HAMPSHIRE COLLEGE
FINANCIAL REPORT 2007–2008

CONTENTS

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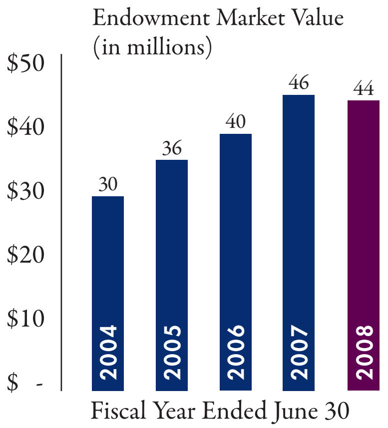
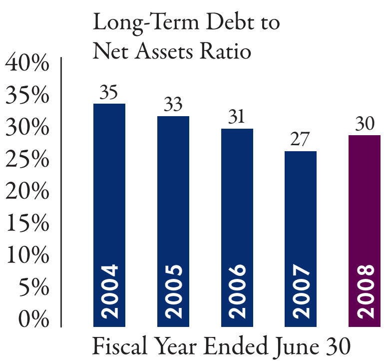
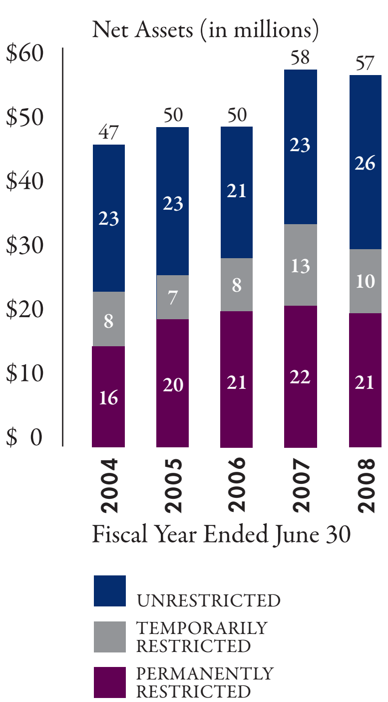
Report of the Vice President for Finance and Administration and Treasurer







It is a privilege in this, my first year at Hampshire College, to present these audited financial statements to our many stakeholders and friends. Hampshire College continues to enjoy its reputation as a bellwether of innovative undergraduate education and a leader in interdisciplinary and community-based teaching and scholarship. Strong demand for the College's unique pedagogy, committee-based assessment, and student-centered curricular design is perhaps best reflected in historical high watermarks in numbers of applications and selectivity in 2007–2008. Hampshire's singular contributions to the academy also were confirmed, and indeed celebrated, in the College's reaccreditation report of the New England Association of Schools and Colleges.

The financial statements presented in this document provide a useful comparative longitudinal perspective on the College's financial strength as well as comparisons with other educational institutions and non-profits. A comprehensive analysis of operating results and plans is provided in a newly developed document, the College Operating Plan and Budget, produced at the close of the academic year. Its elements include strategic and financial dashboard indicators, explicit relationships between strategic programmatic directions and financial resources, operating revenues and allocations by function and division, econometric analyses of student fee components, detailed financial operating principles, benchmark cohorts, debt analysis, and a ten-year operating budget plan. A cash flow report, also new in this fiscal year, provides additional operating information detailing monthly cash inflows, outflows, and cash reserves. Current and prospective capital needs are described in a new, twenty-year capital plan and budget designed to stimulate community discussion about the relationships among program priorities, risks, and limited resources.

These audited financial statements supported by the new reports described above provide a transparent and comprehensive picture of Hampshire's financial and programmatic stability, and in doing so, should help focus community discussions around the strategic and tactical issues so vital to Hampshire's future.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position reports the College's assets, liabilities, and net assets for the year. In short, it reflects assets owned and owed, and their net difference.

Total assets decreased by $149,566. Cash and cash equivalents, however, decreased by $1.3 million, reflecting a restatement that moved cash invested in the Commonfund to a new short-term investment classification. This reclassification responds to illiquidity in the Commonfund's underlying investments and its subsequent asset freeze and gradual thaw. The category also included an infusion of $3.1 million in cash made available through long-term borrowing for facilities improvements through the Massachusetts Development Finance Agency (MDFA). Investments declined by $1.6 million or 4.2 percent reflecting a challenging year for most investment classes. The College's equity portfolio declined by $2.2 million while results for other investment classes were mixed. Property, plant and equipment increased by $1.4 million or 3.5 percent. Property contiguous with the south perimeter of the campus was purchased for $850,000 accounting for 60.7 percent of this increase. The remainder reflected additional improvements to plant made possible through the MDFA borrowing noted above.

Total liabilities increased by $733,000, even as accounts payable declined by $2.1 million, a reduction of 34.8 percent, reflecting Hampshire's ongoing commitment to conscientious cash management. Outstanding debt increased by $2.4 million, or 9.7 percent, representing the final borrowing from the MDFA for capital improvements netted against existing debt payments. The program's variable rate remained a low 1.53 percent. The long term debt ratio is commonly used to compare debt levels with total assets, thereby representing the College's ability to fund its borrowing. MDFA borrowing increased the College's ratio from 27 percent to 30 percent, still less than the value of this ratio in the last three years.

Total net assets, the most common measure of institutional wealth based on the College's year-end account balances, declined slightly by $882,154, or 1.5 percent. However, unrestricted net assets, those which provide the College with the most flexibility, increased by $3.3 million, or 14.6 percent. This increase included a reclassification of $2.1 million from permanently restricted assets supporting the Civil Liberties and Public Policy (CLPP) program. Temporarily restricted net assets declined by $2.6 million, or 20.3 percent. Most of this reduction reflected lower balances in grant accounts for educational and general purposes (in contrast to research) of $3.3 million, a decline of 48.0 percent. Permanently restricted net assets declined by $1.6 million, or 7.0 percent, due to the reclassification of the CLPP endowment from permanently restricted to unrestricted net assets. The original classification made in 1996 was changed after a recent review clarified its designation.

STATEMENT OF ACTIVITIES

The Statement of Activities presents the College's revenues and expenses for the completed fiscal year and the change in net assets. Operating revenues net of financial aid totaled $50.6 million in 2007–08, an increase of $784,000, or 1.6 percent, over the previous fiscal year. Operating expenses totaled $48.9 million, an increase of $3.3 million, or 7.2 percent. Net income from operations totaled $1.7 million, or 3.3 percent of revenues.

Tuition

The College's primary source of revenue, net tuition and fees, constituted 77.0 percent of net revenues. Net tuition increased by $2.4 million over the previous year, or 6.6 percent. The discount rate (the amount of aid provided subtracted from gross tuition) was 32.0 percent, falling within a stable range of 31.3 percent to 33.4 percent over the last five years.

Financial Aid

Hampshire strives to ensure that the benefits of its educational programs are broadly accessible across the spectrum of family wealth. This policy is reflected in the growing number of students receiving financial aid. In 2003, 817 students, or 65 percent of the student body, received aid. That figure increased to 983, or 72 percent of all students, in 2008. The nominal price of a Hampshire education (published price of tuition, room, board, and fees) was $48,479 in 2008. The average price paid (after financial aid) was $28,836, or 59.9 percent of the nominal price.

Investments

Hampshire's endowment reflects the relative youth of the institution, and in turn fewer and younger alumni. Nevertheless, the College's endowment enjoyed steady growth between 2004 and 2007, increasing from $29.6 million to $46.2 million. The economic downturn that began last year reduced the market value to $43.9 million in 2008. Similarly, the total return on endowment had increased from 12.3 percent to 18.9 percent from 2004 to 2007 but declined by 5.6 percent in 2008. Endowment income and appreciation represented about 2.0 percent of total operating revenues.

The College mitigates its exposure to significant swings in endowment market value by following a spending rule of 5.0 percent of the average market value over the completed twelve trailing quarters. This figure is used to support the operating budget.

In 2008, the endowment asset mix included 26.8 percent domestic equity, 21.3 percent international equity, 27.1 percent hedge and absolute return, 12.8 percent fixed income, 11.5 percent real assets, and .5 percent cash. The total managed fund return bettered Hampshire's composite asset allocation policy index (1) by .1 percent and policy index (2) (adjusted for the College's socially responsible screen) by 1.2 percent.

Annual Giving

Giving to Hampshire's unrestricted annual fund increased from $.97 million to $1.3 million from 2004 through 2008, the highest annual total in the history of the College. The goal is to increase this total by approximately $150,000 annually, though current economic conditions may change that objective. Gifts and grants totaled $7.7 million, or 15.2 percent of revenues, representing a decrease of $1.2 million, or 13.4 percent from the previous year.

Facilities

With the final draw down of the MDFA commercial paper debt of $3.1 million, Hampshire was able to complete an important group of capital projects. Various classrooms and lecture halls were gutted, renovated and modernized in Emily Dickinson Hall, Franklin Patterson Hall, Adele Simmons Hall, and the Cole Science Center. Renovations to various residences included upgrades of fire alarm and sprinkler systems and renovations of kitchens, bedrooms, and baths, and improved ventilation in the Enfield Apartments. All heating systems were converted from electric to gas heat. Decks, patios, and adjacent walls were replaced in the Greenwich Apartments. New bathrooms were installed in the Dakin Residence Hall. Old wall treatments were removed and new paint applied to lounges and bedrooms in the Merrill Residence Hall. Space in the Merrill Master House was renovated to provide a Kosher kitchen and related programming through the Office of Spiritual Life.

STATEMENT OF CASH FLOW

The Statement of Cash Flows details the sources and uses of cash, and the net change in cash position from the beginning to the end of the fiscal year.

The net change in cash and cash equivalents from the beginning to the end of the year was a reduction of $1.3 million compared with a reduction of $1.6 million in 2007.

Net cash used for operating activities increased from $1.9 million in 2007 to $3.5 million in 2008 corresponding to increases in MDFA reimbursement. The most significant change occurred in net realized and unrealized gains on investments with a swing from gains of $5.0 million in 2007 to losses of $2.9 million in 2008, reflecting rapidly deteriorating financial market conditions. Contributions to permanently restricted endowment decreased by $.6 million, or 54 percent.

Cash used for investing activities increased significantly from $4.4 million to $7.7 million, a change of 75 percent. This increase reflected the reclassification of the frozen Commonfund assets. Investment purchases increased by $6.0 million, or 14 percent, as Hampshire sold certain funds to invest in a new socially screened fund, the SSgA Real Asset CTF. Sales and maturities of investments increased by $2.7 million, or 6.3 percent, again associated with changing investment choices.

Cash provided from financing activities increased by $2.1 million, representing the last tranche of MDFA borrowing to reduce the College's deferred maintenance backlog.

CONCLUSION

The College's audited financial statements and supplementary reports demonstrate increasing market penetration and overall financial stability in the face of a highly dynamic and uncertain economic environment. Students continue to appreciate the unique learning opportunities and outcomes of a Hampshire education. Inexorably increasing support from the College's young alumni provides a greater fraction of the operating budget, in turn freeing resources for innovation and renewal. And a dynamic faculty and dedicated administration and staff firmly embrace the College's mission and values. The College is well positioned then to embark on a comprehensive and inclusive strategic planning process in the current fiscal year in which the Hampshire Community will reexamine its mission, values, and vision to confirm its many contributions to the academy and society and to prepare itself to effectively respond to the intriguing challenges yet to come.

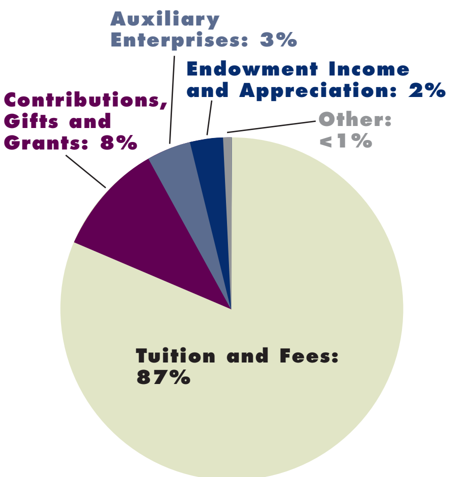
I conclude by sincerely thanking our many alumni, parents, students, friends, and employees who have so generously provided time, talent, and resources to support Hampshire College.

Respectfully submitted,

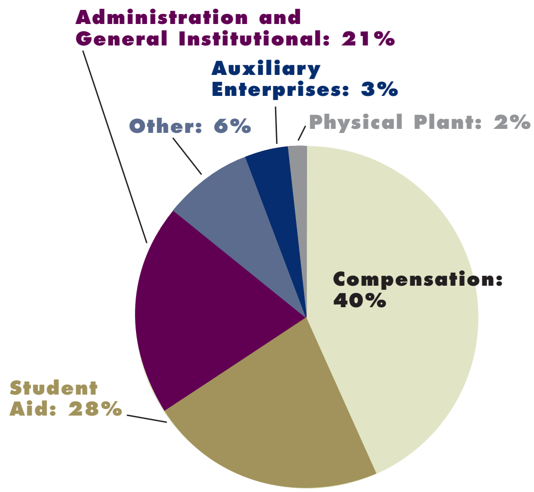
Mark K. Spiro

MARK K. SPIRO
Vice President for Finance and Administration and Treasurer

2007–2008 OPERATING BUDGET INCOME ($68.2 MILLION)



2007–2008 OPERATING BUDGET EXPENSES ($68.2 MILLION)



FINANCIAL HIGHLIGHTS

	2008	2007	2006	2005	2004
Operating Budget Results (000s)					
Revenues	$68,240	$65,289	$59,491	$56,862	$53,902
Expenses	$68,236	$65,281	$59,486	$56,856	$53,900
Budget Surplus	$4	$8	$5	$6	$2
Endowment (000s)					
Market Value	$43,861	$46,197	$39,695	$35,302	$29,602
Total Return on Endowment	-5.6%	18.9%	9.6%	12.8%	12.3%
Debt (000s)					
Long-term Debt	$27,103	$24,703	$25,392	$26,024	$26,595
Giving (000s)					
Hampshire Fund	$1,315	$1,124	$999	$1,020	$972
Enrollment and Financial Aid					
Financial Aid as a Percentage of Tuition and Fees	32.0%	33.4%	31.3%	31.4%	31.3%
Enrollment FTE	1,351	1,357	1,299	1,282	1,248
Faculty					
Full-time Faculty FTE	111	113	108	104	112

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 (the College) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's 2007 financial statements and, in our report dated November 5, 2007, we expressed an unqualified opinion on those financial 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 the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2008, 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 30, 2008

Statements of Financial Position

As of June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 1,574,175	$ 2,851,476
Deposits with bond trustee (Note 8)	2,202,893	2,216,358
Accounts and loans receivable, net (Note 3)	623,586	1,007,461
Contributions receivable, net (Note 4)	4,321,218	4,631,180
Short-term investments (Note 14)	3,922,212	1,893,983
Prepaid expenses, inventories and other assets	634,741	712,873
Investments - at fair value (Note 2)	35,754,744	37,322,133
Funds held in trust by others (Note 5)	2,194,568	2,148,593
Property, plant and equipment, net (Notes 6 and 8)	41,525,666	40,119,312
TOTAL ASSETS	$ 92,753,803	$ 92,903,369
LIABILITIES		
Accounts payable and accrued liabilities	$ 3,886,849	$ 5,958,320
Deposits and deferred income	1,839,266	1,168,983
Contingent asset retirement obligation (Note 6)	3,006,880	3,273,933
Long term debt (Note 8)	27,103,866	24,703,027
TOTAL LIABILITIES	$ 35,836,861	$ 35,104,263
NET ASSETS		
Unrestricted	$ 25,726,791	$ 22,454,625
Temporarily restricted (Note 9)	10,081,758	12,646,496
Permanently restricted (Note 9)	21,108,393	22,697,985
TOTAL NET ASSETS	$ 56,916,942	$ 57,799,106
TOTAL LIABILITIES AND NET ASSETS	$ 92,753,803	$ 92,903,369

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

Statement of Activities

For the year ended June 30, 2008 (with summarized comparative totals for the year ended June 30, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008	2007
OPERATING ACTIVITIES					
Revenues and other additions:					
Tuition, room, board and other fees	$57,331,619	$	$	$57,331,619	$54,861,585
Less: student aid awarded	(18,373,926)			(18,373,926)	(18,308,099)
Net tuition and fees	38,957,693	—	—	38,957,693	36,553,486
Contributions, gifts and grants	1,780,293	5,307,025	597,226	7,684,544	8,869,542
Other income	352,470			352,470	873,192
Investment income for operations (Note 2)	499,712	894,256		1,393,968	1,207,877
Other auxiliary enterprises	2,230,990			2,230,990	2,331,640
Net assets released from restrictions for operating purposes (Note 9)	5,610,471	(5,610,471)		—	—
Total operating revenues and other support	49,431,629	590,810	597,226	50,619,665	49,835,737
Expenses and other deductions:					
Instruction and related activities	17,614,079			17,614,079	17,023,067
Research and sponsored programs	3,858,775			3,858,775	3,621,162
Student services	6,242,009			6,242,009	5,270,615
Administration and general institutional	10,922,260			10,922,260	10,225,955
Academic support	2,595,371			2,595,371	2,383,152
Auxiliary enterprises	7,673,838			7,673,838	7,104,221
Other deductions	20,526			20,526	16,177
Total operating expenses and other deductions	48,926,858	—	—	48,926,858	45,644,349
Change in net assets from operating activities	504,771	590,810	597,226	1,692,807	4,191,388
NON-OPERATING ACTIVITIES					
Net return on long-term investments (Note 2)	151,714	(2,148,391)	(44,137)	(2,040,814)	5,386,139
Investment income for operations (Note 2)	(499,712)	(894,256)	—	(1,393,968)	(1,207,877)
Other deductions and additions	3,115,393	(112,901)	(2,142,681)	859,811	(16,519)
Change in net assets from non-operating activities	2,767,395	(3,155,548)	(2,186,818)	(2,574,971)	4,161,743
Total change in net assets	3,272,166	(2,564,738)	(1,589,592)	(882,164)	8,353,131
Net assets, beginning of year	22,454,625	12,646,496	22,697,985	57,799,106	49,445,975
Net assets, end of year	$ 25,726,791	$ 10,081,758	$ 21,108,393	$ 56,916,942	$ 57,799,106

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

Statements of Cash Flow

For the years ended June 30, 2008 and 2007

	2008	2007
Cash provided by operating activities:		
Change in net assets	$ (882,164)	$ 8,353,131
Adjustments to reconcile change in net assets to		
Net cash provided by operating activities:		
Depreciation and amortization	2,470,836	2,280,956
Net realized and unrealized losses (gains)	2,868,966	(4,959,000)
Change in operating assets	910,286	(1,292,910)
Change in operating liabilities	(1,394,105)	(1,344,355)
Contributions for permanently restricted endowment	(522,190)	(1,124,425)
Net cash provided by operating activities	3,451,629	1,913,397
Cash used by investing activities:		
Purchase of property, plant and equipment	(4,129,747)	(4,429,546)
Change in employee mortgages and notes receivable	(195,427)	82,884
Purchase of investments	(48,922,820)	(42,933,181)
Sales and maturities of investments	45,593,015	42,897,571
Change in actuarial liability for life income obligation	(7,083)	(2,457)
Net cash used by investing activities	(7,662,062)	(4,384,729)
Cash provided from financing activities:		
Repayment of long term debt	(677,523)	(692,269)
Proceeds from new borrowing	3,075,000	—
Change in deposits with bond trustee	13,465	439,712
Contributions for permanently restricted endowment	522,190	1,124,425
Net cash provided by financing activities	2,933,132	871,868
Net change in cash and cash equivalents	(1,277,301)	(1,599,464)
Cash and cash equivalents, beginning of year	2,851,476	4,450,940
Cash and cash equivalents, end of year	$ 1,574,175	$ 2,851,476
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,157,724	$ 709,249
Non-cash investing activity:		
Contribution of securities	$ 75,036	$ 119,948

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

Notes to Financial Statements

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 1,351 and 1,357 during fiscal years 2008 and 2007, 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 net 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 in 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 other deductions and additions which are classified as non-operating.

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 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 represent amounts collected through June 30, from outside groups for summer conferencesand 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(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, 2007, 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 for 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 and the fair value of certain investments. 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.

Recently Adopted Accounting Standards In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold or more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosures. There was no significant impact to the College's financial statements as a result of the adoption of FIN 48.

New Accounting Pronouncements In September 2006, the Statement of Financial Accounting Standards No. 157, Fair Value Measurement (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. This standard expands the disclosure that is required for the use of fair value measure assets and liabilities. The new disclosure will focus on the inputs used to measure fair value and the effect, if any, on the measurement of changes in net assets for the period. The College will adopt this standard in its financial statements for the year ending June 30, 2009.

In August 2008, FASB Staff Position No. FAS 117-1, Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds (FSP), was issued and its guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP that pertains to the College is a requirement for expanded disclosures for all endowment funds. The College will adopt this standard in its financial statements for the year ending June 30, 2009.

Reclassification Certain 2007 amounts have been reclassified to conform with the 2008 presentation.

2. INVESTMENTS

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

	2008	2007
Equities	$ 14,412,480	$ 16,576,624
Fixed income	3,237,116	2,884,888
Fund of Funds	11,383,905	10,815,924
Investment in privately held company	5,755,498	5,910,751
Other investments	965,745	1,133,946
	$ 35,754,744	$ 37,322,133

Investments are recorded at fair 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 the 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 $11,988,000 of investments whose carrying values have been estimated by management in the absence of readily determinable marked 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 investments is a reasonable estimate of fair value as of June 30, 2008 and 2007. 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 $5,755,498 as of June 30, 2008 and are subject to certain restrictions regarding their transferability.

Included in investments are 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 $56,116 at June 30, 2008 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% (5% for 2007) of the average of the market value of qualifying endowment investments at the end of the previous three years is appropriated. This amounted to $1,393,968 and $1,207,877 for the years ending June 30, 2008 and 2007, respectively.

Of the total amount spent in fiscal 2008, $934,728 was derived from interest and dividends earned, and $106,576 was to pay for endowment management expenses.

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

	2008	2007
Dividends and interest	$ 934,728	$ 553,075
Net (losses) gains on investments	(2,868,966)	4,959,000
Management fees and other costs	(106,576)	(125,936)
Total return on endowment investments	(2,040,814)	5,386,139
Investment income used in operations	(1,393,968)	(1,207,877)
	$ (3,434,782)	$ 4,178,262

3. ACCOUNTS AND LOANS RECEIVABLE

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

	2008	2007
Student accounts	$ 257,551	$ 340,379
Contracts and grants	45,246	605,530
Employee mortgages, notes, and other	384,775	189,348
Student loans	56,043	74,548
	743,615	1,209,805
Less allowance for uncollectible accounts	(120,029)	(202,344)
	$ 623,586	$ 1,007,461

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

Unconditional promises expected to be collected:

	2008	2007
In one year or less	$ 1,598,098	$ 2,359,245
Between one and five years	2,838,010	2,428,519
In more than five years	108,048	—
	4,544,156	4,787,764
Less unamortized discount and allowance for uncollectible accounts	(222,938)	(156,584)
	$ 4,321,218	$ 4,631,180

Discount rates used to calculate the present value of pledges receivable ranged from 2.10% to 6.25%

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 amount to be received upon termination are recorded by the College as assets on the Statements of Financial Position and as contribution revenue on the Satement of Activities using a discount rate of 3.79% for 2008 and 2007, respectively. Funds held in trust by others totaled $2,194,568 and $2,148,593 at June 30, 2008 and 2007, respectively.

6. PROPERTY, PLANT AND EQUIPMENT

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

	Useful life	2008	2007
Land	—	$ 3,634,742	$ 2,781,956
Land improvements	30	3,782,129	3,662,112
Library collection	10	6,337,516	6,092,513
Vehicles	10	925,092	925,092
Equipment	3–5	17,461,373	16,645,119
Buildings	10–50	58,453,797	54,622,596
		90,594,649	84,729,388
Accumulated depreciation		(50,558,262)	(48,101,921)
		40,036,387	36,627,467
Construction-in-progress		1,489,279	3,491,845
		$ 41,525,666	$ 40,119,312

In fiscal year 2008, the College recorded a $267,053 net reduction to the obligation for conditional asset retirements which represented the changes due to abatement, negative testing and a 1.6% increase in total abatement estimates due to construction inflation.

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 0.25% above prime rate. The prime rate was 5.0% and 8.25% at June 30, 2008 and 2007, respectively. At June 30, 2008 and 2007, no amounts were outstanding against this line.

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 banks for the financing of certain buildings and equipment.

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

	Maturity	Interest Rate	Amount Outstanding	
Issue	Date	at June 30, 2008	2008	2007
HUD Project 136(D)	2019	3%	$ 790,000	$ 925,000
HUD Project 154(D)	2014	3%	668,968	779,260
Bank Project Debt 163(D)	2013	3%	170,363	198,451
Bank Project Debt 180(D)	2014	3%	644,343	740,980
Realty Trust Note	2022	6.01%	972,155	1,012,994
MDFA Series 2004 Bond Issue	2035	5.84%	15,843,333	16,110,000
MDFA CP Program	2031	Variable, 1.53%	8,100,000	5,025,000
			27,189,162	24,791,685
Less original issue discount			(85,296)	(88,658)
			$ 27,103,866	$ 24,703,027

8. LONG TERM DEBT (CONT.)

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 $820,223 and $852,963 at June 30, 2008 and 2007, respectively and are included in deposits with bond trustee.

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 $1,382,670 and $1,363,395 at June 30, 2008 and 2007, respectively and are included in deposits with bond trustee.

The mortgage notes are collateralized by the related building 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
2009	$ 685,855
2010	725,478
2011	645,862
2012	681,650
2013	708,138
Thereafter	23,742,179
	$ 27,189,162

The market value of the College's long term debt approximates $23,745,388 at June 30, 2008.

9. NET ASSETS

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

	2008	2007
Educational services and general	$ 3,524,425	$ 6,778,129
Student aid	49,160	36,719
Library	26,150	22,116
Research and public programs	6,482,023	5,809,532
	$ 10,081,758	$ 12,646,496

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

	2008	2007
Educational services and general	$ 18,076,730	$ 17,894,710
Student aid	2,557,186	2,396,325
Library	474,477	405,597
Research and public programs	—	2,001,353
	$ 21,108,393	$ 22,697,985

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

	2008	2007
Educational services and general	$ 3,707,755	$ 3,530,942
Library	10,870	5,448
Research and public programs	95,114	309,791
Subtotal research & sponsored programs	3,813,739	3,846,181
Buildings & improvements	317,693	—
Student Aid	1,479,039	1,460,938
	$ 5,610,471	$ 5,307,119

Included in unrestricted net assets are internally designated reserves amounting to $3,080,651 and $1,217,140 at June 30, 2008 and 2007, respectively.

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 $1,582.19 and $1,803.37 at June 30, 2008 and 2007, respectively. The total endowment shares were 21,890.64 shares and 20,509.05 at June 30, 2008 and 2007, 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, 2008:

Endowment funds	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PERMANENT ENDOWMENT				
Appreciation	$ —	$ 2,611,039	$ —	$ 2,611,039
Historical book value	—	—	16,929,506	16,929,506
QUASI ENDOWMENT				
Unrestricted	10,314,066	—	—	10,314,066
Board designated	4,780,572	—	—	4,780,572
	$ 15,094,638	$ 2,611,039	$ 16,929,506	$ 34,635,183

11. RETIREMENT PLAN

Contributions made by the College for the TIAA-CREF Retirement Plan were $1,692,000 and $1,584,000 during fiscal years 2008 and 2007, 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%.

12. COMMITMENTS UNDER OPERATING LEASES

The College has entered into certain operating lease agreements. Lease expense in 2008 and 2007 amounted to $360,702 and $386,481 respectively.

Payments under these agreements are as follows:

	Amount
2009	$ 175,124
2010	129,157
2011	129,157
2012	118,117
2013	118,117
	$ 669,672

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 as follows:

Expenditures

	2008	2007
Physical plant and utilities	$ 1,848,408	$ 1,836,400
Depreciation	2,956,340	2,266,462
Interest	750,894	612,394
Total expenditures to be allocated	$ 5,555,642	$ 4,715,256

Allocation to functional categories:

	2008	2007
Instruction and related activities	$ 1,733,626	$ 1,467,321
Student services	1,255,384	1,062,543
Administration and general institutional	836,923	708,362
Auxiliary enterprises	1,729,709	1,477,030
Total allocation	$ 5,555,642	$ 4,715,256

14. SUBSEQUENT EVENT

The College is an investor in the Commonfund for Short Term Investments (the Fund). On September 29, 2008, the College was notified that Wachovia Bank, N.A., as trustee of the Fund, will resign as trustee, initiate the termination of the Fund, and establish procedures to orderly liquidate and distribute the Fund's net assets over a period of time. As of October 29, 2008, the College had $1,563,609 remaining in the Fund. The College believes that the Fund's liquidation and distribution plans will not impede its ability to meet near- and long-term obligations, which will be satisfied as appropriate through alternative financial resources.

Due to the nature of the Fund's underlying holdings, the College has classified its interest of $3,922,212 therein as of June 30, 2008 as a short-term investment and reclassified its interest of $1,893,983 therein as of June 30, 2007 from cash and cash equivalents to short-term investments.

Trustees and Officers

As of June 30, 2008