HAMPSHIRE COLLEGE
FINANCIAL REPORT 2005–2006

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Hampshire College
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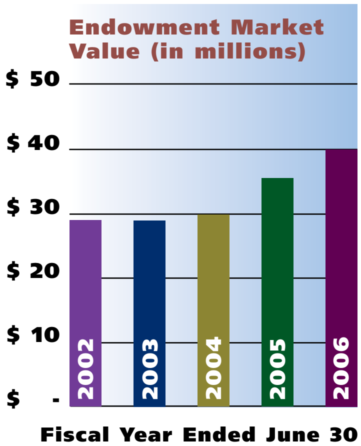
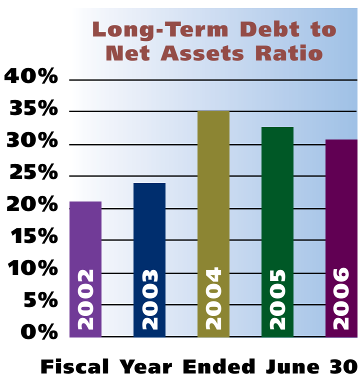
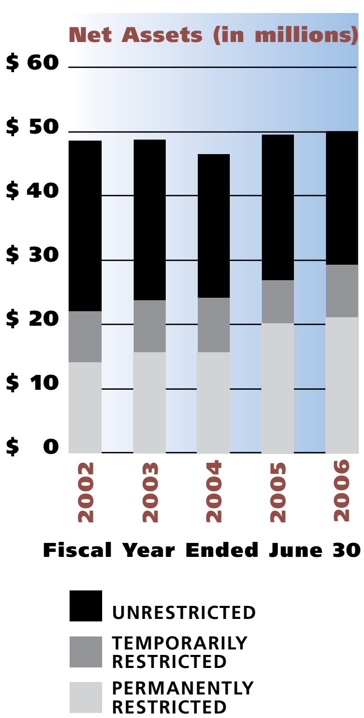
Report of the Vice President for Finance and Administration







I am pleased to submit the financial report of Hampshire College for the fiscal year ended June 30, 2006. The financial statements, which have been audited by KPMG LLP, can be found on pages 6 to 17.

During fiscal year 2005–2006, Hampshire College continued to improve its overall financial position. Core operating revenues from student fees benefited from higher enrollment, which reached an average of 1,299 for the year. The additional income from enrollment included a tuition, room, and board fee increase, which served to partially off-set the incremental increase in financial aid expense. The growth in financial aid was strategically aimed at furthering the diversity and the quality of the incoming class. For the third year in a row, the College welcomed over 400 new students.

The College's core operating expenses increased due to the larger student enrollment which required more class offerings, augmented student life programming, and increased administrative support. In addition, the College's multi-year effort to reach a competitive benchmark for faculty salaries continued to add pressure on expenses. Conversely, long-term energy supply contracts and on-going conservation measures kept the rise in these costs relatively contained. In total, operating expenses remained below budget allowing the College to make important reserve appropriations which will help fund future depreciation and other anticipated expense charges.

The College's operating budget received substantial support from fundraising efforts, with the Hampshire Fund and grant overhead activity contributing over $1M. The draw from endowment was reduced to the 5% policy level and yielded $1.1M in support for operations. The auxiliary enterprise area provided net support of $.4M to operations in fiscal year 2006. The College also took advantage of the higher interest rate environment to optimize the earnings of its operating cash resources.

The College received approximately $3M worth of gift additions from fundraising, most of which benefited unrestricted and permanently restricted net assets. Endowment investments generated a return of 9.6% for the year while the College's total endowment (including trusts and land) had a market value of $39.7M at June 30, 2006.

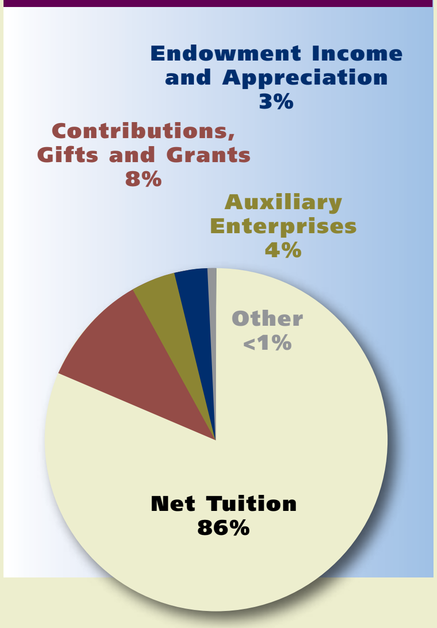
Year-end operating results were aided by lower depreciation costs. However, the College implemented a new accounting interpretation (FIN 47) in 2006 that required the recognition of a liability associated with abatement costs of environmental contaminants and hazardous waste. The financial statement impact of FIN 47 is the recognition of a $3.2M liability on the Statement of Financial Position. Over time, as remediation measures are taken through the College's on-going renovation and renewal program, the liability will be gradually reduced. Despite the cumulative effect of FIN 47 on the College's operations, net assets remained comparable to the prior year amount of approximately $50M. Apart from the adoption of FIN 47, no other items had a significant impact on the financial statements.

On a year-to-year basis, the College's debt service cost remained relatively stable. Debt repayments reduced the level of long-term debt outstanding and no new debt agreements were signed during the year. Nevertheless, the College continued its facilities renovation initiative which is primarily focused on residence hall, academic building, and social space upgrades.

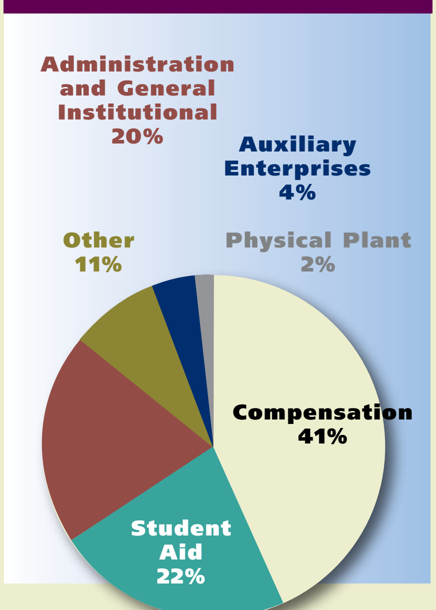
For the near term, Hampshire College intends to continue to balance its fiscal operations while adding to internal reserves, which amounted to $1M at June 30, 2006, as these disciplines will help it face any potential future challenges. For the longer term, the College persists with its strategy to identify additional revenue sources. As part of these efforts, a development agreement has been executed for the construction of a residential community adjacent to the campus. Also, planning efforts are underway to create a commercial and mixed-use village center at the Atkins Corner. The return from these activities is intended to provide endowment resources the income from which will be used to benefit the College's operations.

JOHAN BRONGERS

2005–2006 OPERATING BUDGET INCOME ($59.4 MILLION)



2005–2006 OPERATING BUDGET EXPENSES ($59.4 MILLION)



Financial Highlights

	2006	2005	2004	2003	2002
Operating Budget Results (000s)					
Revenues	$59,491	$56,862	$53,902	$50,315	$47,969
Expenses	$59,486	$56,856	$53,900	$50,313	$47,966
Budget Surplus	$ 5	$ 6	$ 2	$ 2	$ 3
Endowment (000s)					
Market Value	$39,695	$35,302	$29,602	$27,519	$28,254
Total Return on Endowment	9.6%	12.8%	12.3%	2.0%	-6.8%
Debt (000s)					
Long-term Debt	$25,392	$26,024	$26,595	$17,088	$14,774
Giving (000s)					
Hampshire Fund	$999	$1,020	$972	$897	$741
Enrollment and Financial Aid					
Financial Aid as a Percent of Tuition and Fees	31.3%	31.4%	31.3%	28.4%	28.1%
Enrollment FTE	1,299	1,282	1,248	1,191	1,174
Faculty					
Full-time Faculty FTE	108	104	112	115	108

Report of Independent Auditors

KPMG LLP
One Financial Plaza
Hartford, CT 06103-4103

Independent Auditors' Report

The Board of Trustees
Hampshire College:

We have audited the accompanying statement of financial position of Hampshire College as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Hampshire College. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Hampshire College as of June 30, 2005 were audited by other auditors whose report dated November 3, 2005 expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hampshire College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 20, 2006

Statements of Financial Position

As of June 30, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	$ 2,895,432	$ 3,985,168
Deposits with bond trustee (Note 8)	2,656,070	4,471,473
Accounts and loans receivable, net (Note 3)	1,066,551	2,194,440
Contributions receivable, net (Note 4)	4,057,334	1,955,648
Prepaid expenses, inventories and other assets	911,571	762,508
Investments – at fair value (Note 2)	32,034,013	28,118,702
Funds held in trust by others (Note 5)	1,265,759	1,976,334
Property, plant and equipment, net (Notes 6 and 8)	37,967,832	36,351,187
TOTAL ASSETS	$ 82,854,562	$ 79,815,460
LIABILITIES		
Accounts payable and accrued liabilities	$ 3,228,160	$ 2,523,177
Deposits and deferred income	1,502,954	1,747,373
Contingent asset retirement obligation (Note 6)	3,285,537	—
Long term debt (Note 8)	25,391,936	26,024,118
TOTAL LIABILITIES	33,408,587	30,294,668
NET ASSETS		
Unrestricted	20,596,382	22,900,420
Temporarily restricted (Note 9)	7,843,962	6,839,059
Permanently restricted (Note 9)	21,005,631	19,781,313
TOTAL NET ASSETS	49,445,975	49,520,792
TOTAL LIABILITIES AND NET ASSETS	$ 82,854,562	$ 79,815,460

The accompanying notes are an integral part of the financial statements.

Statement of Activities

For the year ended June 30, 2006 (with summarized comparative totals for the year ended 2005)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006	2005
OPERATING ACTIVITIES					
Revenues and other additions:					
Tuition, room, board and other fees	$ 49,536,005	$	$	$ 49,536,005	$ 46,372,395
Less: student aid awarded	(15,502,104)			(15,502,104)	(14,571,596)
Net tuition and fees	34,033,901	—	—	34,033,901	31,800,799
Contributions, gifts and grants	1,738,827	4,798,390	1,017,366	7,554,583	9,089,664
Other income	421,171	170,386		591,557	571,886
Investment income for operations (Note 2)	416,150	656,546		1,072,696	1,285,525
Other auxiliary enterprises	2,314,937			2,314,937	2,296,721
Net assets released from restrictions for operating purposes (Note 9)	5,171,279	(5,171,279)		—	—
Total operating revenues and other support	44,096,265	454,043	1,017,366	45,567,674	45,044,595
Expenses and other deductions:					
Instruction and related activities	15,561,681			15,561,681	15,002,409
Research and sponsored programs	3,540,873			3,540,873	3,761,004
Student services	5,907,921			5,907,921	5,900,041
Administration and general institutional	9,315,269			9,315,269	9,103,442
Academic support	2,249,297			2,249,297	1,981,222
Auxiliary enterprises	6,767,028			6,767,028	6,194,396
Other deductions	290,344			290,344	403,287
Total operating expenses and other deductions	43,632,413	—	—	43,632,413	42,345,801
Change in net assets from operating activities	463,852	454,043	1,017,366	1,935,261	2,698,794
NON-OPERATING ACTIVITIES					
Net return on longterm investments (Note 2)	495,675	1,207,406	206,952	1,910,033	2,591,744
Investment income for operations (Note 2)	(416,150)	(656,546)	—	(1,072,696)	(1,285,525)
Other deductions and additions	91,850	—	—	91,850	166,223
Cumulative effect of a change in accounting principle (Note 6)	(2,939,265)	—	—	(2,939,265)	—
Change in net assets from non-operating activities	(2,767,890)	550,860	206,952	(2,010,078)	1,472,442
Total change in net assets	(2,304,038)	1,004,903	1,224,318	(74,817)	4,171,236
Net assets, beginning of year	22,900,420	6,839,059	19,781,313	49,520,792	45,349,556
Net assets, end of year	$ 20,596,382	$ 7,843,962	$ 21,005,631	$ 49,445,975	$ 49,520,792

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flow

For the years ended June 30, 2006 and 2005

	2006	2005
Cash provided by operating activities:		
Change in net assets	$ (74,817)	$ 4,171,236
Adjustments to reconcile change in net assets to Net cash provided by operating activities:		
Depreciation and amortization	2,232,310	2,805,267
Cumulative effect of a change in accounting principle	2,939,265	—
Net realized and unrealized gains	(1,442,179)	(3,821,944)
Change in operating assets	(417,087)	2,827,549
Change in operating liabilities	635,771	(937,571)
Contributions for permanently restricted endowment	(897,418)	(3,871,814)
Net cash provided by operating activities	2,975,845	1,172,723
Cash used by investing activities:		
Purchase of property, plant and equipment	(3,644,642)	(3,315,525)
Increase in employee mortgages and notes receivable	(6,333)	(3,812)
Purchase of investments	(12,972,110)	(9,562,479)
Sales and maturities of investments	10,498,978	10,815,163
Change in actuarial liability for life income obligation	(18,753)	3,894
Net cash used for investing activities	(6,142,860)	(2,062,759)
Cash provided from financing activities:		
Repayment of long term debt	(635,542)	(574,421)
Change in deposits from bond trustees	1,815,403	(163,581)
Decrease in other assets	—	11,135
Contributions for permanently restricted endowment	897,418	3,871,814
Net cash provided by financing activities	2,077,279	3,144,947
Net change in cash and cash equivalents	(1,089,736)	2,254,911
Cash and cash equivalents, beginning of year	3,985,168	1,730,257
Cash and cash equivalents, end of year	$ 2,895,432	$ 3,985,168
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,016,279	$ 1,296,533
Non-cash investing activity:		
Contribution of securities	$ 119,948	$ 119,990

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

NOTE 1 Summary of Significant Accounting Policies

Organization

Hampshire 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 1,299 and 1,282 during fiscal years 2006 and 2005, respectively.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

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:

Unrestricted: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted: Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College or that expire by the passage of time.

Permanently restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets. Such assets primarily include the College's permanent endowment funds.

Revenues from sources other than contributions are reported as increases in unrestricted assets. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases on unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary 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 temporarily restricted net assets to unrestricted net assets. Temporary 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 unrestricted revenues when they are earned.

Operating Activities

The Statement of Activities includes all of the College's revenues and expenses as part of operating activities except for realized and unrealized gains (losses) on investments, investment management expenses and cumulative effect of a change in accounting principle which are classified as non-operating.

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 and are reported at cost which approximates fair value.

Prepaid Expenses, Inventories, and Other Assets

Prepaid expenses, inventories, and other assets include costs of issuance under debt agreements which are amortized on a straight line basis over the term of the bonds, supplies and inventory for sale, and amounts paid in advance for future services.

Investment in Plant

Constructed and purchased property, equipment and library books are carried at cost. 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 recognized the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with Statement of Financial Accounting Standards (SFAS) 143 and interpretation No. 47 (FIN 47), 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.

Deposits and Deferred Revenues

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.

Tax Status

The College is a tax-exempt organization as described in Section 501(C)(3) of the Internal Revenue code and is generally exempt from federal taxes pursuant to Section 501(a) of the Code.

Comparative Information

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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

Fair Value of Financial Instruments

The fair value of investments, which is based upon quoted market prices, is disclosed in note 2. Fair value of marketable securities is based upon quoted market prices. Fair values for trusts held by others and private equity investments are valued based upon net asset values as reported by third-parties responsible for administering and/or managing such investments. The fair value of long term debt is disclosed in note 8. For all other financial instruments, the carrying amount as disclosed in the accompanying financial statements approximates fair value.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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 and loans receivable. Actual results could differ from these estimates.

Risks and Uncertainties

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in values of such investments will occur in the near term and that such changes could materially affect the amount reported in the financial statements.

Reclassification

Certain 2005 amounts have been reclassified to conform with the 2006 presentation.

NOTE 2 Investments

The College's investments are summarized as follows at June 30:

	2006	2005
Equities	$ 15,253,880	$ 12,747,828
Fixed income	3,149,599	3,187,390
Fund of funds	6,837,227	5,212,148
Investment in privately held company	5,903,593	6,225,707
Other investments	889,714	745,629
	$ 32,034,013	$ 28,118,702

Investments are recorded at market value and accordingly, gains or losses are recognized that result from market fluctuations in the period in which the fluctuations occur. Equity and fixed income securities, that are traded on a national exchange, are valued at closing market prices. Private equities are valued using current information obtained from the general partner of the respective fund, and the approximate fair value.

Included in the above table of investments are approximately $7,130,000 of investments whose carrying values have been estimated by management in the absence of readily determinable market values. Management's estimates are based upon information provided by the fund managers or the general partners.

The College believes that the carrying amount of its alternative instruments is a reasonable estimate of fair value as of June 30, 2006 and 2005. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material.

Shares of stock in a privately held corporation are reported at their appraisal value of $5,903,593 and are subject to certain restrictions regarding their transferability.

Included in investments are endowment funds and pooled life income funds at their present value. The pooled life income funds are managed in a separate fund.

The College is committed to contribute up to approximately $154,000 at June 30, 2006 for future additional purchases of private equity funds. This amount is not recorded as a liability in the financial statements.

The College has interpreted relevant state law as generally permitting the spending of gains on endowment funds over a stipulated period of time. State law allows the Board to appropriate all of the income and a specified percentage of the net appreciation as is prudent considering the College's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. Under the College's current endowment spending policy, which is within the guidelines specified under state law, 5% of the average of the market value of qualifying endowment investments at the end of the previous three years is appropriated. This amounted to $1,072,696 and $1,285,525 for the years ended June 30, 2006 and 2005, respectively.

Of the total amount spent in fiscal 2006, $595,234 was derived from interest and dividends earned, $564,662 was drawn from appreciation, and $127,380 was to pay for endowment management expenses.

The College's pooled endowment investment return is summarized below:

	2006	2005
Dividends and interest	$ 595,234	$ 502,824
Net gains on investments	1,442,179	3,163,093
Management fees and other costs	(127,380)	(123,236)
Total return on endowment investments	$ 1,910,033	$ 3,542,681
Investment income used for operations	(1,072,696)	(1,285,525)
	$ 837,337	$ 2,257,156

NOTE 3 Accounts and Loans Receivable

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

	2006	2005
Student accounts	$ 409,485	$ 508,623
Contracts and grants	481,119	1,603,909
Employee mortgages, notes and others	272,232	265,899
Student loans	130,637	115,755
	1,293,473	2,494,186
Less allowance for uncollectible accounts	(226,922)	(299,746)
	$ 1,066,551	$ 2,194,440

NOTE 4 Contributions Receivable

Contributions receivable are summarized as follows at June 30:

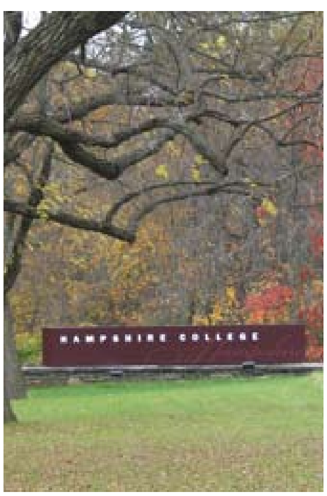
Unconditional promises expected to be collected:	2006	2005
In one year or less	$ 1,860,017	$ 1,297,284
Between one and five years	2,405,587	928,680
In more than five years	—	129,234
	4,265,604	2,355,198
Less unamortized discount and allowance for uncollectible accounts	(208,270)	(399,550)
	$ 4,057,334	$ 1,955,648

Discount rates used to calculate the present value of pledges receivable ranged from 1.38% to 6.25%.

The College has conditional promises to give in the amount of $1,000,000 at June 30, 2005 and 2006. The amount is not included in contributions receivable in the financial statements.

NOTE 5 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 amounts to be received upon termination are recorded by the College as assets on the statements of financial position and as contribution revenue on the statements of activities using a discount rate of 3.79% to 5.12% for 2006 and 3.79% for 2005, respectively. Funds held in trust by others totaled $1,265,759 and $1,976,334 at June 30, 2006 and 2005 respectively.



NOTE 6 Property, Plant and Equipment

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

	Useful life	2006	2005
Land		$ 2,781,956	$ 2,781,956
Land improvements	30	3,635,876	3,612,435
Library collection	10	5,793,861	5,523,306
Vehicles	10	889,040	848,636
Equipment	3 – 5	16,102,481	15,316,085
Buildings	10 – 50	52,913,765	50,644,563
		82,116,979	78,726,981
Accumulated depreciation		(45,320,858)	(43,147,069)
		36,796,121	35,579,912
Construction in progress		1,171,711	771,275
		$ 37,967,832	$ 36,351,187

In March 2005, the FASB issued Interpretation No. 47 (FIN 47), Accounting for Conditional Asset Retirement Obligations. Under FIN 47, costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued.

The College has identified certain abatements as conditional asset retirement obligations. Abatement costs were estimated using a per square foot estimate. The College recorded site improvements net of accumulate depreciation of $189,818, an asset retirement obligation of $3,285,537, and a cumulative effect of a change in accounting principle of $2,939,265.

NOTE 7 Line of Credit

The College has an uncollateralized line of credit with the Bank of Western Massachusetts in the amount of $2,500,000 for current operations with interest payable at .25% above prime rate. The prime rate was 8.25% and 6.25% at June 30, 2006 and 2005, respectively. At June 30, 2006 and 2005, no amounts were outstanding against this line.

NOTE 8 Long Term Debt

The College has debt agreements with the Massachusetts Development Finance Agency (MDFA), the Department of Housing and Urban Development (HUD), a realty trust, and certain banks for the financing of certain buildings and equipment.

The details of the outstanding debt as of June 30 are as follows:

Issue	Maturity Date	Interest Rate at June 30, 2006	Amount Outstanding 2006	Amount Outstanding 2005
HUD Project 136 (D)	2019	3%	$ 1,055,000	$ 1,185,000
HUD Project 154 (D)	2014	3%	886,316	990,231
Bank Project Debt 163 (D)	2013	3%	225,715	252,558
Bank Project Debt 180 (D)	2014	3%	834,782	925,831
Bank Debt Performing Arts Building	2006	3%	17,000	34,000
Realty Trust Note	2022	6.019%	1,051,456	1,087,680
MDFA CP Program	2031	Variable, 3.62%	5,025,000	5,025,000
MDFA 2004 Bond Issue	2035	5.84%	16,388,685	16,621,250
			25,483,954	26,121,550
Less original issue discount			(92,018)	(97,432)
			$ 25,391,936	$ 26,024,118

The HUD and bank project debt provide for a first mortgage on the related project, a pledge of net revenues derived from the operation of the project and the establishment of certain restricted cash accounts for project maintenance, repair and replacement, and debt service. Cash balances for these purposes were $877,839 and $802,029 at June 30, 2006 and 2005, respectively.

The MDFA Series 2004 bond issue requires the College to maintain a debt service coverage ratio, tested on an annual basis, equal to at least 1.10:1. The College has pledged certain property as collateral under this obligation.

The MDFA bonds provide for the establishment of project fund and debt service funds. Balances in these funds totaled $1,778,231 and $3,669,444 at June 30, 2006 and 2005, respectively.

The mortgage notes are collateralized by the related buildings and equipment.

The realty trust note is collateralized by certain premises in Amherst, Massachusetts.

Principal payments on all long term debt are as follows:

	Amount
2007	$ 667,584
2008	670,855
2009	685,855
2010	725,177
2011	645,862
Thereafter	22,088,620
	$ 25,483,954

The fair market value of the College's long term debt approximates $27,200,000 at June 30, 2006.

NOTE 9 Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	2006	2005
Educational services and general	$3,730,129	$3,298,554
Student aid	22,969	17,636
Library	18,331	13,199
Research and public programs	4,072,533	3,509,670
	$7,843,962	$6,839,059

The original gift value of permanently restricted net assets consist of the following at June 30:

	2006	2005
Educational services and general	$16,637,026	$15,857,530
Student aid	2,333,128	2,181,219
Library	224,525	151,680
Research and public programs	1,810,952	1,590,884
	$21,005,631	$19,781,313

Temporarily restricted net assets released from restrictions during 2006 for the College's activities were for the following purposes:

	2006	2005
Educational services and general	$3,498,567	$3,358,650
Student aid	1,393,029	1,441,168
Library	2,653	2,973
Research and public programs	277,030	402,330
	$5,171,279	$5,205,121

Included in unrestricted net assets are internally designated reserves amounting to $1,059,702 and $902,588 at June 30, 2006 and 2005, respectively.

NOTE 10 Net Assets of Pooled Endowment and Similar Funds

Included in unrestricted, temporarily restricted and permanently restricted net assets are the College's endowment and similar funds. These funds are reported at fair value. The per share market value of the College's endowment fund was $1,499.16 and $1,423.09 at June 30, 2006 and 2005 respectively. The total endowment shares were 20,948.06 and 17,854.57 at June 30, 2006 and 2005, respectively.

Additions, redemptions, and transfers to Pooled Endowment funds are assigned shares based upon their market value at the date of receipt or withdrawal. Interest and dividend income are distributed among the funds based upon their respective shares. Realized investment gains or losses are determined by using the average cost of the investment.

Endowment and similar funds is a commonly used term to refer to the resources that have been restricted by the donor or designated by the Trustees that will be invested to provide future revenue to support the College's activities.

Net assets included the following endowment and similar funds at June 30, 2006:

Endowment funds	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PERMANENT ENDOWMENT				
Appreciation	$ —	$ 2,641,987	$ —	$ 2,641,987
Historical book value	—	—	17,526,195	17,526,195
QUASI ENDOWMENT				
Unrestricted	7,639,928	—	—	7,639,928
Board designated	3,596,383	—	—	3,596,383
	$ 11,236,311	$ 2,641,987	$ 17,526,195	$ 31,404,493

NOTE 11 Retirement Plan

Contributions made by the College for the TIAA-CREF Retirement Plan were $1,393,000 and $1,227,000 during fiscal years 2006 and 2005, respectively, for eligible and enrolled employees based on a portion of salaries ranging from 8.5 % to 10%. In addition, the employees enrolled in the plan contributed a portion of their salaries ranging from 3% to 5%.

NOTE 12 Commitments Under Operating Leases

The College has entered into certain operating lease agreements. Lease expense in 2006 and 2005 amounted to $381,481 and $367,726, respectively.

		Amount
Payments under these agreements are as follows:	2007	$ 386,689
	2008	387,351
	2009	161,151
	2010	125,809
	2011	125,809
		$1,186,809

NOTE 13 Expenses After Allocations

The College has allocated all expenditures for physical plant operations, depreciation and interest expenses to the functional expenditure categories based on square footage of facilities identified for each functional expenditure category. The expenditures and allocations for fiscal 2006 and 2005 are as follows:

Expenditures	2006	2005
Physical plant and utilities	$1,621,941	$1,466,968
Depreciation	2,173,789	2,801,907
Interest	670,068	781,010
Total expenditures to be allocated	$4,465,798	$5,049,885

Allocation to functional categories:

	2006	2005
Instruction and related activities	$1,392,475	$1,589,342
Student services	1,036,539	1,183,084
Administration and general institutional	669,561	731,647
Auxiliary enterprises	1,367,223	1,545,812
Total allocation	$4,465,798	$5,049,885

Trustees and Officers

As of June 30, 2006

Officers

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EDWARD CERULLO, Vice-Chair
FLORENCE LADD, Vice-Chair
ROBIN MOUNT, Vice-Chair
RALPH J. HEXTER, President
AARON A. BERMAN, Vice President and Dean of Faculty
JOHAN G. BRONGERS, Vice President for Finance and Administration
NANCY L. KELLY, Secretary of the College

The Trustees of Hampshire College
July 1, 2005 – June 30, 2006

Office of the Treasurer

JOHAN G. BRONGERS, Vice President for Finance and Administration
KATHLEEN L. BOWLER, Assistant to the Treasurer

Business Office

GERALD M. BOHDANOWICZ, Director of Finance
LAURA A. SMIAROWSKI, Controller
WENDY A. O'ROURKE, Assistant Controller
OLIVIA L. GENDRON, Student Accounts Manager
MARI L. VLACH, Payroll Supervisor
ELIZABETH M. TAYLOR, Collections Specialist
GRACE M. ADZIMA, Accounting Assistant
DEBORA G. NELSON, Student Accounts Assistant
RUBY-ANN M. NUGENT, Payroll Assistant
MARYANN C. PATRUNO, Accounts Payable
ROGER L. SCHMIDT, Staff Accountant
MICHAELENE TELEGA, Accounts Payable