

Hampshire College
Financial Statement Summary
2018-2019

Overview

During the fiscal year that ended June 30, 2019, Hampshire College experienced significant changes, including the resignation of several trustees, the President, and several other senior officials, alongside manageable reductions in faculty and staff. The outgoing administration was in talks to merge with a local university, but these talks ultimately fell apart and the College had already decided to only admit 19 new, first year students in the upcoming Fall of 2019.

Following these events, the College embarked on a turnaround in April of 2019, beginning a search for the new President, appointing new trustees and bolstering best practices in Board governance. With the initiation of plans for financial sustainability, fundraising, and enrollment, the College incurred high operating expenses during the year that resulted from these changes, as well as the cancellation of over \$5.5 million in prior fundraising pledges.

The College's audit firm of Clifton, Larson, and Allen LLC gave an unmodified or "clean" audit opinion with no material weaknesses in controls identified. Below is a summary of the audited financial statements for the year ended June 30, 2019.

Statement of Financial Position

Assets – total assets for the period decreased by \$3.2 million. Cash increased by \$1.3 million, led by fundraising efforts. Contributions receivable decreased by \$2.5 million due to the cancellation of pledges booked in prior years, while investments increased by \$1.5 million due to the market performance. Property, plant and equipment decreased by \$3 million with scheduled depreciation expense in the midst of a pause on major investments.

Liabilities – total liabilities for the period decreased by approximately \$1.6 million due to decreases in accounts payable and long-term debt due to scheduled debt payments. The College experienced a reduction in deposits and deferred income for the upcoming academic year with a reduced first year class entering in the Fall of 2019.

Net Assets – net assets decreased by \$1.6 million due to the negative operating results of \$3.1 million, offset by new endowment gifts, investment returns and investment income used for operations.

Statement of Activities:

Operating Results – net tuition and fees was down \$3.1 million from the prior year. Significant fundraising and other income largely offset the decrease in tuition and fees, bringing total revenue up to \$57.1 million, compared to \$52.5 million in the prior year. The College began its efforts to reduce expenses during the fiscal year, but the impact of

those changes would largely be felt in the subsequent fiscal year. Institutional support expenses rose by nearly \$7 million as a result of the cancellation of \$5.5 million in pledges booked in prior years, along with severance expenses related to reductions in force of staff members. Overall, expenses were up \$4.3 million from the prior year. The “Change in net assets from operating activities” or Operating Results (total operating revenue less total operating expenses and other expenditures) resulted in an operating deficit of (\$3,0078,456).

Nonoperating Results – the “Change in net assets from nonoperating activities” resulted in a surplus of \$1,513,498, reflecting new endowment gifts and investment returns, net of income used for operations.

Net Assets – the resulting overall change in net assets during the year (operating plus nonoperating results) was nearly (\$1.6 million).

Statement of Cash Flows

The College’s on-hand cash and cash equivalents at the end of the year increased by \$1.3 million from the previous year. This was driven primarily by fundraising. The College has two long term debts in the form of bonds, and did not take on new debt during the year.

Looking Towards the Future

As the events of the 2018-19 fiscal year unfolded, and the College embarked on the turnaround, there was significant focus on a new administration. Securing a new president would be the first task before the College could take important steps to ensure future success and financial sustainability. Preparatory work was underway to reduce operating expenditures as the College faced what could become several years of under-enrollment stemming from the decision to admit a severely reduced class of 19 students in the Fall of 2019.