

# **HAMPSHIRE COLLEGE**

## Financial Statements

Year Ended June 30, 2021

(With Comparative Totals for June 30, 2020)

(With Independent Auditors' Report Thereon)



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**HAMPSHIRE COLLEGE**

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Years Ended June 30, 2021 and 2020

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Hampshire College  
Amherst, Massachusetts

We have audited the accompanying financial statements of Hampshire College (a nonprofit organization) (the College), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees  
Hampshire College

***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 March 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
December 17, 2021

**HAMPSHIRE COLLEGE**  
Statement of Financial Position  
June 30, 2021  
(With Comparative Totals for June 30, 2020)

	2021	2020
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 2,965,249	\$ 9,813,806
Accounts and loans receivable, net (Note 2)	287,430	254,030
Employee retention tax credit receivable	3,730,169	-
Contributions receivable, net (Note 3)	7,900,579	2,752,768
Prepaid expenses, inventories and other assets	161,158	73,853
Investments - at fair value (Note 4)	53,391,278	52,548,183
Funds held in trust by others (Notes 4 and 6)	2,297,248	2,316,099
Property, plant and equipment, net (Note 7)	45,568,063	48,035,594
<b>TOTAL ASSETS</b>	<b>\$ <u>116,301,174</u></b>	<b>\$ <u>115,794,333</u></b>
<b><u>LIABILITIES</u></b>		
Accounts payable and accrued liabilities	\$ 717,395	\$ 2,434,917
Accrued liability - CLPP (Note 10)	-	7,589,968
Deposits and deferred income	961,918	1,707,593
Contingent asset retirement obligation	3,252,211	3,221,237
Long term debt, net (Note 8)	24,065,215	29,155,116
<b>TOTAL LIABILITIES</b>	<b><u>28,996,739</u></b>	<b><u>44,108,831</u></b>
<b><u>NET ASSETS</u></b>		
Net Assets without Donor Restrictions (Note 9)	39,682,614	33,373,010
Net Assets with Donor Restrictions (Note 9)	47,621,821	38,312,492
<b>TOTAL NET ASSETS</b>	<b><u>87,304,435</u></b>	<b><u>71,685,502</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>116,301,174</u></b>	<b>\$ <u>115,794,333</u></b>

*See accompanying Notes to Financial Statements.*

# HAMPSHIRE COLLEGE

## Statement of Activities

Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

<u>Operating Activities</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 6/30/2021</u>	<u>Total 6/30/2020</u>
<b>Revenues and other additions:</b>				
Tuition, room, board and other fees	\$ 30,199,788	\$ -	\$ 30,199,788	\$ 41,686,285
Less: student aid awarded	<u>(16,473,951)</u>	<u>-</u>	<u>(16,473,951)</u>	<u>(20,497,670)</u>
Net tuition and fees	13,725,837	-	13,725,837	21,188,615
Contributions, gifts and grants	4,489,556	9,218,111	13,707,667	6,688,050
Federal relief funding	9,062,179	-	9,062,179	937,936
Other income	743,382	-	743,382	130,978
Investment income for operations (Note 4)	1,535,995	3,547,866	5,083,861	2,234,642
Other auxiliary enterprises	778,484	-	778,484	2,063,151
Net assets released from restrictions for operating purposes	<u>7,353,450</u>	<u>(7,353,450)</u>	<u>-</u>	<u>-</u>
<b>Total operating revenues and other support</b>	<b>37,688,883</b>	<b>5,412,527</b>	<b>43,101,410</b>	<b>33,243,372</b>
<b>Expenses and other deductions:</b>				
Instruction	8,104,611	-	8,104,611	10,005,166
Research	1,022,999	-	1,022,999	2,291,332
Student services	6,346,211	-	6,346,211	5,004,572
Institutional support	10,140,168	-	10,140,168	12,161,665
Academic support	2,224,657	-	2,224,657	4,922,647
Auxiliary enterprises	<u>5,637,766</u>	<u>-</u>	<u>5,637,766</u>	<u>5,998,148</u>
<b>Total operating expenses and other deductions</b>	<b>33,476,412</b>	<b>-</b>	<b>33,476,412</b>	<b>40,383,530</b>
<b>Change in net assets from operating activities</b>	<b>4,212,471</b>	<b>5,412,527</b>	<b>9,624,998</b>	<b>(7,140,158)</b>
<u><b>Nonoperating Activities</b></u>				
Contributions for long-term investment	1,149	22,868	24,017	200,765
Net return on long-term investments (Note 4)	4,683,789	7,724,615	12,408,404	811,833
Investment income for operations (Note 4)	(1,535,995)	(3,547,866)	(5,083,861)	(2,234,642)
Other deductions	101,985	(258,490)	(156,505)	64,618
Asset transfer - CLPP	(1,198,120)	-	(1,198,120)	(7,589,968)
Net assets released from restrictions for nonoperating purposes	<u>44,325</u>	<u>(44,325)</u>	<u>-</u>	<u>-</u>
<b>Change in net assets from nonoperating activities</b>	<b>2,097,133</b>	<b>3,896,802</b>	<b>5,993,935</b>	<b>(8,747,394)</b>
<b>Total change in net assets</b>	<b>6,309,604</b>	<b>9,309,329</b>	<b>15,618,933</b>	<b>(15,887,552)</b>
Net assets, beginning of year	<u>33,373,010</u>	<u>38,312,492</u>	<u>71,685,502</u>	<u>87,573,054</u>
<b>Net assets, end of year</b>	<b>\$ <u>39,682,614</u></b>	<b>\$ <u>47,621,821</u></b>	<b>\$ <u>87,304,435</u></b>	<b>\$ <u>71,685,502</u></b>

*See accompanying Notes to Financial Statements.*

**HAMPSHIRE COLLEGE**

Statement of Cash Flows

Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
<b>Cash provided by operating activities:</b>		
Change in net assets	\$ 15,618,933	\$ (15,887,552)
<b>Adjustments to reconcile change in net assets to net cash used by operating activities:</b>		
Forgiveness of long term debt	(4,155,500)	-
Depreciation	2,617,106	2,806,300
Bad debt expense	229,302	621,228
Net realized and unrealized gains	(12,078,544)	(518,742)
Contributions for donor-restricted endowment	(39,568)	(193,372)
Change in accounts and loans receivable	(3,894,770)	(42,457)
Change in funds held in trust by others	18,851	175,771
Change in contributions receivable	(5,160,761)	490,212
Change in prepaid expenses, inventories, and other assets	(87,305)	19,476
Change in accounts payable and accrued expenses	(1,717,522)	1,681,967
Change in accrued liability - CLPP	(7,589,968)	7,589,968
Change in deposits payable and deferred revenues	(745,675)	537,701
Change in conditional asset retirement obligation	30,974	30,678
<b>Net cash used by operating activities</b>	(16,954,447)	(2,688,822)
<b>Cash used by investing activities:</b>		
Purchase of property, plant and equipment	(281,874)	(264,887)
Proceeds from property, plant, and equipment	132,299	112,389
Change in employee mortgages and notes receivable	(85,151)	20,210
Purchase of investments	(23,213,850)	(13,598,326)
Sale and maturities of investments	34,449,299	15,611,122
<b>Net cash provided by investing activities</b>	11,000,723	1,880,508
<b>Cash provided by financing activities:</b>		
Repayment of long term debt	(934,401)	(902,151)
Cash proceeds from long term debt	-	4,155,500
Contributions for donor-restricted endowment	39,568	193,372
<b>Net cash provided (used) by financing activities</b>	(894,833)	3,446,721
<b>Net change in cash and cash equivalents</b>	(6,848,557)	2,638,407
<b>Cash and cash equivalents, beginning of year</b>	9,813,806	7,175,399
<b>Cash and cash equivalents, end of year</b>	\$ 2,965,249	\$ 9,813,806

*See accompanying Notes to Financial Statements.*

**HAMPSHIRE COLLEGE**

Statement of Cash Flows (Continued)

Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid for Interest	\$ <u>708,703</u>	\$ <u>723,250</u>

*See accompanying Notes to Financial Statements.*



# HAMPSHIRE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

### (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 500 and 709 during fiscal years 2021 and 2020, 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, 2020, from which the summarized information was derived.

# HAMPSHIRE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

### (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 \$16,473,951 in 2021, and \$20,497,670 in 2020. 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, 2021 and 2020

### (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, 2021, the College has unrecorded conditional agreements of \$3,069,506 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, 2021 and 2020

#### (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 \$220,008 and \$789,988 at June 30, 2021 and 2020, respectively. The balance of deferred revenue at June 30, 2021 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.

###### **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 \$9,062,179 as of June 30, 2021 and consisted of these items: \$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). As of June 30, 2020 federal relief funding amounts total \$937,936 of 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.

## HAMPSHIRE COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### (1) Summary of Significant Accounting Policies (Continued)

##### (g) *Investments (Continued)*

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.

##### (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.

# HAMPSHIRE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

### (1) Summary of Significant Accounting Policies (Continued)

#### (h) *Fair Value of Financial Instruments (Continued)*

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.

#### (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.

# HAMPSHIRE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

### (1) Summary of Significant Accounting Policies (Continued)

#### (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.

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 \$1,205,453 and \$599,599 for various eligible expenses for the years ended June 30, 2021 and 2020, respectively. The College has expended \$889,806 and \$338,337 related to emergency student grants for the years ended June 30, 2021 and 2020, respectively.

#### (o) *Accounting Policies Adopted*

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13 Fair Value Measurement (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The provisions were effective for the College's fiscal year ending June 30, 2021. Management has applied this standard retrospectively.

#### (p) *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.

# HAMPSHIRE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

### (2) Accounts and Loans Receivable

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

	<u>2021</u>	<u>2020</u>
0-90 Days	\$ 35,723	\$ 35,402
91-180 Days	27,109	62,038
181-360 Days	62,761	113,201
Over 360 Days	254,024	478,779
	<u>\$ 379,617</u>	<u>\$ 689,420</u>

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

	<u>2021</u>	<u>2020</u>
Student accounts	\$ 379,617	\$ 689,419
Other	216,758	131,607
	<u>596,375</u>	<u>821,026</u>
Less allowance for uncollectible accounts	(308,945)	(566,996)
Accounts and loans receivable, net	<u>\$ 287,430</u>	<u>\$ 254,030</u>

Bad debt expense amounted to approximately \$35,800 and \$101,000 as of June 30, 2021 and 2020, respectively.

### (3) Contributions Receivable

Contributions receivable are summarized as follows at June 30:

Unconditional promises expected to be collected:

	<u>2021</u>	<u>2020</u>
In one year or less	\$ 1,984,662	\$ 1,125,440
Between one and five years	5,669,747	1,619,564
In more than five years	537,500	76,500
	<u>8,191,909</u>	<u>2,821,504</u>
Less unamortized discount and allowance for uncollectible accounts	(291,330)	(68,736)
Contributions receivable, net	<u>\$ 7,900,579</u>	<u>\$ 2,752,768</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 \$13,000 and \$520,000 as of June 30, 2021 and 2020, respectively.



# HAMPSHIRE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

### (4) Fair Value and Investments

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>	

The following table summarizes the valuation of the College's investments and other assets at June 30, 2020.

	Quoted Prices in Active Markets - Level 1	Significant Other Observable Inputs - Level 2	Significant Unobservable Inputs - Level 3	Investments Measured at Net Asset Value	2020 Total	Redemption
Long-term investments:						
U.S. equity:						
Large Cap	\$ 7,222,471	\$ -	\$ -	\$ -	\$ 7,222,471	Daily
Non-U.S. equity fund	1,744,925	-	-	13,760,998	15,505,923	Monthly/Quarterly
Fixed income	4,032	-	-	-	4,032	Daily
Hedge funds	-	-	-	8,380,766	8,380,766	Quarterly
Real asset	2,767,849	-	-	879,362	3,647,211	Daily/Monthly
Private equity	-	-	5,232,112	-	5,232,112	Illiquid
Private partnerships	-	-	-	553,226	553,226	Illiquid
Pooled life income funds and other	-	-	100,091	-	100,091	N/A
Total investments measured at fair value	<u>11,739,277</u>	<u>-</u>	<u>5,332,203</u>	<u>23,574,352</u>	<u>40,645,832</u>	
Cash and cash equivalents	<u>11,902,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,902,351</u>	Daily
Total investments	<u>23,641,628</u>	<u>-</u>	<u>5,332,203</u>	<u>23,574,352</u>	<u>52,548,183</u>	
Other assets:						
Funds held in trust by others	-	-	2,316,099	-	2,316,099	N/A
Total	<u>\$ 23,641,628</u>	<u>\$ -</u>	<u>\$ 7,648,302</u>	<u>\$ 23,574,352</u>	<u>\$ 54,864,282</u>	

**HAMPSHIRE COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

**(4) Fair Value and Investments (Continued)**

The following table presents the College's activity for the fiscal years ended June 30, 2021 and 2020 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	<u>Private Equity</u>	<u>Funds Held by Others and Pooled Life Income Funds</u>	<u>Total</u>
Fair value June 30, 2020	\$ 5,232,112	\$ 2,416,190	\$ 7,648,302
Dispositions	(6,088,935)	-	(6,088,935)
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>
Fair value June 30, 2019	\$ 18,232,677	\$ 2,592,004	\$ 20,824,681
Acquisitions	126,624	-	126,624
Dispositions	(13,281,084)	-	(13,281,084)
Management Fees	(33,033)	-	(33,033)
Income	14,920	-	14,920
Unrealized gains/losses	172,008	(175,814)	(3,806)
Fair value June 30, 2020	<u>\$ 5,232,112</u>	<u>\$ 2,416,190</u>	<u>\$ 7,648,302</u>

At June 30, 2021, 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>2021</u>	<u>2020</u>
Dividends and interest	\$ 600,804	\$ 729,914
Realized/ unrealized gains on investments	12,078,544	518,742
Management fees and other costs	<u>(270,944)</u>	<u>(436,823)</u>
Total return on investments	12,408,404	811,833
Investment income used in operations	<u>(5,083,861)</u>	<u>(2,234,642)</u>
Nonoperating investment income	<u>\$ 7,324,543</u>	<u>\$ (1,422,809)</u>

## HAMPSHIRE COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### (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 2021 and 2020, the percentage distributed was 4.5%.

In addition to the 4.5% draw, there was a board approved and donor requested draw of \$3,350,000 and \$1,062,123 for the years ended June 30, 2021 and 2020, respectively, to support operations. In 2021, \$1,350,000 was transferred from the quasi endowment and \$2,000,000 was transferred from with donor restrictions. In 2020, \$772,000 of the draw was transferred from the quasi endowment and \$290,123 was transferred from the donor-restricted endowment. During 2021 the College had additional appropriations to operations of \$6,268,735 relating to remaining amounts in the CLPP and Huber funds. In addition, during fiscal year 2020, the College had a partial redemption of a previously illiquid investment and sought the advice of counsel on the treatment of such redemption under UPMIFA. The result of this review was a reclassification of the net appreciation of this investment from with donor restrictions to without donor restrictions in the amount of \$12,025,734 as of June 30, 2020. Management believes that the classification of the net appreciation to without donor restrictions is consistent with the required accounting treatment under GAAP and UPMIFA.

## HAMPSHIRE COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### (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 \$-0- and \$1,645,126 at June 30, 2021 and 2020, 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, 2021 and 2020.

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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
June 30, 2020			
Donor-Restricted	\$ -	\$ 31,671,617	\$ 31,671,617
Board-designated (Quasi)	21,054,314	-	21,054,314
Total	\$ 21,054,314	\$ 31,671,617	\$ 52,725,931

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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

**HAMPSHIRE COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

**(5) Endowment Funds (Continued)**

Changes in endowment funds for the fiscal year ended June 30, 2020 were as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
June 30, 2019	\$ 10,440,679	\$ 44,089,253	\$ 54,529,932
Investment return	(135,920)	948,236	812,316
Contributions	1,210	193,372	194,582
Appropriated to operations	(505,389)	(1,243,387)	(1,748,776)
Appropriated to operations - special	(772,000)	(290,123)	(1,062,123)
Appropriation reclassification	12,025,734	(12,025,734)	-
June 30, 2020	\$ 21,054,314	\$ 31,671,617	\$ 52,725,931

**(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 2021 and 2020. Funds held in trust by others totaled \$2,297,248 and \$2,316,099 at June 30, 2021 and 2020, respectively.

**(7) Property, Plant, and Equipment**

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

	<b>Useful Life</b>	<b>2021</b>	<b>2020</b>
Land	-	\$ 3,877,606	\$ 3,877,606
Land improvements	30	6,913,013	6,913,013
Library collection	10	7,762,145	7,740,662
Vehicles	10	1,014,765	1,014,765
Equipment	3-5	24,963,887	24,932,283
Building and building improvements	10-50	86,472,714	86,376,226
		131,004,130	130,854,555
Accumulated depreciation		(85,436,067)	(82,818,961)
		45,568,063	48,035,594
Construction in progress		-	-
		\$ 45,568,063	\$ 48,035,594

Depreciation expense was \$2,617,106 and \$2,806,301 at June 30, 2021 and 2020, respectively.

**HAMPSHIRE COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

**(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, 2021 and 2020</u>	<u>Amount Outstanding</u>	
			<u>2021</u>	<u>2020</u>
Realty Trust Note	2022	6.01%	\$ 143,961	\$ 232,991
SBA PPP Loan	2022	1.00%	-	4,155,500
Series 2012 Bond	2032	2.76	10,461,680	10,953,908
Series 2016 Bond	2046	2.80	13,771,993	14,152,376
			<u>24,377,634</u>	<u>29,494,775</u>
Less: Unamortized financing costs			(312,419)	(339,659)
			<u>\$ 24,065,215</u>	<u>\$ 29,155,116</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 \$697,126 and \$740,008 in 2021 and 2020, respectively.

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>
2022	\$ 992,034
2023	972,537
2024	947,743
2025	976,475
2026	1,004,331
Thereafter	<u>19,484,514</u>
Total	<u>\$ 24,377,634</u>

**HAMPSHIRE COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

**(9) Net Assets with Donor Restrictions**

The composition of the categories of net assets as of June 30, 2021 and 2020 consists of:

	2021		2020	
	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	\$ 4,314,808	\$ -	\$ (23,926)	\$ -
Restricted by donors for capital	-	-	25,000	-
Restricted by donors for programs	1,150,703	-	993,783	-
Contributions receivable for programs	7,814,165	-	2,577,884	-
Morgan Venture Fund	-	295,373	-	553,226
Contributions receivable for endowments with donor restrictions	-	86,414	-	174,884
Funds held in trust by others	-	2,297,248	-	2,316,099
Endowment funds with donor restrictions	-	31,663,110	-	31,695,542
	\$ 13,279,676	\$ 34,342,145	\$ 3,572,741	\$ 34,739,751

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

	2021	2020
Scholarships, instruction and other operating expenses	\$ 7,309,125	\$ 6,462,711
Capital	44,325	20,000
Endowment reclassifications (Note 5)	-	12,025,734
CLPP program (Note 10)	-	1,466,688
	\$ 7,353,450	\$ 19,975,133

**(10) Commitments**

The College has entered into certain operating lease agreements. Lease expense in 2021 and 2020 amounted to \$164,968 and \$175,866, respectively.

Payments under these agreements are as follows:

Year Ending June 30,	Amount
2022	\$ 163,198
2023	153,486
2024	153,486
2025	95,056
2026	95,056
Total	\$ 660,282

## HAMPSHIRE COLLEGE

### Notes to Financial Statements

June 30, 2021 and 2020

#### **(10) Commitments (Continued)**

In 2020 the College liquidated a portion of an investment that was previously illiquid, as a condition of the liquidation the College agreed to transfer the remaining portion of the investment to an unrelated third party for the civil liberties and public policy program. The College has reflected the liability to transfer the remaining portion of the investment along with other funds set aside for the purpose of this program in the amount of \$7,589,968 as of June 30, 2020. The College has satisfied the liability in fiscal year 2021.

#### **(11) Retirement Benefits**

Contributions made by the College for the TIAA-CREF Retirement Plan were \$1,161,853 and \$1,100,610 during fiscal years 2021 and 2020, 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%.

#### **(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.



**HAMPSHIRE COLLEGE**

Notes to Financial Statements

June 30, 2021 and 2020

**(12) Available Resources and Liquidity (Continued)**

As of June 30, 2021 and 2020, 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:

	2021	2020
Financial Assets:		
Cash and Cash Equivalents	\$ 2,965,249	\$ 9,813,806
Accounts and Loans Receivable, Net	4,587,579	254,030
Contributions Receivable, Net	7,900,575	2,752,769
Investments Convertible to Cash in the Next 12 Months	52,744,500	46,840,502
Total	\$ 68,197,903	\$ 59,661,107
Financial Assets Available to Meet General Expenditures:		
Cash and Cash Equivalents	\$ 2,965,249	\$ 9,813,806
Accounts and Loans Receivable, Net	4,587,579	254,030
Current Portion of Contributions Receivable	1,984,662	1,125,440
Appropriated Earnings from Endowment	1,979,790	1,733,863
Stable Investment Fund	13,066,029	-
Total	\$ 24,583,309	\$ 12,927,139

**(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).

	2021						
		Academic		Student	Auxiliary	Institutional	
	Instruction	Support	Research	Services	Enterprises	Support	
Salaries and Wages	\$ 3,864,067	\$ 1,504,317	\$ 453,611	\$ 2,446,904	\$ 1,904,858	\$ 3,396,975	\$ 13,570,732
Employee Benefits	1,290,476	416,156	105,149	628,691	412,378	762,707	3,615,557
Supplies, Services, and Other	2,009,938	304,184	464,239	2,541,820	2,146,462	5,509,248	12,975,891
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
	2020						
		Academic		Student	Auxiliary	Institutional	
	Instruction	Support	Research	Services	Enterprises	Support	Total
Salaries and Wages	\$ 6,295,790	\$ 1,907,238	\$ 1,598,833	\$ 2,245,251	\$ 1,698,581	\$ 4,175,384	\$ 17,921,077
Employee Benefits	1,541,521	429,994	265,014	495,847	359,850	1,611,112	4,703,338
Supplies, Services, and Other	1,166,647	2,585,415	427,485	1,487,330	2,689,372	5,873,315	14,229,564
Depreciation	796,048	-	-	617,102	994,133	399,018	2,806,301
Interest	205,160	-	-	159,042	256,212	102,836	723,250
Total	\$ 10,005,166	\$ 4,922,647	\$ 2,291,332	\$ 5,004,572	\$ 5,998,148	\$ 12,161,665	\$ 40,383,530

# HAMPSHIRE COLLEGE

## Notes to Financial Statements

June 30, 2021 and 2020

### (14) Composite Score

The College participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University 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 University'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, 2021 is as follows:

Primary Reserve Ratio:			
Expendable Net Assets	\$	18,329,341	
Total Expenses	\$	33,476,412	0.55
Equity Ratio:			
Modified Net Assets	\$	87,304,435	
Modified Assets	\$	116,301,174	0.75
Net Income Ratio:			
Change in Net Assets Without Donor Restrictions	\$	6,309,604	
Total Revenues Without Donor Restrictions	\$	42,372,672	0.15

	Ratios	Strength Factors	Weight	Composite Scores
Primary Reserve	0.55	3.0	40%	1.20
Equity	0.75	3.0	40%	1.20
Net Income	0.15	3.0	20%	0.60
Composite Score				3.00

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, 2021 and 2020

### (14) Composite Score (Continued)

#### Supplemental Disclosures - U.S. Department of Education Fiscal Year Ended June 30, 2021

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	\$	34,342,145
2	Other net assets with donor restrictions (not restricted in perpetuity):		
	a. Annuities with donor restrictions	\$	-
	b. Term endowments		13,179,585
	c. Life income funds (trusts)		100,091
	d. Total annuities, term endowments, and life income funds with donor restrictions	\$	<u>13,279,676</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)	\$	48,035,594
	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>(2,617,106)</u>
	d. Balance pre-implementation property, plant, and equipment, net		45,418,488
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		-
	d. Total property, plant, and equipment, net acquired with debt exceeding 12 months		<u>-</u>
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		149,575
7	Total Property, Plant, and Equipment, net - June 30, 2020	\$	<u>45,568,063</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):	\$	29,155,116
	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>(5,089,901)</u>
	d. Balance Pre-implementation Debt		24,065,215
9	Allowable post-implementation debt used for capitalized long-lived assets:		
	a. Equipment - all capitalized		-
	b. Land improvements		-
	c. Buildings		-
	d. Balance Post-implementation Debt		<u>-</u>
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>24,065,215</u>

#### Unsecured related-party receivables

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

**HAMPSHIRE COLLEGE**  
Notes to Financial Statements  
June 30, 2021 and 2020

**(15) Subsequent Events**

The College evaluated subsequent events for potential recognition or disclosure through December 17, 2021, the date on which the financial statements were issued.