



H A M P S H I R E C O L L E G E

FINANCIAL REPORT 2009-2010





H A M P S H I R E C O L L E G E

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H A M P S H I R E C O L L E G E

Office of Finance and Administration

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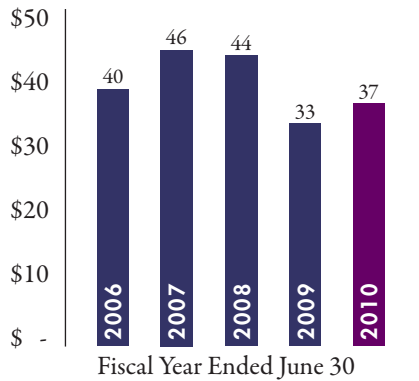
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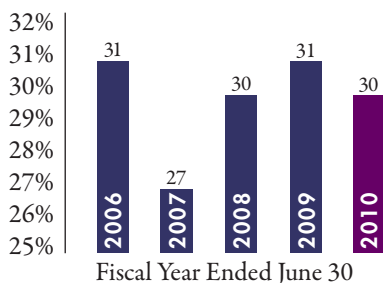
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Report of the Vice President for Finance and Administration and Treasurer

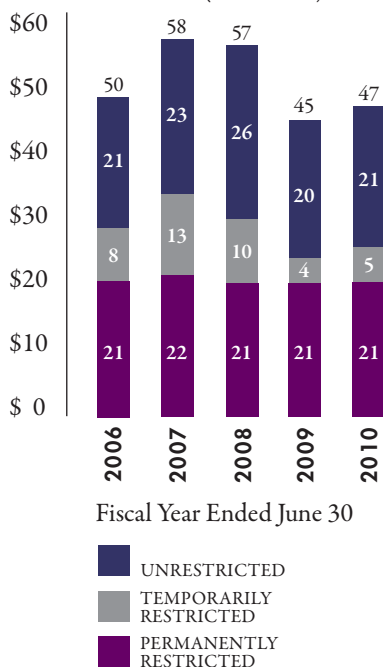
Endowment and Other Similar Assets Market Value (in millions)



Long-Term Debt to Total Assets Ratio



Net Assets (in millions)



Many liberal arts colleges continued to be affected by the moribund economy in fiscal year 2009–2010, and especially by the impacts of persistent high unemployment and declining personal income. These factors contributed to the extraordinary growth in financial aid provided by Hampshire College to facilitate student access. This commitment was reflected in declining net tuition and fees revenue from the previous year. While the values of institutional endowments rebounded somewhat from the losses of the prior year, unrestricted gifts and grants declined. At the same time judicious spending controls decreased total operating expenses to partially offset declining operating revenues. Significant gains in the College’s investment portfolio increased net assets by \$2.1 million.

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 increased by \$2.4 million or 3.0 percent. Much of this increase was due to improvement in the value of the College’s investment portfolio which increased by \$3.8 million for a total return of 14.7 percent. Cash and cash equivalents were up by \$584,000, due in part to a draw on an uncollateralized operating line of credit used to satisfy various accrued liabilities. In turn, accounts payable, accrued liabilities, deposits and deferred revenues decreased by \$1.2 million reflecting the prudent use of this cash.

The value of land, buildings and equipment increased by \$2.1 million, though their net value after depreciation declined by \$850,000. An increase of \$543,102 in construction-in-progress

represented ongoing work on the College’s solar canopy array project.

The College’s total net assets increased by \$2.1 million or 4.5 percent. Unrestricted net assets, the institution’s most flexible source of funds, increased by 7.4 percent or \$1.5 million, primarily due to improved long-term investment values and yields.

STATEMENT OF ACTIVITIES

The Statement of Activities presents the College’s revenues and expenses and the change in net assets for the completed fiscal year. Operating revenues net of financial aid totaled \$50.1 million in 2009 - 2010, a reduction of \$1.5 million, or 2.9 percent. Operating expenses also totaled \$50.1 million, a decrease from the previous year of \$1.3 million, or 2.6 percent, resulting in a small net operating surplus of \$19,349.

Tuition

Tuition, room and board and other fees totaled \$65.1 million, an increase

of \$4.4 million or 7.3 percent. Net tuition and fees, however, decreased by \$429,590 or 1.1 percent from the previous year, reflecting extraordinary growth in financial aid.

Financial Aid

Hampshire College strives to ensure that the benefits of its educational programs are broadly accessible to students at all levels of family wealth. This policy is reflected in the increased number of students who received financial aid and the growth in aid awarded. In 2001, 592 students, or 52.5 percent of the student body, received need-based aid. That figure increased to 842 students or 60.6 percent in 2010. While merit aid was not provided in 2001, 216 students were recipients in 2010. The nominal price of a Hampshire education (published price of tuition, room, board, and fees) was \$51,270. The average tuition, room, board and fees contribution per student, net of financial aid, increased from \$22,831 to \$29,549 over the period. The cost of a Hampshire education per student, net of restricted gifts and grants, increased from \$25,678 to \$32,315 or 25.8 percent over the period. The shortfall between contributions and costs per student were funded by the annual fund, endowment income, and auxiliary services.

Investments

The College's endowment supports a broad range of activities and programs, including the operating budget, scholarships, professorships, and specific programs. Hampshire's modest endowment reflects the relative youth of the institution, and in turn fewer and younger alumni. The value of the endowment increased from \$32.7 million in 2009 to \$36.5 million in 2010, an increase of 11.6 percent.

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 income supports the operating budget. In 2008 – 2009 this income totaled \$1.5 million, and in 2009 – 2010, \$1.8 million, an increase of 20.0 percent

The College's endowment asset mix as of June 30, 2010 included 20.7 percent domestic equity, 26.0 percent international equity, 30.7 percent hedge funds, 11.6 percent fixed income, 10.5 percent real assets, and .4 percent cash.

Annual Giving

Giving to Hampshire's annual fund increased from \$717,109 in 2001 to \$1.5 million in 2010, the highest annual total in the College's history. From 2009 to 2010 giving to the Fund increased by 5.8 percent, despite the severe recession. This growth reflects the ongoing deep commitment of Hampshire's alumni and friends.

Restricted and unrestricted gifts and grants from all sources declined from \$6.9 million to \$6.3 million or 8.8 percent.

STATEMENT OF CASH FLOWS

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.

Cash and cash equivalents increased from July 1, 2009 through June 30, 2010 by \$584,378 compared to a reduction of \$41,185 between July 1, 2008 and June 30, 2009.

Net cash provided by operating activities increased from \$644,581 to \$1.6 million as a result of investment gains. Cash used for investing activities totaled \$2.9 million in 2010 compared with \$291,219 in the previous year.

Purchases and sales of investments in 2010 were significantly less than those in the previous year because the College exited the Commonfund in 2009. Cash provided by financing activities totaled \$2.0 million in 2010, primarily reflecting the funds remaining from a draw of \$2.5 million against the College's line of credit to satisfy short term cash needs at the close of the fiscal year.

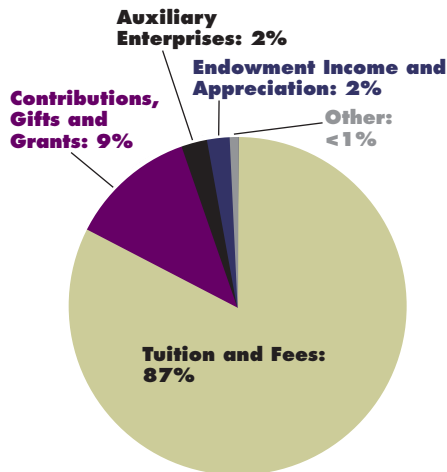
My sincere thanks to our faculty, staff, students, alumni, parents, and friends who have so generously provided time, talent, and resources to support Hampshire College.

Respectfully submitted,

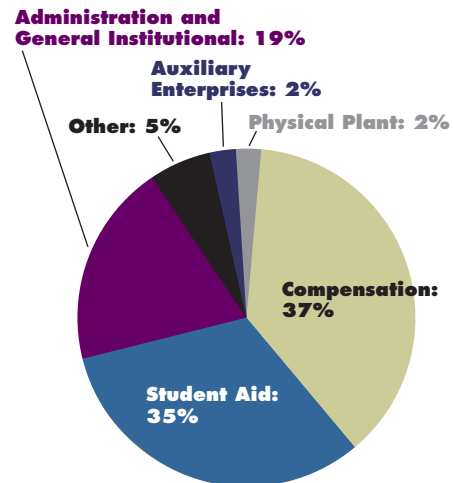


Mark K. Spiro
Vice President for Finance and
Administration and Treasurer

2009–2010 OPERATING BUDGET INCOME (\$74.6 MILLION)



2009–2010 OPERATING BUDGET EXPENSES (\$74.5 MILLION)



FINANCIAL HIGHLIGHTS

	2010	2009	2008	2007	2006	2005
Operating Budget Results (000s)						
Revenues	\$74,482	\$74,571	\$68,240	\$65,289	\$59,491	\$56,862
Expenses	\$74,653	\$74,512	\$68,236	\$65,281	\$59,486	\$56,856
Budget Surplus	\$ -171	\$ 59	\$ 4	\$ 8	\$ 5	\$ 6
Endowment (000s)						
Market Value	\$36,495	\$32,719	\$43,861	\$46,197	\$39,695	\$35,302
Total Return on Endowment	14.0%	-22.5%	-5.6%	18.9%	9.6%	12.8%
Debt (000s)						
Long-term Debt	\$25,673	\$26,400	\$27,103	\$24,703	\$25,392	\$26,024
Giving (000s)						
Hampshire Fund	\$ 1,500	\$ 1,418	\$1,315	\$1,124	\$999	\$1,020
Enrollment and Financial Aid						
Financial Aid as a Percentage of						
Tuition and Fees	38.5%	33.3%	32.0%	33.4%	31.3%	31.4%
Enrollment FTE	1387	1366	1351	1357	1299	1282
Faculty						
Full-time Faculty FTE	114	112	111	113	108	104

Report of Independent Auditors



KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

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, 2010, 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 2009 financial statements and, in our report dated February 22, 2010, 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, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 19, 2011

Statements of Financial Position

As of June 30, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 1,025,612	441,234
Accounts and loans receivable, net (note 4)	1,108,462	934,021
Contributions receivable, net (note 5)	2,812,498	3,704,694
Short-term investments (note 2)	—	358,242
Prepaid expenses, inventories and other assets	529,135	732,164
Deposits with bond trustee (note 2)	2,331,919	2,283,935
Investments – at fair value (note 2)	29,712,889	25,916,153
Funds held in trust by others (notes 2 and 6)	2,265,937	2,174,947
Property, plant and equipment, net (note 7)	43,222,289	44,073,842
Total assets	<u>\$ 83,008,741</u>	<u>80,619,232</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,783,752	2,707,264
Deposits and deferred income	1,614,761	1,955,562
Line of credit (note 8)	2,500,000	—
Conditional asset retirement obligation	3,475,844	3,657,167
Long term debt (note 9)	25,672,571	26,400,494
Total liabilities	<u>35,046,928</u>	<u>34,720,487</u>
NET ASSETS:		
Unrestricted	21,266,277	19,803,483
Temporarily restricted (note 12)	5,328,920	4,827,118
Permanently restricted (note 12)	21,366,616	21,268,144
Total net assets	<u>47,961,813</u>	<u>45,898,745</u>
Total liabilities and net assets	<u>\$ 83,008,741</u>	<u>80,619,232</u>

See accompanying notes to financial statements.

Statement of Activities

For the year ended June 30, 2010 (with summarized comparative totals for the year ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010	2009
OPERATING ACTIVITIES					
Revenues and other additions					
Tuition, room, board and other fees	\$ 65,074,670			65,074,670	60,654,545
Less student aid awarded	(25,063,523)			(25,063,523)	(20,213,808)
Net tuition and fees	40,011,147	—	—	40,011,147	40,440,737
Contributions, gifts and grants	2,878,538	3,331,221	119,370	6,329,129	6,942,835
Other income	540,425	(23,376)		517,049	79,426
Investment income for operations (note 2)	915,308	879,224		1,794,532	1,494,942
Other auxiliary enterprises	1,435,451			1,435,451	2,603,667
Net assets released from restrictions for operating purposes	3,783,522	(3,783,522)		—	—
Total operating revenues and other support	49,564,391	403,547	119,370	50,087,308	51,561,607
Expenses and other deductions					
Instruction and related activities	18,284,229			18,284,229	18,389,021
Research and sponsored programs	3,747,757			3,747,757	3,586,870
Student services	7,748,026			7,748,026	7,347,418
Administration and general institutional	11,779,678			11,779,678	11,609,472
Academic support	2,401,236			2,401,236	2,900,559
Auxiliary enterprises	6,107,034			6,107,034	7,463,040
Other deductions	—			—	118,503
Total operating expenses and other deductions	50,067,960	—	—	50,067,960	51,414,883
Change in net assets from operating activities	(503,569)	403,547	119,370	19,348	146,724
NON OPERATING ACTIVITIES					
Net return on long-term investments (note 2)	2,627,186	957,316	(20,898)	3,563,604	(9,088,865)
Investment income for operations (note 2)	(915,308)	(879,224)		(1,794,532)	(1,494,942)
Other deductions and additions	254,485	20,163		274,648	(581,114)
Change in net assets from non-operating activities	1,966,363	98,255	(20,898)	2,043,720	(11,164,921)
Total change in net assets	1,462,794	501,802	98,472	2,063,068	(11,018,197)
Net assets, beginning of year	19,803,483	4,827,118	21,268,144	45,898,745	56,916,942
Net assets, end of year	\$ 21,266,277	5,328,920	21,366,616	47,961,813	45,898,745

See accompanying notes to financial statements.

Statements of Cash Flow

For the years ended June 30, 2010 and 2009

	2010	2009
Cash provided by operating activities		
Change in net assets	\$ 2,063,069	(11,018,197)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,482,852	2,530,452
Net realized and unrealized (gains)/losses	(3,207,405)	9,514,726
Change in accounts and loans receivable	1,689	(122,125)
Change in funds held in trust by others	(90,990)	19,621
Change in contributions receivable	892,196	616,524
Change in prepaid expenses, inventories, and other assets	191,894	(97,423)
Change in accounts payable and accrued expenses	(960,589)	(421,787)
Change in deposits payable and deferred revenues	(340,801)	(634,270)
Change in conditional asset retirement obligation	(181,323)	650,287
Contributions for permanently restricted endowment	(280,866)	(393,227)
Net cash provided by operating activities	<u>1,569,726</u>	<u>644,581</u>
Cash used by investing activities		
Purchase of property, plant and equipment	(2,616,804)	(5,075,268)
Change in employee mortgages and notes receivable	(176,131)	(188,310)
Purchase of investments	(2,595,747)	(13,566,678)
Sales and maturities of investments	2,364,658	18,546,269
Change in actuarial liability for life income obligation	37,077	(7,232)
Net cash used in investing activities	<u>(2,986,947)</u>	<u>(291,219)</u>
Cash provided from financing activities		
Repayment of long term debt	(731,283)	(706,732)
Proceeds from new borrowing	2,500,000	—
Change in deposits with bond trustee	(47,984)	(81,042)
Contributions for permanently restricted endowment	280,866	393,227
Net cash provided by/(used in) financing activities	<u>2,001,599</u>	<u>(394,547)</u>
Net change in cash and cash equivalents	584,378	(41,185)
Cash and cash equivalents, beginning of year	441,234	482,419
Cash and cash equivalents, end of year	<u>\$ 1,025,612</u>	<u>441,234</u>

Supplemental disclosure

Interest paid	\$ 1,081,208	1,162,299
Purchases of plant and equipment included in accounts payable	—	12,112
Contribution of securities	34,998	44,000

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2010 and 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 1,387 and 1,357 during fiscal years 2010 and 2009, respectively.

(b) 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.

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 temporarily restricted or unrestricted net assets 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 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.

(c) 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 nonoperating.

(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 and are reported at cost which approximates fair value.

(e) 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.

(f) 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 hedge funds, private equity, venture capital, distressed securities 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.

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 than the reported value.

(g) 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 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.

(h) 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.

(i) 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. The College has assessed uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

(j) 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 years ended June 30, 2009, from which the summarized information was derived.

(k) Fair Value of Financial Instruments The fair value of investments 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 9. For all other financial instruments, the carrying amount as disclosed in the accompanying financial statements approximates fair value.

(l) 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.

(m) Reclassification Certain 2009 amounts have been reclassified to conform with the 2010 presentation.

(2) FAIR VALUE AND INVESTMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

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.

Classification in Level 2 or Level 3 is based up on the College's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2.

The College's investments and other assets at June 30, 2010 that are reported at fair value are summarized in the following table by their fair value hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2010 total</u>	<u>Redemption</u>	<u>Days Notice</u>
Long term investments:						
Cash and cash equivalents	\$ 3,986,486			3,986,486	Daily	1
U.S. equity	4,937,077			4,937,077	Daily	1
Non-U.S. equity fund		2,825,437		2,825,437	Daily/Monthly	1 to 10
Fixed income	2,807,402			2,807,402	Daily	1
Hedge Funds ¹		3,661,243	3,763,258	7,424,501	Quarterly/ Subject to lockup	90/65
Real asset commingled funds		2,549,897		2,549,897	Daily	1
Private equity			4,525,287	4,525,287	Illiquid	N/A
Private partnerships			412,835	412,835	Illiquid	N/A
Funds held or administered by others			243,967	243,967	N/A	N/A
Total investments	<u>11,730,965</u>	<u>9,036,577</u>	<u>8,945,347</u>	<u>29,712,889</u>		
Other assets:						
Funds held in trust by others			2,265,937	2,265,937	N/A	N/A
Funds held by bond trustee		2,331,919		2,331,919	Daily	1
Total	<u>\$ 11,730,965</u>	<u>11,368,496</u>	<u>11,211,284</u>	<u>34,310,745</u>		

¹ Investments reported in Level 2 are redeemable quarterly with 90 days notice. Investments reported in Level 3 are subject to lock up with the balance available December 31, 2010 with 65 days notice.

The College's investments and other assets at June 30, 2009 that are reported at fair value are summarized in the following table by their fair value hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2009 total</u>	<u>Redemption</u>	<u>Days Notice</u>
Long term investments:						
Cash and cash equivalents	\$ 228,316			228,316	Daily	1
U.S. equity	5,390,853			5,390,853	Daily	1
Non-U.S. equity fund		4,623,080		4,623,080	Daily/Monthly	1 to 10
Fixed income	2,597,890			2,597,890	Daily	1
Hedge Funds			6,715,768	6,715,768	Quarterly/ Subject to lockup	90/65
Real asset commingled funds		2,180,832		2,180,832	Daily	1
Private equity			3,466,188	3,466,188	Illiquid	N/A
Private partnerships			482,961	482,961	Illiquid	N/A
Funds held or administered by others			230,265	230,265	N/A	N/A
Total investments	<u>8,217,059</u>	<u>6,803,912</u>	<u>10,895,182</u>	<u>25,916,153</u>		
Other assets:						
Short term investments			358,242	358,242	Daily	1
Funds held in trust by others			2,174,947	2,174,947	N/A	N/A
Funds held by bond trustee		2,283,935		2,283,935	Daily	1
Total	<u>\$ 8,217,059</u>	<u>9,087,847</u>	<u>13,428,371</u>	<u>30,733,277</u>		

The following table presents the College's activity for the fiscal years ended June 30, 2010 and 2009 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	<u>Hedge funds</u>	<u>Private equity</u>	<u>Private partnerships</u>	<u>Funds held by others</u>	<u>Short term investments</u>	<u>Total</u>
Fair value June 30, 2009	\$ 6,715,768	3,466,188	482,961	2,405,212	358,242	13,428,371
Transfers	(3,333,065)					(3,333,065)
Acquisitions			5,000		10,239	15,239
Dispositions			(54,229)		(390,777)	(445,006)
Investment return					22,296	22,296
Unrealized gains (losses)	<u>380,555</u>	<u>1,059,099</u>	<u>(20,897)</u>	<u>104,692</u>		<u>1,523,448</u>
Fair value June 30, 2010	<u>\$ 3,763,258</u>	<u>4,525,287</u>	<u>412,835</u>	<u>2,509,904</u>	<u>—</u>	<u>11,211,284</u>
Fair value June 30, 2008	\$ 11,376,749	5,755,498	610,770	2,549,543	3,922,212	24,214,772
Transfers	(2,180,832)	—	—	—	—	(2,180,832)
Acquisitions	80,935	—	11,250	37,010	8,788,752	8,917,947
Dispositions	—	—	(5,756)	(43,123)	(12,400,907)	(12,449,786)
Investment return	—	—	—	—	48,185	48,185
Unrealized gains (losses)	<u>(2,561,084)</u>	<u>(2,289,310)</u>	<u>(133,303)</u>	<u>(138,218)</u>	<u>—</u>	<u>(5,121,914)</u>
Fair value June 30, 2009	<u>\$ 6,715,768</u>	<u>3,466,188</u>	<u>482,961</u>	<u>2,405,212</u>	<u>358,242</u>	<u>13,428,371</u>

At June 30, 2010 and 2009, the College's remaining outstanding commitments to private equity partnerships totaled \$32,366 and \$37,366, respectively, based 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. There can be no assurance that the timing or amounts of the capital calls will materialize as indicated. The projected capital call amounts are summarized in the table below.

<u>Fiscal year:</u>	<u>Projected capital calls</u>
2011	16,183
2012	<u>16,183</u>
Total	<u>\$ 32,366</u>

The private equity partnerships have ten year terms, with extensions of one to four years. As of June 30, 2010 and 2009, the average remaining life of the private equity partnerships is approximately 2 years.

The College's total investment return is summarized below:

	<u>2010</u>	<u>2009</u>
Dividends and interest	\$ 577,484	543,017
Realized/unrealized gain/(loss) on investments	3,207,405	(9,514,726)
Management fees and other costs	<u>(221,285)</u>	<u>(117,156)</u>
Total return on investments	3,563,604	(9,088,865)
Investment income used in operations	<u>(1,794,532)</u>	<u>(1,494,942)</u>
Nonoperating investment income	<u>\$ 1,769,072</u>	<u>(10,583,807)</u>

(3) ENDOWMENT FUNDS

The College's endowment consists of 136 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.

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 2010 and 2009, the percentage distributed was 5%.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the Commonwealth of Massachusetts became effective June 30, 2009. The College has prepared these financial statements on the basis of the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the College classifies as permanently restricted net assets (a) the origi-

nal 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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA.

As a result of market declines, the fair value of certain donor-restricted endowments may fall below original contributed value. Deficiencies of this nature were reported as reductions of unrestricted net assets in the amount of \$2,530,741 and \$3,566,063 at June 30, 2010 and 2009, respectively. Future market gains will be used to restore this reduction in unrestricted net assets before any net appreciation above the UPMIFA or donor required value of such funds increases temporarily restricted net assets.

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 temporarily restricted net assets; and cumulative unspent appreciation, reported as temporarily restricted net assets.

Endowment funds, which include pooled endowment funds but exclude split interest agreements and pledges, consisted of the following at June 30, 2010 and 2009.

<u>June 30, 2010</u>	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor restricted	\$ (2,530,741)	105,455	17,396,568	14,971,282
Board designated (Quasi)	10,072,891	—	—	10,072,891
Total	<u>\$7,542,150</u>	<u>105,455</u>	<u>17,396,568</u>	<u>25,044,173</u>
<u>June 30, 2009</u>				
Donor restricted	\$ (3,566,063)	27,362	17,295,186	13,756,485
Board designated (Quasi)	9,729,850	—	—	9,729,850
Total	<u>\$ 6,163,787</u>	<u>27,362</u>	<u>17,295,186</u>	<u>23,486,335</u>

Changes in endowment funds for the fiscal year ended June 30, 2010 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<u>June 30, 2009</u>	\$ 6,163,787	27,362	17,295,186	23,486,335
Investment income	201,619	375,865		577,484
Realized and unrealized gains	2,425,567	581,452		3,007,019
Contributions	54,000		278,677	332,677
Distributions	(915,308)	(879,224)		(1,794,532)
Transfers	(387,515)		(177,295)	(564,810)
<u>June 30, 2010</u>	<u>\$ 7,542,150</u>	<u>105,455</u>	<u>17,396,568</u>	<u>25,044,173</u>

Changes in endowment funds for the fiscal year ended June 30, 2009 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
June 30, 2008	\$ 15,067,957	2,637,720	16,929,506	34,635,183
Investment income	202,042	340,975	—	543,017
Realized and unrealized gains (losses)	(7,537,027)	(1,961,552)	—	(9,498,579)
Contributions	132,575	—	216,287	348,862
Distributions	(505,161)	(989,781)	—	(1,494,942)
Other changes	—	—	149,393	149,393
Transfers	<u>(1,196,599)</u>	<u>—</u>	<u>—</u>	<u>(1,196,599)</u>
June 30, 2009	<u>\$ 6,163,787</u>	<u>27,362</u>	<u>17,295,186</u>	<u>23,486,335</u>

(4) ACCOUNTS AND LOANS RECEIVABLE

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

	<u>2010</u>	<u>2009</u>
Student accounts	\$ 262,074	268,062
Contracts and grants	159,732	166,445
Other	749,216	573,085
Student loans	<u>59,395</u>	<u>56,881</u>
	1,230,417	1,064,473
Less allowance for uncollectible accounts	<u>(121,955)</u>	<u>(130,452)</u>
	<u>\$ 1,108,462</u>	<u>934,021</u>

(5) CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

Unconditional promises expected to be collected:

	<u>2010</u>	<u>2009</u>
In one year or less	\$ 1,557,794	1,844,399
Between one and five years	1,337,763	1,980,471
In more than five years	<u>—</u>	<u>8,145</u>
	2,895,557	3,833,015
Less unamortized discount and allowance for uncollectible accounts	<u>(83,059)</u>	<u>(128,321)</u>
	<u>\$ 2,812,498</u>	<u>3,704,694</u>

Discount rates used to calculate the present value of pledges receivable ranged from 0.61% to 5.18%

(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 are recorded by the College as assets on the Statements of Financial Position and as contribution revenue on the Statement of Activities using a discount rate of 3.79% for 2010 and 2009, respectively. Funds held in trust by others totaled \$2,265,937 and \$2,174,947 at June 30, 2010 and 2009, respectively.

(7) PROPERTY, PLANT AND EQUIPMENT

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

	<u>Useful life</u>	<u>2010</u>	<u>2009</u>
Land	—	\$ 3,877,606	3,671,362
Land improvements	30	3,905,547	3,782,129
Library collection	10	6,896,879	6,601,630
Vehicles	10	1,116,884	974,971
Equipment	3 – 5	18,937,417	17,992,677
Building and Building Improvements	5 – 50	<u>64,091,394</u>	<u>63,729,257</u>
		98,825,727	96,752,026
Accumulated depreciation		<u>(56,553,710)</u>	<u>(53,085,354)</u>
		42,272,017	43,666,672
Construction-in-progress		<u>950,272</u>	<u>407,170</u>
		<u>\$ 43,222,289</u>	<u>44,073,842</u>

Depreciation expense was \$3,468,356 and \$2,527,092 at June 30, 2010 and 2009 respectively.

(8) LINE OF CREDIT

The College has an uncollateralized line of credit with the People's United Bank in the amount of \$2,500,000 for current operations with interest payable at 0.25% above prime rate. The prime rate was 3.25% at June 30, 2010 and 2009, respectively. At June 30, 2010 \$2,500,000 was outstanding and there were no amounts outstanding at June 30, 2009.

(9) 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:

<u>Issue</u>	<u>Maturity Date</u>	<u>Interest rate at June 30, 2010</u>	<u>Amount outstanding</u> <u>2010</u>	<u>2009</u>
HUD Project 136(D)	2019	3.00%	\$ 505,000	650,000
HUD Project 154(D)	2014	3.00%	438,283	555,342
Bank Debt Project 163(D)	2013	3.00%	111,615	141,427
Bank Debt Project 180(D)	2014	3.00%	442,219	544,785
Realty Trust Note	2022	6.01%	882,754	928,795
MDFA Series 2004 Bond Issue	2035	5.84%	15,273,333	15,562,083
MDFA Commercial Paper	2031–2038	Variable, .48%	<u>8,100,000</u>	<u>8,100,000</u>
			25,753,204	26,482,432
Less original issue discount			<u>(80,633)</u>	<u>(81,938)</u>
			<u>\$ 25,672,571</u>	<u>26,400,494</u>

The HUD, bank project 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.

Principal payments on all long term debt are as follows:

	<u>Amount</u>
2011	\$ 664,612
2012	692,900
2013	719,388
2014	671,166
2015	497,132
Thereafter	<u>22,508,006</u>
	<u>\$ 25,753,204</u>

The fair value of the College's long term debt approximates \$26,168,417 at June 30, 2010.

(10) RETIREMENT PLAN

Contributions made by the College for the TIAA-CREF Retirement Plan were \$1,831,500 and \$1,877,000 during fiscal years 2010 and 2009, respectively, for eligible and enrolled employees based on a portion of salaries ranging from 9% to 10%. In addition, the employees enrolled in the plan contributed a portion of their salaries ranging from 3% to 5%.

(11) COMMITMENTS UNDER OPERATING LEASES

The College has entered into certain operating lease agreements. Lease expense in 2010 and 2009 amounted to \$227,217 and \$422,548, respectively.

Payments under these agreements are as follows:

	<u>Amount</u>
2011	\$ 208,795
2012	208,795
2013	197,539
2014	197,539
2015	131,316
	<u>\$ 943,984</u>

(12) NET ASSETS

The composition of the categories of net assets as of June 30, 2010 and 2009 consists of:

	<u>2010</u>	<u>2009</u>
Temporarily restricted net assets:		
Accumulated net gains on permanently endowed funds	\$ 105,455	27,363
Amounts restricted by donors for programs	3,864,620	4,560,791
Contributions receivable for programs	1,358,845	238,964
	<u>5,328,920</u>	<u>4,827,118</u>
Permanently restricted net assets:		
Permanent endowment and similar funds	20,075,339	19,953,093
Contributions receivable for permanent endowment	1,291,277	1,315,051
	<u>\$ 21,366,616</u>	<u>21,268,144</u>

Included in unrestricted net assets are internally designated reserves amounting to \$548,582 and \$1,230,972 at June 30, 2010 and 2009, respectively.

(13) SUBSEQUENT EVENTS

The College evaluated subsequent events for potential recognition or disclosure through January 19, 2011, the date on which the financial statements were issued.

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As of June 30, 2010

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TIMOTHY KOLLER, Vice Chair
RALPH J. HEXTER, President
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July 1, 2009–June 30, 2010

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