HAMPSHIRE COLLEGE

FINANCIAL REPORT 2010–2011

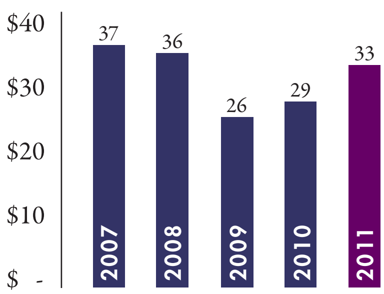
HAMPSHIRE COLLEGE
FINANCIAL REPORT 2010–2011

HAMPSHIRE COLLEGE
Office of Finance and Administration
893 West Street
Amherst, Massachusetts 01002
Telephone: (413) 559-5528
Fax: (413) 559-5877
Web: www.hampshire.edu

Report of the Vice President for Finance and Administration and Treasurer

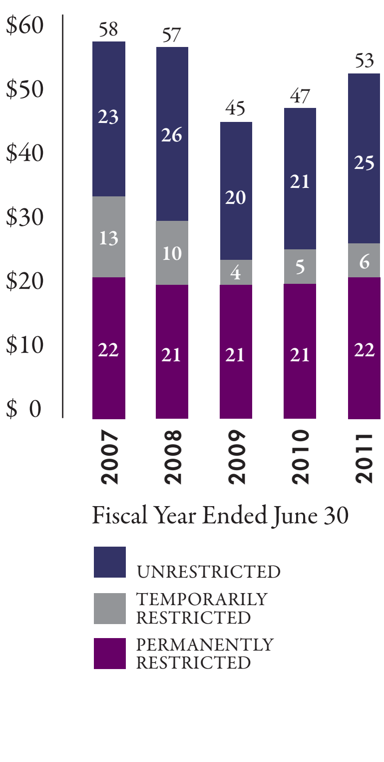
The College's financial position strengthened considerably in 2010–2011 due to strong endowment performance and a significant increase in net tuition and net tuition per student. Operating activities provided an increase in unrestricted net assets, and total assets and total net assets grew significantly as markets recovered. Liabilities declined due to the continued disciplined retirement of long-term debt, no outstanding short-term debt, and a reduction in the College's conditional asset retirement obligation as a result of major renovations. The managed endowment fund grew by 14.5 percent and the total endowment by 13.9 percent. In addition, the College established its first operating budget reserve at a funding level of $1.1 million.

Endowment and Other Similar Assets Market Value (in millions)



Fiscal Year Ended June 30

Net Assets (in millions)



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.

The College's total net assets increased from $48.0 million to $52.6 million, or 9.6 percent, as of June 30, 2011, primarily due to the recovery of the financial markets. Unrestricted net assets, the institution's most flexible source of funds, increased by $3.5 million or 16.7 percent. Total investments increased 16.5 percent from $29.7 million to $34.6 million. The College's managed endowment earned 19.4 percent to total $27.7 million, after an operating draw of $1.5 million. The fund recovered 91 percent of its high watermark value of $30.4 million in 2007. The funds held by bond trustees declined as a result of various capital repairs and replacements. The value of property, plant and equipment decreased by $1.1 million, net of depreciation.

Liabilities declined substantially from $35.0 to $32.7 million as no draw against the College's line of credit was necessary. Long-term debt continued to be paid down according to schedules.

STATEMENT OF ACTIVITIES

The Statement of Activities presents the College's revenues and expenses and the change in net assets for the fiscal year.

Hampshire continued to respond to the Great Recession by ensuring student access through generous levels of financial aid, while continuing to make necessary investments in its capital plant and absorbing a reduction in contributions due to the vicissitudes of a presidential transition.

While the College's tuition and fees increased by $4.6 million, financial aid increased by $2.6 million. A reduction in gifts and grants related to the presidential transition and a smaller draw from the endowment resulted in operating revenues of $50.4 million, an increase of .8 percent over the previous fiscal year. Operating activities resulted in a deficit of $213,020.

Enrollment increased from an average of 1,387 FTE in 2010 to 1,457 in 2011, an increase of 5 percent.

INVESTMENTS

The College's investments increased $4.9 million or 16.5 percent over the previous fiscal year. The total endowment, which comprises 96 percent of total investments, grew from $29.2 million to $33.2 million or 13.7 percent. This growth was attributable to strong investment returns and increased giving to the endowment.

In order to mitigate its exposure to significant swings in endowment market value, the College follows a spending rule of 5.0 percent of the average market value over the completed twelve trailing quarters. This income supports a broad range of activities and programs, including the operating budget, scholarships, professorships, and specific programs. In 2010–2011 this support totaled $1.5 million.

FACILITIES AND GROUNDS

A number of facilities projects were completed in 2010–2011, most addressing deferred maintenance and modernization needs.

Public spaces and classrooms were renovated in Adele Simmons Hall The new Arts Village Solar Canopy was completed and now contributes 36 kW to the campus grid. The existing structure was refurbished and new decking and roofing provided the support necessary to install a state-of-the-art photovoltaic array. This project also provided an opportunity to completely revise the hardscape and landscape of the areas between Adele Simmons Hall and the Liebling Center. This project included the removal of the ASH earthen berm, planting of a large number of native tree and shrub species, installation of stone knee walls, and new walkways.

The first floor of the Johnson Library was thoroughly renovated to provide modern computing and lounge space. A redesigned and rebuilt circulation desk provides full accessibility. New furniture, carpeting, painting, and ADA conforming interior signage was installed throughout the building. This renovation was complemented by a new high-end oak-veneer display and storage system completed as a Div III student project.

The new Hill-Urbana Student Computing Center transformed computer training and conferencing at the College. The Center accommodates a state-of-the-art student computing lab, a multimedia conference room, and laboratory for training students, faculty, and staff. The Center also provides space for IT repair and support and new office spaces for the IT Department allowing the College to bring together most of the IT support and staff in a single area.

The first phase of the Prescott House Complex was completed. Four apartments were gutted and renovated with contemporary appliances, new furnishings, new flooring and new paint, and new hydronic heating systems.

As I have in previous years, I extend my sincere thanks to our faculty, staff, students, alumni, parents, and friends for their continuing generous contributions of time, talent, and resources.

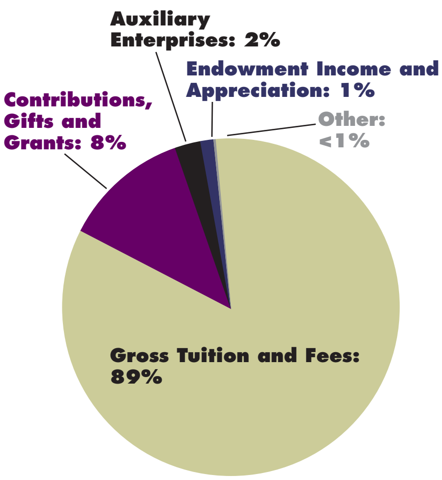
Respectfully submitted,

Mark K. Spiro

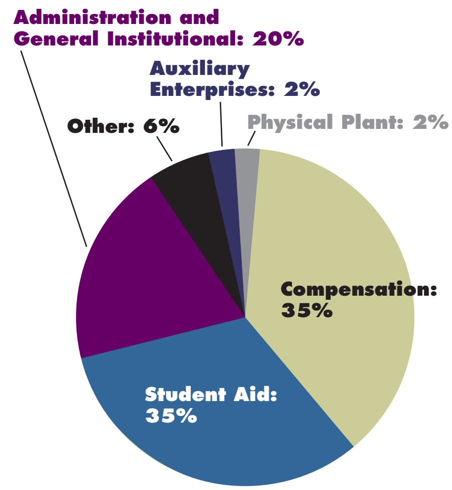
Mark K. Spiro

Vice President for Finance and Administration and Treasurer

2010–2011 OPERATING BUDGET INCOME ($78.1 MILLION)



2010–2011 OPERATING BUDGET EXPENSES ($77.8 MILLION)



FINANCIAL HIGHLIGHTS

	2011	2010	2009	2008	2007	2006
Operating Budget Results (000s)						
Revenues	78,079	74,482	$74,571	$68,240	$65,289	$59,491
Expenses	77,750	74,653	$74,512	$68,236	$65,281	$59,486
Budget Surplus	$ 328	-$ 171	$ 59	$ 4	$ 8	$ 5
Endowment (000s)						
Market Value	$33,226	$29,178	$25,582	$35,535	$37,413	$38,815
Total Return on Endowment	18.9%	14.0%	-22.5%	-5.6%	18.9%	9.6%
Debt (000s)						
Long-term Debt	$25,010	$25,673	$26,400	$27,103	$24,703	$25,392
Giving (000s)						
Hampshire Fund	$ 1,613	$ 1,500	$ 1,418	$ 1,315	$ 1,124	$ 999
Enrollment and Financial Aid						
Financial Aid as a Percentage of Tuition and Fees	39.7%	38.5%	33.3%	32.0%	33.4%	31.3%
Enrollment FTE	1457	1387	1366	1351	1357	1299
Faculty						
Full-time Faculty FTE	115	114	112	111	113	108

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, 2011, 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 2010 financial statements and, in our report dated January 19, 2011, 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, 2011, 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

November 18, 2011

Statements of Financial Position

As of June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 846,488	1,025,612
Accounts and loans receivable, net (note 2)	759,587	1,108,462
Contributions receivable, net (note 3)	2,373,380	2,812,498
Prepaid expenses, inventories and other assets	467,466	529,135
Deposits with bond trustee (note 4)	1,735,523	2,331,919
Investments – at fair value (note 4)	34,618,186	29,712,889
Funds held in trust by others (notes 4 and 6)	2,387,504	2,265,937
Property, plant and equipment, net (note 7)	42,072,638	43,222,289
Total assets	$ 85,260,772	83,008,741
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 2,982,274	1,783,752
Deposits and deferred income	1,694,652	1,614,761
Line of credit (note 8)	—	2,500,000
Conditional asset retirement obligation	3,023,186	3,475,844
Long term debt (note 9)	25,010,486	25,672,571
Total liabilities	32,710,598	35,046,928
NET ASSETS:		
Unrestricted	24,814,195	21,266,277
Temporarily restricted (note 10)	5,617,084	5,328,920
Permanently restricted (note 10)	22,118,895	21,366,616
Total net assets	52,550,174	47,961,813
Total liabilities and net assets	$ 85,260,772	83,008,741

See accompanying notes to financial statements.

Statement of Activities

For the year ended June 30, 2011 (with summarized comparative totals for the year ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	2010
OPERATING ACTIVITIES					
Revenues and other additions					
Tuition, room, board and other fees	$ 69,678,062			69,678,062	65,074,670
Less student aid awarded	(27,673,803)			(27,673,803)	(25,063,523)
Net tuition and fees	42,004,259	—	—	42,004,259	40,011,147
Contributions, gifts and grants	3,234,458	2,017,740		5,252,198	6,209,759
Other income	330,873			330,873	517,049
Investment income for operations (note 4)	547,671	933,907		1,481,578	1,794,532
Other auxiliary enterprises	1,302,236			1,302,236	1,435,451
Net assets released from restrictions for operating purposes	3,468,347	(3,468,347)		—	—
Total operating revenues and other support	50,887,844	(516,700)	—	50,371,144	49,967,938
Expenses and other deductions					
Instruction and related activities	18,503,127			18,503,127	18,284,229
Research and sponsored programs	3,678,338			3,678,338	3,747,757
Student services	7,825,094			7,825,094	7,748,026
Administration and general	12,704,541			12,704,541	11,598,355
Academic support	2,286,535			2,286,535	2,401,236
Auxiliary enterprises	5,465,129			5,465,129	6,107,034
Other deductions	121,400			121,400	—
Total operating expenses and other deductions	50,584,164	—	—	50,584,164	49,886,637
Change in net assets from operating activities	303,680	(516,700)	—	(213,020)	81,301
NON OPERATING ACTIVITIES					
Contributions for long-term investment			551,128	551,128	119,370
Net return on long-term investments (note 4)	3,884,394	1,719,203	79,584	5,683,181	3,563,604
Investment income for operations (note 4)	(547,671)	(933,907)		(1,481,578)	(1,794,532)
Other deductions and additions	(92,485)	19,568	121,567	48,650	93,325
Change in net assets from non-operating activities	3,244,238	804,864	752,279	4,801,381	1,981,767
Total change in net assets	3,547,918	288,164	752,279	4,588,361	2,063,068
Net assets, beginning of year	21,266,277	5,328,920	21,366,616	47,961,813	45,898,745
Net assets, end of year	$ 24,814,195	5,617,084	22,118,895	52,550,174	47,961,813

See accompanying notes to financial statements.

Statements of Cash Flow

For the years ended June 30, 2011 and 2010

	2011	2010
Cash provided by operating activities		
Change in net assets	$ 4,588,361	2,063,068
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,630,728	3,482,852
Net realized and unrealized gains	(5,257,704)	(3,207,405)
Change in accounts and loans receivable	18,123	1,689
Change in funds held in trust by others	(121,567)	(90,990)
Change in contributions receivable	439,118	892,196
Change in prepaid expenses, inventories, and other assets	50,534	191,894
Change in accounts payable and accrued expenses	1,201,497	(960,589)
Change in deposits payable and deferred revenues	79,891	(340,801)
Change in conditional asset retirement obligation	(452,658)	(181,323)
Contributions for permanently restricted endowment	(742,616)	(280,866)
Net cash provided by operating activities	2,433,707	1,569,725
Cash used by investing activities		
Purchase of property, plant and equipment	(1,473,302)	(2,616,803)
Change in employee mortgages and notes receivable	330,752	(176,131)
Purchase of investments	(2,526,911)	(2,595,747)
Sales and maturities of investments	2,879,318	2,364,658
Change in actuarial liability for life income obligation	(2,975)	37,077
Net cash used in investing activities	(793,118)	(2,986,946)
Cash provided from financing activities		
Repayment of long term debt	(658,725)	(731,283)
Proceeds from and (repayment of) new borrowing	(2,500,000)	2,500,000
Change in deposits with bond trustee	596,396	(47,984)
Contributions for permanently restricted endowment	742,616	280,866
Net cash (used in)/provided by financing activities	(1,819,713)	2,001,599
Net change in cash and cash equivalents	(179,124)	584,378
Cash and cash equivalents, beginning of year	1,025,612	441,234
Cash and cash equivalents, end of year	$ 846,488	1,025,612
Supplemental disclosure		
Interest paid	$ 1,006,928	1,081,208
Purchases of plant and equipment included in accounts payable	5,770	—
Contribution of securities	—	34,998

See accompanying notes to financial statements.

Notes to Financial Statements June 30, 2011 and 2010

(NOTE 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 1,457 and 1,387 during fiscal years 2011 and 2010, respectively.

(b) Basis of Presentation The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

The classification of net assets and revenues, expenses, gains, and losses are determined by the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined as follows:

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, net of amount appropriated for operations, changes in value of split interest agreements and endowment gifts.

(d) Cash and Cash Equivalents Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase.

(e) Prepaid Expenses, Inventories, and Other Assets Prepaid expenses, inventories, and other assets include 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, 2010, from which the summarized information was derived.

(k) Fair Value of Financial Instruments The fair value of investments is disclosed in note 4. Fair value for marketable securities is based upon quoted market prices. Fair values for trusts held by others and 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.

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. For those investments measured at net asset value as a practical expedient to fair value, 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.

(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, pledges and loans receivable, and the fair value of certain investments. Actual results could differ from these estimates.

(m) Reclassification Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

(NOTE 2) ACCOUNTS AND LOANS RECEIVABLE

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

	2011	2010
Student accounts	$226,263	262,074
Contracts and grants	186,966	159,732
Other	418,464	749,216
Student loans	62,907	59,395
	894,600	1,230,417
Less allowance for uncollectible accounts	(135,013)	(121,955)
	$759,587	1,108,462

(NOTE 3) CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

Unconditional promises expected to be collected:

	2011	2010
In one year or less	$1,660,027	1,557,794
Between one and five years	762,266	1,337,763
In more than five years	10,000	—
	2,432,293	2,895,557
Less unamortized discount and allowance for uncollectible accounts	(58,913)	(83,059)
	$2,373,380	2,812,498

Discount rates used to calculate the present value of pledges receivable ranged from 0.45% to 5.10%

(NOTE 4) FAIR VALUE AND INVESTMENTS

The College's investments and other assets at June 30, 2011 that are reported at fair value are summarized in the following table by their fair value hierarchy.

	Level 1	Level 2	Level 3	2011 total	Redemption	Days notice
Long term investments:						
Cash and cash equivalents	$ 292,290	—	—	292,290	Daily	1
U.S. equity	7,363,481	—	—	7,363,481	Daily	1
Non-U.S. equity fund	3,502,707	4,024,438	—	7,527,145	Daily/Monthly	1 to 10
Fixed income	2,911,046	—	—	2,911,046	Daily	1
Hedge Funds	—	8,078,695	—	8,078,695	Quarterly	90/65
Real asset commingled funds	—	2,651,329	—	2,651,329	Daily	1
Private equity	—	—	5,081,024	5,081,024	Illiquid	N/A
Private partnerships	—	—	443,134	443,134	Illiquid	N/A
Funds held or administered by others	—	—	270,042	270,042	N/A	N/A
Total investments	14,069,524	14,754,462	5,794,200	34,618,186		
Other assets:						
Funds held in trust by others	—	—	2,387,504	2,387,504	N/A	N/A
Funds held by bond trustee [1]	1,735,523	—	—	1,735,523	Daily	1
Total	$ 15,805,047	14,754,462	8,181,704	38,741,213		

[1] Funds held by bond trustee are primarily cash equivalents and U.S. Treasury securities.

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

	Level 1	Level 2	Level 3	2010 total	Redemption	Days notice
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/ Quarterly	1
Hedge Funds[2]	—	3,661,243	3,763,258	7,424,501	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	11,730,965	9,036,577	8,945,347	29,712,889		
Other assets:						
Funds held in trust by others	—	—	2,265,937	2,265,937	N/A	N/A
Funds held by bond trustee [1]	2,331,919	—	—	2,331,919	Daily	1
Total	$ 14,062,884	9,036,577	11,211,284	34,310,745		

[1] Funds held by bond trustee are primarily cash equivalents and U.S. Treasury securities.

[2] 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 following table presents the College's activity for the fiscal years ended June 30, 2011 and 2010 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Hedge funds	Private equity	Private partnerships	Funds held by others	Short term investments	Total
Fair value June 30, 2010	$ 3,763,258	4,525,287	412,835	2,509,904	—	11,211,284
Transfers[1]	(3,763,258)	—	—	—	—	(3,763,258)
Acquisitions	—	—	—	19,256	—	19,256
Dispositions	—	—	(49,284)	(2,663)	—	(51,947)
Unrealized gains (losses)	—	555,737	79,583	131,049	—	766,369
Fair value June 30, 2011	$ —	5,081,024	443,134	2,657,546	—	8,181,704
Fair value June 30, 2009	$ 6,715,768	3,466,188	482,961	2,405,212	358,242	13,428,371
Transfers[1]	(3,333,065)	—	—	—	—	(3,333,065)
Acquisitions	—	—	5,000	—	10,239	15,239
Dispositions	—	—	(54,229)	—	(390,777)	(445,006)
Investment income	—	—	—	—	22,296	22,296
Unrealized gains (losses)	380,555	1,059,099	(20,897)	104,692	—	1,523,449
Fair value June 30, 2010	$ 3,763,258	4,525,287	412,835	2,509,904	—	11,211,284

[1]Transfer relates to expiration of lock-up provisions and the fund now has quarterly redemption with 65 days' notice.

At June 30, 2011 the College's remaining outstanding commitments to private equity partnerships totaled $32,366, 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 private equity partnerships generally have ten year terms, with extensions of one to four years. As of June 30, 2011, the average remaining life of the private equity partnerships is approximately 2 years.

The College's total investment return is summarized below:

	2011	2010
Dividends and interest	$ 541,893	577,484
Realized/unrealized gain/(loss) on investments	5,257,704	3,207,405
Management fees and other costs	(116,416)	(221,285)
Total return on investments	5,683,181	3,563,604
Investment income used in operations	(1,481,578)	(1,794,532)
Nonoperating investment income	$4,201,603	1,769,072

(NOTE 5) ENDOWMENT FUNDS

The College's endowment consists of approximately 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 2011 and 2010, 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 that the original gifts of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, must be preserved. As a result, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund 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. In accordance with UPMIFA, the College considers the following factors in determining appropriate spending levels from donor-restricted endowment funds: duration and preservation of the endowment fund, purposes of the College and the endowed fund, general economic conditions, possible effects of inflation or deflation, expected total return from income and the appreciation of investments, other resources of the College, and the investment policy of the College.

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 $884,847 and $2,530,741 at June 30, 2011 and 2010, 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, 2011 and 2010.

	Unrestricted	Temporarily restricted	Permanently restricted	Total
June 30, 2011:				
Donor restricted	$ (884,847)	739,275	18,271,567	18,125,995
Board designated (Quasi)	10,791,074	—	—	10,791,074
Total	$9,906,227	739,275	18,271,567	28,917,069
June 30, 2010:				
Donor restricted	$ (2,530,741)	105,455	17,396,568	14,971,282
Board designated (Quasi)	10,072,891	—	—	10,072,891
Total	$ 7,542,150	105,455	17,396,568	25,044,173

Changes in endowment funds for the fiscal year ended June 30, 2011 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
June 30, 2010	$ 7,542,150	105,455	17,396,568	25,044,173
Investment income	178,951	336,490	—	515,441
Net realized and unrealized gains	3,553,642	1,231,237	—	4,784,879
Contributions	2,150	—	874,999	877,149
Distributions	(547,671)	(933,907)	—	(1,481,578)
Transfers	(822,995)	—	—	(822,995)
June 30, 2011	$ 9,906,227	739,275	18,271,567	28,917,069

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
June 30, 2009	$ 6,163,787	27,362	17,295,186	23,486,335
Investment income	201,619	375,865	—	577,484
Net realized and unrealized gains	2,425,567	581,452	—	3,007,019
Contributions	54,000	—	388,869	442,869
Distributions	(915,308)	(879,224)	—	(1,794,532)
Transfers	(387,515)	—	(287,487)	(675,002)
June 30, 2010	$ 7,542,150	105,455	17,396,568	25,044,173

(NOTE 6) FUNDS HELD IN TRUST BY OTHERS

The College is irrevocably named as a beneficiary of funds held by third-party trustees, the purpose of which may be restricted by the donor. Generally, the College will receive a specified portion of the assets remaining when the third-party trusts are terminated.

The present value of the amount to be received upon termination is recorded by the College as funds held in trust on the Statements of Financial Position and as contribution revenue on the Statement of Activities using a discount rate of 3.79% for 2011 and 2010, respectively. Funds held in trust by others totaled $2,387,504 and $2,265,937 at June 30, 2011 and 2010, respectively.

(NOTE 7) PROPERTY, PLANT AND EQUIPMENT

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

	Useful life	2011	2010
Land	—	$3,877,606	3,877,606
Land improvements	30	3,976,098	3,905,547
Library collection	10	7,310,403	6,896,879
Vehicles	10	1,126,783	1,116,884
Equipment	3 – 5	19,237,953	18,937,417
Building and building improvements	10 – 50	65,222,129	64,091,394
		100,750,972	98,825,727
Accumulated depreciation		(59,176,663)	(56,553,710)
		41,574,309	42,272,017
Construction-in-progress		498,329	950,272
		$42,072,638	43,222,289

Depreciation expense was $2,622,953 and $3,468,356 at June 30, 2011 and 2010 respectively.

(NOTE 8) LINE OF CREDIT

The College has an uncollateralized line of credit with the People's United Bank in the amount of $5,000,000 for current operations with interest payable at 0.25% above prime rate. The prime rate was 3.25% at June 30, 2011 and 2010, respectively. At June 30, 2011 and 2010 $0 and $2,500,000, respectively, was outstanding.

(NOTE 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:

Issue	Maturity Date	Interest rate at June 30, 2011	Amount outstanding 2011	2010
HUD Project 136(D)	2019	3.00%	$ 455,000	505,000
HUD Project 154(D)	2014	3.00%	317,685	438,283
Bank Debt Project 163(D)	2013	3.00%	80,903	111,615
Bank Debt Project 180(D)	2014	3.00%	336,552	442,219
Realty Trust Note	2022	6.01%	833,870	882,754
MDFA Series 2004 Bond Issue	2035	5.15–5.70%	14,963,750	15,273,333
MDFA Commercial Paper	2031–2038	Variable, .31%	8,100,000	8,100,000
			25,087,760	25,753,204
Less original issue discount			(77,274)	(80,633)
			$ 25,010,486	25,672,571

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:

	Amount
2012	$ 692,900
2013	724,108
2014	671,166
2015	497,132
2016	529,721
Thereafter	21,972,733
	$ 25,087,760

The fair value of the College's long term debt approximates $25,056,207 at June 30, 2011.

(NOTE 10) NET ASSETS

The composition of the categories of net assets as of June 30, 2011 and 2010 consists of:

	2011	2010
Temporarily restricted net assets:		
Accumulated net gains on permanently endowed funds	$ 739,275	105,455
Amounts restricted by donors for programs	3,521,119	3,864,620
Contributions receivable for programs	1,356,690	1,358,845
	$ 5,617,084	5,328,920
Permanently restricted net assets:		
Permanent endowment and similar funds	$ 21,102,205	20,075,339
Contributions receivable for permanent endowment	1,016,690	1,291,277
	$ 22,118,895	21,366,616

Included in unrestricted net assets are internally designated reserves amounting to $548,582 at June 30, 2010.

(11) COMMITMENTS UNDER OPERATING LEASES

The College has entered into certain operating lease agreements. Lease expense in 2011 and 2010 amounted to $205,068 and $227,217, respectively. Payments under these agreements are as follows:

	Amount
2012	$ 205,198
2013	193,942
2014	193,942
2015	127,719
2016	127,719
	$ 848,520

(12) RETIREMENT PLAN

Contributions made by the College for the TIAA-CREF Retirement Plan were $1,797,400 and $1,831,500 during fiscal years 2011 and 2010, 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%.

(13) SUBSEQUENT EVENTS

The College evaluated subsequent events for potential recognition or disclosure through November 18, 2011, the date on which the financial statements were issued.

Trustees and Officers

As of June 30, 2011