

Hampshire College
Financial Statement Summary
2021-2022

Overview

During the fiscal year that ended June 30, 2022, Hampshire College continued to demonstrate progress in admissions and enrollment, fundraising, and fiscal responsibility. The College continues to navigate its way on a path to financial sustainability, carefully managing its resources while rebuilding admissions to ensure successful enrollment for years to come. The College made incredible strides in increasing its enrollment, with the Fall 2022 entering class the largest in the last four years. The College's \$60 MM five-year unrestricted campaign raised nearly \$34 MM in pledges and gifts, of which nearly \$24 MM was received by June 30, 2022.

Controlling expenses is key to the College's ability to be successful in meeting the objectives of the Sustainability Plan, which is the College's multi-year plan to return the College to full enrollment and a break-even budget. The College administration has proven to be successful in managing expenses, achieving savings against budget, and proactively managing operations to maximize efficiencies.

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, 2022.

Statement of Financial Position

Assets – total assets decreased by approximately \$17 million. Investments decreased by nearly \$16 MM, thereby constituting much of the decrease. This decrease, as noted in our Footnotes to the Financial Statements (note 5) was due to \$7.3 MM appropriated as a special draw to support operations, \$2.0 MM annual draw, and a loss in our returns on investments of \$6.5 MM due to unfavorable market conditions. The remaining \$1 MM decrease was a combination of a \$2.0 MM decrease in Property, plant and equipment and a decrease in Contribution receivable of \$2.6 MM; offset by a \$1.1 MM increase in on-hand cash and an increase in Employee Retention Tax Credit of \$1.8 MM.

Liabilities – total liabilities decreased by nearly \$1.0 million. This decrease was almost entirely related to the decrease in long term debt as our principle owed has decreased with schedule debt repayments. The College did not take on new debt during the year.

Net Assets – net assets decreased by \$16.0 million both due to a slight loss from operations of \$316K, a loss on long-term investments of \$6.5 MM, and investment income used for operations of \$9.3 MM.

Statement of Activities

Operating Results – Total Operating revenues and other support decreased \$8.2 million as compared to the previous year. The decrease in net tuition and fees was \$2.7 MM, though a significant reduction, at nearly a 20%, it is much smaller than the 35% decrease from FY20 to FY21. This attrition is due to smaller incoming classes between fall of 2019 and fall of 2021. Starting in fall of 2022 the College started seeing larger entering classes for the first time since 2018. The college partially offset these reductions with an increase in other income, investments used in operations, and auxiliary enterprises revenue, of \$742K, \$4.2 MM, and \$1.2 MM, respectively.

Expenditures were \$1.7 million higher than the previous year. However, our expenses continue to be significantly below pre-2019 levels and are in-line with both our operating budget and the Sustainability Plan.

The “Change in net assets from operating activities” or Operating Results (total operating revenue less total operating expenses and other expenditures) was approximately \$9.9 million.

Nonoperating Results – the “change in net assets from nonoperating activities” was nearly \$22 million, reflecting an \$18.9 MM swing in returns on long-term investments going from positive return of \$12.4 MM in FY21 to a loss of \$6.5 MM in FY22, this was primarily due to changes in market conditions. We also saw an increase of \$4.2 MM in investment income used for operations and we continue to draw from our stability funds. This was offset somewhat by the reduction of \$1.1 MM due to the CLPP asset transfer which negatively impacted FY21.

Statement of Cash Flows

The College’s on-hand cash and cash equivalents at the end of the year increased \$1.1 million from the previous year. This was driven by the sale of investments providing nearly \$9 MM in cash offset by \$7 MM of losses from operating activities. The college did not take on new debt during the year.

Looking Towards the Future

Hampshire College continues on the path to financial sustainability, dedicating its resources to ensuring growth in enrollment as the main pillar of success. Hampshire is confident that the fund-raising goals will be met and thus the operating deficits mitigated, as the College returns to full enrollment and produces operating revenues that exceed expenses.