

Hampshire College
Financial Statement Summary
2019-2020

Overview

The fiscal year that ended June 30, 2020, was a year of many changes for Hampshire College. Following decisions that significantly impacted enrollment in the Fall of 2019, the COVID-19 pandemic set in. The Trustees of Hampshire College appointed Ed Wingenbach as president in August 2019, and the College embarked on a plan to achieve financial sustainability over a period of five years. The College kicked off a 5-year \$60 million campaign to raise unrestricted funds to support the College on its path to financial sustainability, as the administration worked to reorganize and re-deploy institutional resources to a significantly reduced budget compared to the prior year.

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, 2020.

Statement of Financial Position

Assets – total assets for the period decreased by \$2.8 million. Cash increased by \$2.6 million, primarily because of federal relief funding from the Paycheck Protection Program (PPP) as well as from the Higher Education Emergency Relief Funding (HEERF). Contributions receivable decreased by \$1 million based on the timing of gifts, investments decreased by \$1.5 million due to the market downturn experienced following the onset of the COVID-19 pandemic, and property, plant and equipment decreased by \$1.4 million with scheduled depreciation expense in the midst of a pause on major investments.

Liabilities – total liabilities for the period increased by approximately \$13 million due to an increase in accounts payable of \$1.7 million following delays due to the pandemic. Accrued liabilities increased by \$7.6 million due to the scheduled transfer of endowment investments previously managed for an unrelated organization, the Civil Liberties and Public Policy program (CLPP), which is now known as Collective Power for Reproductive Justice. Deposits and deferred revenue increased slightly as the College planned for a larger entering class in the fall of 2020 as compared to 2019. Long term debt increased due to the \$4,155,500 PPP loan received in April of 2020, which was earmarked for expenditure in the following fiscal year.

Net Assets – net assets decreased by \$15.9 million both due to the negative operating results of \$7.1 million, a reduction of nearly \$1.5 million in investments net of income used for operations, as well as the transfer of endowment funds related to CLPP.

Statement of Activities:

Operating Results – in the face of a significant reduction in tuition room and board from the prior year, the College was able to partially offset this gap through fundraising efforts of over \$7.6 million. Along with investment income for operations of \$2.2 million, tuition room, board and other fees of \$21.2 million, \$2 million in auxiliary revenue (weddings and events primarily from summer 2019), total revenue was just over \$33.2 million. Expenditures, which were significantly reduced from the prior year, came in at just over \$40.4 million. The nearly 33% reduction in expenses from the prior year reflected reductions in staffing and operating expenses due to decreased enrollment. 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 (\$7,140,158).

Nonoperating Results – the “Change in net assets from nonoperating activities” resulted in a deficit of (\$8,747,294), reflecting investment returns net of income used for operations, and the transfer to CLPP.

Net Assets – the resulting overall change in net assets during the year (operating plus nonoperating results) was nearly (\$15.9 million).

Statement of Cash Flows

The College’s on-hand cash and cash equivalents at the end of the year increased by \$2.6 million from the previous year. This was driven primarily by the PPP loan, HEERF funds and the slight increase in deposits. The College has two long term debts in the form of bonds, and recorded the \$4.2 million PPP loan earmarked for expenditure in the following fiscal year. The college did not take on other new debt aside from the PPP loan during the year.

Looking Towards the Future

During the fiscal year, Hampshire College laid out the path to return to financial sustainability, with a renewed focus on building the senior leadership team, responding to the ongoing pandemic, and re-building the admissions efforts of the college in order to achieve long term success. While the year was challenging both financially and in terms of the pandemic, it was a year in which the college identified significant resources available to meet its obligations in the years to come.