	<u>\$ 2,397,340</u>	<u>\$ 2,648,653</u>

At June 30, 2022, the College did not have any remaining outstanding commitments for Level 3 investments on the provisions of the individual agreements, with adjustments as to amounts and timing based on prior actions of the partnerships and expectations as to future opportunities.

The College's total investment return is summarized below:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 476,725	\$ 600,804
Realized/ unrealized gains on investments	(6,514,112)	12,078,544
Management fees and other costs	(477,294)	(270,944)
Total return on investments	(6,514,681)	12,408,404
Investment income used in operations	(9,282,458)	(5,083,861)
Nonoperating investment income	<u>\$ (15,797,139)</u>	<u>\$ 7,324,543</u>

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(5) Endowment Funds

The College's endowment consists of approximately 250 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the College to function as endowments (quasi endowments).

Endowment funds share in an investment pool on a unit market value basis. Funds are added to and withdrawn from the pool at the then current unit market value of the pooled assets. The College uses a total return approach to managing endowment investments. Funds are invested to maximize total return consistent with prudent risk without regard to the mix of current investment income and realized and unrealized gains or losses.

Giving consideration to The Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the Commonwealth of Massachusetts, the College has prepared these financial statements on the basis that the original gifts of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, must be preserved. As a result, the College classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in determining appropriate spending levels from donor-restricted endowment funds: duration and preservation of the endowment fund, purposes of the College and the endowed fund, general economic conditions, possible effects of inflation or deflation, expected total return from income and the appreciation of investments, other resources of the College, and the investment policy of the College.

Investment return is distributed for operations on a unit share basis. The spending policy limits the annual distribution of return based upon a twelve-quarter average market value. For 2022 and 2021, the percentage distributed was 4.5%.

In addition to the 4.5% draw, there was a board approved and donor requested draw of \$7,302,666 and \$3,350,000 for the years ended June 30, 2022 and 2021, respectively, to support operations. In 2022, the entire amount was transferred from the quasi endowment. In 2021, \$1,350,000 was transferred from the quasi endowment and \$2,000,000 was transferred from with donor restrictions. During 2021 the College had additional appropriations to operations of \$6,268,735 relating to remaining amounts in the CLPP and Huber funds.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(5) Endowment Funds (Continued)

As a result of market declines and appropriations, the fair value of certain donor-restricted endowments may fall below original contributed value. Deficiencies of this nature were reported as reductions of net assets with donor restrictions in the amount of \$1,339,336 and \$-0- at June 30, 2022 and 2021, respectively.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted amounts reported below include term endowments reported as net assets with donor restrictions; and cumulative unspent appreciation, reported as net assets with donor restrictions.

Endowment funds, which include pooled endowment funds but exclude split interest agreements and pledges, consisted of the following at June 30, 2022 and 2021.

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2022			
Donor-Restricted	\$ -	\$ 24,734,467	\$ 24,734,467
Board-designated (Quasi)	13,472,161	-	13,472,161
Total	\$ 13,472,161	\$ 24,734,467	\$ 38,206,628
June 30, 2021			
Donor-Restricted	\$ -	\$ 35,977,918	\$ 35,977,918
Board-designated (Quasi)	17,934,322	-	17,934,322
Total	\$ 17,934,322	\$ 35,977,918	\$ 53,912,240

Changes in endowment funds for the fiscal year ended June 30, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2021	\$ 17,934,322	\$ 35,977,918	\$ 53,912,240
Investment return	(2,288,777)	(4,202,234)	(6,491,011)
Contributions	7,658	60,199	67,857
Appropriated to operations	(628,488)	(1,351,304)	(1,979,792)
Appropriated to operations - special	(7,302,666)	-	(7,302,666)
Transfers	5,750,112	(5,750,112)	-
June 30, 2022	\$ 13,472,161	\$ 24,734,467	\$ 38,206,628

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(5) Endowment Funds (Continued)

Changes in endowment funds for the fiscal year ended June 30, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2020	\$ 21,054,314	\$ 31,671,617	\$ 52,725,931
Investment return	5,676,692	6,725,827	12,402,519
Contributions	949	39,568	40,517
Appropriated to operations	(1,994,569)	(3,089,291)	(5,083,860)
Appropriated to operations - special	(6,268,735)	-	(6,268,735)
Transfers	(534,329)	630,197	95,868
June 30, 2021	\$ 17,934,322	\$ 35,977,918	\$ 53,912,240

(6) Funds Held in Trust by Others

The College is irrevocably named as a beneficiary of funds held by third-party trustees, the purpose of which may be restricted by the donor. Generally, the College will receive a specified portion of the assets remaining when the third-party trusts are terminated. The present value of the amount to be received upon termination is recorded by the College as funds held in trust on the statements of financial position and as contribution revenue on the statement of activities using a discount rate of 3.79% for both 2022 and 2021. Funds held in trust by others totaled \$2,318,611 and \$2,297,248 at June 30, 2022 and 2021, respectively.

(7) Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at June 30:

	Useful Life	2022	2021
Land	-	\$ 3,877,606	\$ 3,877,606
Land improvements	30	6,913,013	6,913,013
Library collection	10	7,762,056	7,762,145
Vehicles	10	1,014,765	1,014,765
Equipment	3-5	25,342,702	24,963,887
Building and building improvements	10-50	86,481,794	86,472,714
		131,391,936	131,004,130
Accumulated depreciation		(87,909,198)	(85,436,067)
		43,482,738	45,568,063
Construction in progress		-	-
		\$ 43,482,738	\$ 45,568,063

Depreciation expense was \$2,473,131 and \$2,617,106 at June 30, 2022 and 2021, respectively.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(8) Debt

The College has debt agreements with a realty trust and banks for the financing of certain buildings and equipment.

The details of the long-term debt outstanding as of June 30 are as follows:

<u>Issue</u>	<u>Maturity Date</u>	<u>Interest Rate at June 30, 2022 and 2021</u>	<u>Amount Outstanding</u>	
			<u>2022</u>	<u>2021</u>
Realty Trust Note	2022	6.01%	\$ 49,431	\$ 143,961
Series 2012 Bond	2032	0.00	9,955,500	10,461,680
Series 2016 Bond	2046	0.00	13,380,668	13,771,993
			<u>23,385,599</u>	<u>24,377,634</u>
Less: Unamortized financing costs			(286,153)	(312,419)
			<u>\$ 23,099,446</u>	<u>\$ 24,065,215</u>

Series 2012 and 2016 Bonds, and Realty Trust debt are collateralized by certain facilities, equipment, and premises. The College is required to meet various covenants on an annual basis with respect to its long-term debt. Interest expense incurred on debt financing totaled \$678,310 and \$697,126 in 2022 and 2021, respectively.

The Series 2012 Bonds were subject to a put option at December 28, 2022. The holder of the bonds exercised the put option on April 29, 2022, issuing an irrevocable notice of mandatory tender due on December 28, 2022. On December 1, 2022 the bond holder extended the mandatory tender to June 28, 2023, while the College pursued financing options to assist in refunding the Series 2012 Bonds.

During 2020, the College obtained a 2-year CARES Act term loan (Paycheck Protection Program) of \$4,155,500 from a financial institution. The loan required monthly payments of principal and interest at 1.00% starting November 2020 and was originally due April 2022. The CARES Act loan includes a feature that allows for forgiveness of the loan if the funds are used to cover certain operating expense items. The loan was forgiven during 2021 and as such was recognized as revenue.

Principal payments on all short term and long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 972,537
2024	947,743
2025	976,475
2026	1,004,331
2027	1,032,981
Thereafter	18,165,379
Total	<u>\$ 23,099,446</u>

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(9) Net Assets with Donor Restrictions

The composition of the categories of net assets as of June 30, 2022 and 2021 consists of:

	2022		2021	
	Net Assets Not Invested in Perpetuity	Net Assets Invested in Perpetuity	Net Assets Not Invested in Perpetuity	Net Assets Invested in Perpetuity
Accumulated net gains on endowments with donor restrictions	\$ (506,215)	\$ -	\$ 4,314,808	\$ -
Restricted by donors for capital	-	-	-	-
Restricted by donors for programs	1,812,554	-	1,150,703	-
Contributions receivable for programs	5,259,924	-	7,814,165	-
Morgan Venture Fund	-	271,704	-	295,373
Contributions receivable for endowments with donor restrictions	-	1,500	-	86,414
Funds held in trust by others	-	2,318,611	-	2,297,248
Endowment funds with donor restrictions	-	25,240,682	-	31,663,110
	<u>\$ 6,566,263</u>	<u>\$ 27,832,497</u>	<u>\$ 13,279,676</u>	<u>\$ 34,342,145</u>

Net assets released from restriction for the years ended June 30, 2021 and 2020 are as follows.

	2022	2021
Scholarships, instruction and other operating expenses	\$ 10,541,363	\$ 7,309,125
Capital	-	44,325
	<u>\$ 10,541,363</u>	<u>\$ 7,353,450</u>

(10) Commitments

The College has entered into certain operating lease agreements. Lease expense in 2022 and 2021 amounted to \$143,463 and \$164,968, respectively.

Payments under these agreements are as follows:

Year Ending June 30,	Amount
2023	\$ 141,436
2024	141,436
2025	83,006
2026	83,006
2027	83,006
Total	<u>\$ 531,890</u>

(11) Retirement Benefits

Contributions made by the College for the TIAA-CREF Retirement Plan were \$1,318,990 and \$1,161,853 during fiscal years 2022 and 2021, respectively, for eligible and enrolled employees based on a portion of salaries of 8%. In addition, the employees enrolled in the plan contributed a portion of their salaries ranging from 3% to 5%.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(12) Available Resources and Liquidity

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, equities, fixed income, and real assets.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities of instruction, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the College operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the College's cash.

As of June 30, 2022 and 2021, the following tables show the total financial assets held by the College and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 4,105,172	\$ 2,965,249
Accounts and Loans Receivable, Net	935,950	287,430
Contributions Receivable, Net	5,261,424	7,900,575
Investments Convertible to Cash in the Next 12 Months	37,049,796	53,265,462
Total	<u>\$ 47,352,342</u>	<u>\$ 64,418,716</u>
Financial Assets Available to Meet General Expenditures:		
Cash and Cash Equivalents	\$ 4,105,172	\$ 2,965,249
Accounts and Loans Receivable, Net	935,950	287,430
Current Portion of Contributions Receivable	1,632,625	1,984,662
Appropriated Earnings from Endowment	2,135,604	1,979,790
Total	<u>\$ 8,809,351</u>	<u>\$ 7,217,131</u>

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(13) Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The College reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS).

2022							
	Instruction	Academic Support	Research	Student Services	Auxiliary Enterprises	Institutional Support	Total
Salaries and Wages	\$ 4,498,884	\$ 1,227,650	\$ 298,289	\$ 2,822,930	\$ 2,181,584	\$ 6,260,456	\$ 17,289,793
Employee Benefits	1,273,655	316,979	48,756	747,579	535,328	1,536,699	4,458,996
Supplies, Services, and Other	1,480,008	1,071,012	247,565	2,724,135	3,163,495	1,642,641	10,328,856
Depreciation	701,540	-	-	543,839	876,107	351,645	2,473,131
Interest	190,689	-	-	147,824	238,139	95,582	672,234
Total	\$ 8,144,776	\$ 2,615,641	\$ 594,610	\$ 6,986,307	\$ 6,994,653	\$ 9,887,023	\$ 35,223,010
2021							
	Instruction	Academic Support	Research	Student Services	Auxiliary Enterprises	Institutional Support	Total
Salaries and Wages	\$ 3,864,067	\$ 1,504,317	\$ 453,611	\$ 2,446,904	\$ 1,904,858	\$ 4,670,638	\$ 14,844,395
Employee Benefits	1,290,476	416,156	105,149	628,691	412,378	1,165,632	4,018,482
Supplies, Services, and Other	2,009,938	304,184	464,239	2,541,820	2,146,462	3,832,660	11,299,303
Depreciation	742,380	-	-	575,499	927,111	372,116	2,617,106
Interest	197,750	-	-	153,297	246,957	99,122	697,126
Total	\$ 8,104,611	\$ 2,224,657	\$ 1,022,999	\$ 6,346,211	\$ 5,637,766	\$ 10,140,168	\$ 33,476,412

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(14) Composite Score

The College participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the College is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the College's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2022 is as follows:

Primary Reserve Ratio:			
Expendable Net Assets		\$ 16,482,112	
Total Expenses		\$ 35,223,031	0.47
Equity Ratio:			
Modified Net Assets		\$ 71,264,164	
Modified Assets		\$ 99,286,024	0.72
Net Income Ratio:			
Change in Net Assets Without Donor Restrictions		\$ (2,817,210)	
Total Revenues Without Donor Restrictions		\$ 35,247,241	(0.08)

	Ratios	Strength Factors	Weight	Composite Scores
Primary Reserve	0.47	3.0	40%	1.20
Equity	0.72	3.0	40%	1.20
Net Income	(0.08)	-1.0	20%	-0.20
Composite Score				2.20

See below for additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(14) Composite Score (Continued)

Supplemental Disclosures - U.S. Department of Education Fiscal Year Ended June 30, 2022

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$	27,832,497
2	Other net assets with donor restrictions (not restricted in perpetuity):		
	a. Annuities with donor restrictions	\$	-
	b. Term endowments		6,435,781
	c. Life income funds (trusts)		130,482
	d. Total annuities, term endowments, and life income funds with donor restrictions	<u>\$</u>	<u>6,566,263</u>

Property, Plant, and Equipment, net

3	Pre-implementation property, plant, and equipment, net		
	a. Ending balance of last financial statements submitted to and accepted by the Department of Education (June 30, 2020, financial statement)	\$	45,418,488
	b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard		-
	c. Less subsequent depreciation and disposals (net of accumulated depreciation)		<u>(2,473,131)</u>
	d. Balance pre-implementation property, plant, and equipment, net		42,945,357
4	Debt financed post-implementation property, plant, and equipment, net		
	Long-lived assets acquired with debt subsequent to June 30, 2019:		
	a. Equipment		-
	b. Land improvements		-
	c. Building		<u>-</u>
	d. Total property, plant, and equipment, net acquired with debt exceeding 12 months		-
5	Construction in progress - acquired with debt subsequent to June 30, 2019		-
6	Post-implementation property, plant, and equipment, net, acquired without debt:		
	a. Long-lived assets acquired without use of debt subsequent to June 30, 2019		537,381
7	Total Property, Plant, and Equipment, net - June 30, 2020	<u>\$</u>	<u>43,482,738</u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:		
	a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2020):	\$	24,065,215
	b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.		-
	c. Less subsequent debt repayments		<u>(965,769)</u>
	d. Balance Pre-implementation Debt		23,099,446
9	Allowable post-implementation debt used for capitalized long-lived assets:		
	a. Equipment - all capitalized		-
	b. Land improvements		-
	c. Buildings		<u>-</u>
	d. Balance Post-implementation Debt		-
10	Construction in progress (CIP) financed with debt or line of credit		-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		<u>-</u>
		<u>\$</u>	<u>23,099,446</u>

Unsecured related-party receivables

19	Secured related-party receivables	\$	-
20	Unsecured related party receivables		<u>-</u>
21	Total secured and unsecured related-party receivables	<u>\$</u>	<u>-</u>

HAMPSHIRE COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(15) Subsequent Events

The College evaluated subsequent events for potential recognition or disclosure through December 21, 2022, the date on which the financial statements were issued.