

Hampshire College Financial Statement Summary

2022-2023

Overview

During the fiscal year that ended June 30, 2022, Hampshire College has made extraordinary progress, increasing enrollment by 52% since fall 2021 (from 472 to 717 students), raising over \$40 million in cash and pledges for unrestricted operating support, creating a sustainability fund to support ongoing operations as we rebuild enrollment, and establishing a pattern of budget discipline that projects positive revenue in FY2027. These results are on track with the multi-year plan to achieve long-term financial stability.

Controlling expenses continues to be fundamental to meeting the objectives of the Sustainability Plan, which is the College's multi-year plan to return to full enrollment and a break-even budget. Expense control has been maintained through a combination of disciplined cost management and efficiency gains.

The College's audit firm of Clifton, Larson, and Allen LLC (CLA) 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, 2023.

Statement of Financial Position

Assets – total assets decreased by nearly \$13 million, with investments declining by over \$8 million, thereby constituting a significant portion of the decrease. This decrease, as noted in our Footnotes to the Financial Statements (note 5) was due to \$9 million appropriated as a special draw to support operations, partially offset by market gains on our investment portfolio. Of the remaining \$5 million decrease, \$2 million was due to a decrease in Employee Retention Tax Credit Receivable as these funds were received during the year, a nearly \$2 million decrease in Funds Held in Trust by Others was due to an adjustment of a trust which had a higher book value versus value recognized upon termination, and \$1 million decrease in Property, Plant, and Equipment as annual depreciation continues to be greater the amount of newly acquired assets.

Liabilities – total liabilities remained constant year-over-year at approximately \$28 million, with a slight increase in deferred income offset by scheduled debt principal decreases. The College did not take on new debt during the year.

Net Assets – net assets decreased by nearly \$13 million both due primarily from a loss from operations of \$5 million and investment income used for operations of \$9.6 million.

Statement of Activities

Operating Results – Total Operating revenues and other support increased slightly from the previous year. Net tuition and fees increased just over \$1 million due to enrollment increases. This increase was anticipated in our Stability Plan; a more significant increase was recognized

in the fall of 2023, with a student body increasing 40% to 716 students. The College saw a decrease of \$3.7 million in federal funding as emergency COVID funding has ceased. The college also recognized additional Auxiliary Enterprise revenues of nearly \$1 million, offset by a decrease of \$900K in other income.

Expenditures increased \$3.5 million over the previous year. This increase is primarily in the student focused support areas such as student services and auxiliary enterprises due to higher student body count, and post-COVID increase in student activities.

The “Change in net assets from operating activities” or Operating Results (total operating revenue less total operating expenses and other expenditures) was an approximate decrease of \$3.4 million or \$3.0 million less than the previous year.

Non Operating Results – the “change in net assets from nonoperating activities” was a decrease of \$9.6 million, primarily reflecting the use of \$9 million in stabilization funds.

Statement of Cash Flows

The College’s on-hand cash and cash equivalents at the end of the year increased \$160,000 from the previous year. This was driven primarily by the sale of investments providing \$10.8 million in cash, offset by \$10.2 million of losses from operating activities. The college did not take on new debt during the year.

Emphasis of Matter Regarding Going Concern

CLA included a “Going Concern” statement with regard to current efforts to refinance long-term debt (see the preamble and footnote 15 of the financial statements). The holder of the College’s Series 2012 Bond exercised its put option on April 29, 2022 with a current mandatory tender due on March 31, 2024. The Series 2016 Bond may be called as of June 30, 2023. Therefore, the College has re-classified the bonds from long-term to short-term debt. Management concluded that it would be prudent to acknowledge the College’s ability to continue as a going concern within one year after the issuance of the financial statements is dependent upon successfully securing financing. The College continues to pursue options to refinance or extend the bonds.

Looking Towards the Future

Hampshire College remains on pace to achieve sustainable operating budgets for FY2027 and subsequent years by reaching stable enrollment at a realistic net revenue per student, while maintaining budget discipline. The plan developed in fall 2019 continues to guide Hampshire and demonstrates a clear path to full enrollment that produces operating revenues that meet expenses.