Hampshire College

Financial Report | 2014–2015

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HAMPSHIRE COLLEGE

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FISCAL YEAR 15 was a pivotal year for Hampshire College with changes in the admissions strategy, the implementation of a campus-wide strategic plan, and a renewed emphasis on improving and beautifying our facilities and grounds. The challenges and opportunities presented by these strategic priorities are reflected in our financial performance for the year and in our change in net assets from operating activities specifically.

Hampshire's overall financial position continued to strengthen in fiscal year 2015 as a result of the efforts of our President and our Advancement Office in bringing new fundraising dollars to campus, in support of our Capital campaign and our first major new academic building in nearly thirty years. Net Assets, the College's core measure of financial health, increased by $7.7MM or 11 percent despite an operating loss of $678k.

At the onset of FY 15, the Board of Trustee's approved a budget that was $1.3MM in deficit, acknowledging that one of the outcomes of the new admissions strategy would be an overall decline in enrollment and revenue. As a result of a comprehensive study of the qualities that define the type of student who is likely to thrive in Hampshire's unique pedagogy, the admissions strategy was modified to recruit and enroll only those students who could meet these rigorous standards. It was fully expected that this would result in a smaller, more selective class. The class entering in the fall of 2015 is the first class enrolled under these new standards.

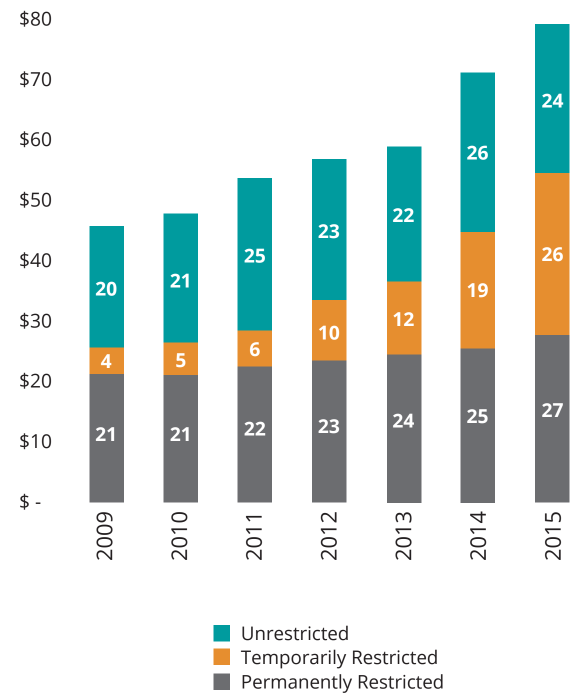
In addition, renewed efforts at communicating Hampshire's unique value proposition has resulted in a new website, and national attention for our SAT "test-blind" policy and our commitment to sustainability, carbon neutrality, and solar power.

The construction of Hampshire's new building is further evidence of our commitment to greening our campus, using our buildings as teaching tools, educating for change and changing education. The R.W. Kern Center will be a "net zero" building—providing its own energy, collecting its own water, managing its own waste—and its systems and architecture are already embedded into our curriculum.

Early results of these strategic changes are encouraging. Class size is up from 1324 in fiscal year 15 to 1341 fiscal year 16 and applications for admission are up 15% from fiscal year 16 to fiscal year 17. Contributions for scholarships, building improvements, and annual fund support are all on the rise. Plans are in process for continuing our campus renewal and for welcoming an even larger class of "thrivers" to the campus in the fall of 2016.

Net Assets (in millions)

FISCAL YEAR ENDED JUNE 30, 2015



STATEMENT OF FINANCIAL POSITION

Led by strong growth in Contributions Receivable and additions to Property, Plant and Equipment, the College's Net Assets grew from $70.4MM to $78.1MM. Both areas of growth resulted from fundraising efforts for the R.W. Kern Center and other campus improvements.

The shift of $8.1MM from long-term debt to short-term debt was caused by a bond that was called during fiscal year 15 but refinanced as long-term debt in fiscal year 16.

Cash decreased over the period by $2.6MM due to expenditures for the R.W Kern Center and other facilities improvements scheduled to be funded from the new Tax Exempt Bond that was not closed until February of fiscal year 16.

STATEMENT OF ACTIVITIES

Total Operating Revenues and other support decreased during the fiscal year from $60.2MM to $57.1MM due primarily to the planned decrease in enrollment. Tuition, room and board revenue decreased a total of $1.4MM while contributions and gifts declined by $1.7MM. The average net price of a Hampshire education per student FTE increased from $34,151 to $36,334.

Total expenses increased a modest $0.4MM with the bulk of that increase going to academic programs (instruction and related activities/research and sponsored programs) and direct student services. Expenses for administration, support services, and auxiliary services declined over the period.

The Change in Net Assets from Operating Activities (unrestricted) resulted in a loss of $678k, less than the $1.3MM budgeted loss. The Change in Net Assets from Operating Activities (unrestricted and temporarily restricted) resulted in a net gain of $600k for the period.

Leading the gains in the Non-Operating Activities was the continued strong performance of Contributions for long-term investment, including a $5MM gift for a capital project to be completed sometime in the future.

An annual endowment draw of $1.7MM, or 4.5% of the market value of the endowment over the trailing twelve quarters, supported the operating budget.

INVESTMENTS

The endowment fund supports the activities of the College which assist in fulfilling our mission and meeting our strategic goals. Our investment policy directs the investment and use of these funds in ways designed to “preserve its purchasing power, while providing a continuing and stable funding source to support the current and future mission of Hampshire College.”

The Endowment was up 4.6% for the fiscal year, bringing total assets to $39.3MM as of June 30, 2015. During the fiscal year, the College borrowed a total of $950k for capital improvements to the Campus. No repayment plan has as yet been developed.

FACILITIES

Approximately $8.2MM was invested in capital projects in 2015 to address deferred maintenance, construction of the R.W. Kern Center, and campus beautification.

Planning for a Knowledge and Wellness Center to connect the Library and the Robert Crown building was initiated with the goal of a substantial ($18MM) project to improve both facilities in the near term.

Construction on the R.W. Kern Center, begun in the fall of 2014, proceeded steadily despite a challenging winter and is nearing completion. An opening ceremony is planned for April, 2016. Renovations and improvements on other buildings included new roofs, the installation of chillers, replacement of campus backup generators, lab renovations at Cole Science Center, landscaping improvements, and roadway repair.

The application and design of a solar array scheduled to be built in fiscal year 16 to supply the entire main campus with 100% of electricity needs on an annualized basis has vaulted Hampshire College into the national dialogue of renewable energy and sustainability.

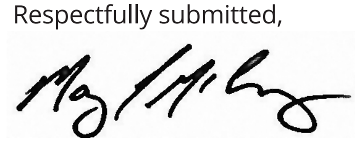
Plans for a space assessment and reassignment of space are underway in order to prioritize the center of campus as the academic and student corridor.

THE YEAR

On the whole, fiscal year 15 was both challenging and inspiring. The new admissions strategy, the strategic plan, a major new building, campus improvements, academic achievements, national attention for our mission-driven admissions and sustainability practices have all reinvigorated the staff, faculty, Trustees, and students of our institution. Hampshire College is indeed “educating for change and changing education.”

This report is dedicated to the hard-working people of Hampshire College who aspire every day to bring forth the best in themselves and our students.

Respectfully submitted,



Mary E. McEneany
Vice President for Finance and Administration and Treasurer

Report of the 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 financial statements of Hampshire College, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Hampshire College as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information
We have previously audited the Hampshire College 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statement from which it has been derived.

KPMG LLP

February 22, 2016

Statements of Financial Position

JUNE 30, 2015 AND 2014

ASSETS	2015	2014
Cash and cash equivalents	$ 3,660,102	6,276,818
Accounts and loans receivable, net (note 2)	798,898	516,004
Contributions receivable, net (note 3)	11,854,044	7,662,650
Prepaid expenses, inventories and other assets	381,959	419,011
Deposits with bond trustee (note 4)	304,000	350,001
Investments – at fair value (note 4)	41,103,640	42,105,202
Funds held in trust by others (notes 4 and 6)	2,291,934	2,299,095
Property, plant and equipment, net (note 7)	46,104,565	40,736,876
Total assets	$ 106,499,142	100,365,657
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 1,515,224	2,548,437
Deposits and deferred income	1,511,053	1,584,322
Short term debt (note 8)	8,100,000	—
Conditional asset retirement obligation	3,175,463	3,172,669
Long term debt (note 8)	14,063,346	22,696,755
Total liabilities	28,365,086	30,002,183
Net assets		
Unrestricted	24,461,017	25,989,927
Temporarily restricted (note 9)	26,275,310	19,122,771
Permanently restricted (note 9)	27,397,729	25,250,776
Total net assets	78,134,056	70,363,474
Total liabilities and net assets	$ 106,499,142	100,365,657

See accompanying notes to financial statements.

Statement of Activities

YEAR ENDED JUNE 30, 2015 (WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2015	2014
OPERATING ACTIVITIES					
Revenues and other additions					
Tuition, room, board and other fees	$ 73,774,333	—	—	73,774,333	75,207,522
Less student aid awarded	(27,719,592)	—	—	(27,719,592)	(27,533,244)
Net tuition and fees	46,054,741	—	—	46,054,741	47,674,278
Contributions, gifts, and grants	2,797,899	4,322,600	—	7,120,499	8,833,528
Other income	699,693	—	—	699,693	442,713
Investment income for operations (note 4)	679,609	1,047,066	—	1,726,675	1,565,526
Other auxiliary enterprises	1,527,071	—	—	1,527,071	1,655,141
Net assets released from restrictions for operating purposes	4,090,758	(4,090,758)	—	—	—
Total operating revenues and other support	55,849,771	1,278,908	—	57,128,679	60,171,186
Expenses					
Instruction and related activities	21,039,226	—	—	21,039,226	20,794,945
Research and sponsored programs	3,398,434	—	—	3,398,434	3,078,342
Student services	9,090,948	—	—	9,090,948	8,899,387
Administration and general	13,243,829	—	—	13,243,829	13,298,861
Academic support	3,247,782	—	—	3,247,782	3,365,958
Auxiliary enterprises	6,507,583	—	—	6,507,583	6,705,268
Total operating expenses	56,527,802	—	—	56,527,802	56,142,761
Change in net assets from operating activities	(678,031)	1,278,908	—	600,877	4,028,425
NONOPERATING ACTIVITIES					
Contributions for long-term investment	36,000	6,397,660	1,655,021	8,088,681	1,706,918
Net return on long-term investments (note 4)	418,733	540,890	19,667	979,290	7,637,569
Investment income for operations (note 4)	(789,490)	(905,164)	—	(1,694,654)	(1,400,000)
Other additions and deductions	144,862	(359,755)	11,281	(203,612)	(14,161)
Other transfers	(660,984)	200,000	460,984	—	—
Change in net assets from nonoperating activities	(850,879)	5,873,631	2,146,953	7,169,705	7,930,326
Total change in net assets	(1,528,910)	7,152,539	2,146,953	7,770,582	11,958,751
Net assets, beginning of year	25,989,927	19,122,771	25,250,776	70,363,474	58,404,723
Net assets, end of year	$ 24,461,017	26,275,310	27,397,729	78,134,056	70,363,474

See accompanying notes to financial statements.

Statements of Cash Flows

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 7,770,582	11,958,751
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,379,422	2,256,386
Net realized and unrealized gains	(661,011)	(7,458,979)
Change in accounts and loans receivable	(31,573)	71,894
Change in funds held in trust by others	7,161	167,233
Change in contributions receivable	(4,191,394)	(2,539,732)
Change in prepaid expenses, inventories, and other assets	37,052	37,426
Change in accounts payable and accrued expenses	(614,569)	630,687
Change in deposits payable and deferred revenues	(73,269)	(69,324)
Change in conditional asset retirement obligation	2,794	14,588
Contributions for permanently restricted endowment	(1,007,721)	(367,121)
Contributions for long term investments	(1,017,660)	(850,414)
Net cash provided by operating activities	2,599,814	3,851,395
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,181,603)	(2,898,684)
Change in employee mortgages and notes receivable	(251,321)	28,935
Purchase of investments	(3,185,581)	(1,259,740)
Sales and maturities of investments	4,848,154	1,761,996
Change in actuarial liability for life income obligation	15,848	79,765
Net cash used in investing activities	(6,754,503)	(2,287,728)
Cash flows from financing activities		
Repayment of long term debt	(533,409)	(707,585)
Change in deposits with bond trustee	46,001	209,168
Contributions for permanently restricted endowment	1,007,721	367,121
Contributions for long term investments	1,017,660	850,414
Net cash provided by financing activities	1,537,973	719,118
Net change in cash and cash equivalents	(2,616,716)	2,282,785
Cash and cash equivalents, beginning of year	6,276,818	3,994,033
Cash and cash equivalents, end of year	$ 3,660,102	6,276,818
Supplemental disclosures		
Interest paid	$ 458,055	482,415
Change in purchases of plant and equipment included in accounts payable	(434,492)	556,287

See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

Hampshire College (the College) is a residential, coeducational, liberal arts college, which offers an academic program leading to the Bachelor of Arts degree. The College was founded in 1965 and commenced academic classes in September 1970. The average student enrollment was 1,298 and 1,390 during fiscal years 2015 and 2014, 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, based on the existence or absence of donor restriction or inherent time restriction. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments based on the existence or absence of donor-imposed restrictions, 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 gifts for long-term investment.

(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

IInvestments are reported at fair value. If an investment is held directly by the College and an active market with quoted prices exists, the College reports the fair value as the market price of an identical security. The College also holds shares or units in alternative investments such as private equity, and real asset strategies. Such funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, those investments may hold assets, which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The College has utilized the net asset value (NAV) reported by each of the underlying funds as a practical expedient to estimating the fair value of the investments. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interest in the funds. Furthermore, changes in the liquidity provisions of the funds may significantly impact the fair value of the College's interests in the funds. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different from the reported value.

(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 (the Code) and is generally exempt from federal taxes pursuant to Section 501(a) of the Code. The College has assessed uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

(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 GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2014, 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 other alternative 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.

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.

The private equity amount included in level three is stock for a privately held company. Annually the private Company is valued by a third party and the valuation is provided to all shareholders. The College uses the valuation provided to determine the value of its investment as of June 30.

Effective in the year ended June 30, 2015, the College retrospectively adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent)* (ASU 2015-07). Among other things, ASU 2015-07 removes the requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at NAV as a practical expedient to estimate fair value. The adoption did not impact the College's statement of financial position, statement of activities, or statement of cash flow and resulted only in changes to the College's investment disclosures.

(l) Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities, as well as the reported amounts of revenues and expenses. These estimates include the allowance for uncollectible accounts, pledges and loans receivable, and the fair value of certain investments. Actual results could differ from these estimates.

(m) Reclassification

Certain 2014 financial information has been reclassified to conform to the 2015 presentation.

(2) ACCOUNTS AND LOANS RECEIVABLE

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

	2015	2014
Student accounts	$ 480,230	351,233
Other	558,823	307,502
Student loans	47,636	47,015
	1,086,689	705,750
Less allowance for uncollectible accounts	(287,791)	(189,746)
	$ 798,898	516,004

(3) CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

Unconditional promises expected to be collected:

	2015	2014
IIn one year or less	$ 3,863,056	3,528,865
Between one and five years	7,371,453	4,166,923
In more than five years	1,056,250	127,173
	12,290,759	7,822,961
Less unamortized discount and allowance for uncollectible accounts	(436,715)	(160,311)
	$ 11,854,044	7,662,650

Discount rates used to calculate the present value of pledges receivable ranged from 0.15% to 2.52%.

(4) FAIR VALUE AND INVESTMENTS

The following table summarizes the valuation of the College's investments and other assets at June 30, 2015.

	QUOTED PRICES IN ACTIVE MARKETS LEVEL 1	SIGINIFICANT OTHER OBSERVABLE INPUTS LEVEL 2	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3	INVESTMENTS MEASURED AT NET ASSET VALUE	2015 TOTAL	REDEMPTION
Long term investments						
Cash and cash equivalents	$ 873	—	—	—	873	Daily
U.S. equity:						
Large Cap	3,270,536	—	—	—	3,270,536	Daily
Small Cap	773,335	—	—	—	773,335	Daily
Exchange Traded Treasury Administered Fund	984,433	—	—	—	984,433	Daily
Non-U.S. equity funds	—	—	—	13,000,692	13,000,692	Monthly/quarterly
Fixed income	2,969,632	—	—	888,393	3,858,025	Daily
Hedge Funds	—	—	—	7,950,004	7,950,004	Quarterly
Real asset commingled funds	—	—	—	1,573,316	1,573,316	Monthly
Private equity	—	—	8,891,792	—	8,891,792	Illiquid
Private partnerships	—	—	—	542,519	542,519	Illiquid
Pooled life income funds and other	—	—	258,115	—	258,115	N/A
Total investments	7,998,809	—	9,149,907	23,954,924	41,103,640	
Other assets						
Funds held in trust by others	—	—	2,291,934	—	2,291,934	N/A
Funds held by bond trustee [1]	304,000	—	—	—	304,000	Daily
Total	$ 8,302,809	—	11,441,841	23,954,924	43,699,574	

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

(4) FAIR VALUE AND INVESTMENTS (CONTINUED)

As a result of the adoption, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments aggregating $20,247,522 in Level 2 and $522,852 in Level 3.

The following table summarizes the valuation of the College's investments and other assets at June 30, 2014.

	QUOTED PRICES IN ACTIVE MARKETS LEVEL 1	SIGINIFICANT OTHER OBSERVABLE INPUTS LEVEL 2	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3	INVESTMENTS MEASURED AT NET ASSET VALUE	2014 TOTAL	REDEMPTION
Long term investments						
Cash and cash equivalents	$ 873	—	—	—	873	Daily
U.S. equity:						
Large Cap	3,846,652	—	—	—	3,846,652	Daily
Small Cap	1,037,733	—	—	—	1,037,733	Daily
Exchange Traded Treasury Administered Fund	1,202,392	—	—	—	1,202,392	Daily
Non-U.S. equity funds	2,058,613	—	—	10,651,470	12,710,083	Daily/quarterly
Fixed income	4,354,321	—	—	—	4,354,321	Daily
Hedge Funds	—	—	—	8,060,020	8,060,020	Monthly
Real asset commingled funds	—	—	—	1,536,032	1,536,032	Monthly
Private equity	—	—	8,574,228	—	8,574,228	Illiquid
Private partnerships	—	—	—	522,852	522,852	N/A
Pooled life income funds and other	—	—	260,016	—	260,016	Daily
Total investments	12,500,584	—	8,834,244	20,770,374	42,105,202	
Other assets						
Funds held in trust by others	—	—	2,299,095	—	2,299,095	N/A
Funds held by bond trustee [1]	350,001	—	—	—	350,001	Daily
Total	$ 12,850,585	—	11,133,339	20,770,374	44,754,298	

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

(4) FAIR VALUE AND INVESTMENTS (CONTINUED)

The following table presents the College's activity for the fiscal years ended June 30, 2015 and 2014 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	PRIVATE EQUITY	FUNDS HELD BY OTHERS	TOTAL
Fair value June 30, 2014	$ 8,574,228	2,559,111	11,133,339
Acquisitions	—	4,618	4,618
Dispositions	—	(5,519)	(5,519)
Unrealized gains	317,564	(8,161)	309,403
Fair value June 30, 2015	$ 8,891,792	2,550,049	11,441,841
Fair value June 30, 2013	$ 5,477,980	2,711,274	8,189,254
Acquisitions	—	3,943	3,943
Dispositions	—	(283,657)	(283,657)
Unrealized gains	3,096,248	127,551	3,223,799
Fair value June 30, 2014	$ 8,574,228	2,559,111	11,133,339

At June 30, 2015, the College did not have any remaining outstanding commitments to private partnerships 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. The College's total investment return is summarized below:

	2015	2014
Dividends and interest	$ 594,885	487,737
Realized/unrealized gain on investments	661,011	7,458,979
Management fees and other costs	(244,585)	(143,621)
Total return on investments	1,011,311	7,803,095
Investment income used in operations	(1,726,675)	(1,565,526)
Nonoperating investment income	$ (715,364)	6,237,569

Investment income used in operations reflected in the table above includes the annual draw of 4.5% in addition to the Vanguard revenue used for CLPP operations. This CLPP investment revenue represents the difference between the Non-Operating and Operating Investment Income for Operations on the Statement of Activities.

(5) ENDOWMENT FUNDS

The College's endowment consists of approximately 218 individual funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the College to function as endowments (quasi endowments).

Endowment funds share in an investment pool on a unit market value basis. Funds are added to and withdrawn from the pool at the then current unit market value of the pooled assets. The College uses a total return approach to managing endowment investments. Funds are invested to maximize total return consistent with prudent risk without regard to the mix of current investment income and realized and unrealized gains or losses.

Giving consideration to The Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the Commonwealth of Massachusetts, the College has prepared these financial statements on the basis that the original gifts of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, must be preserved. As a result, the College classifies as 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.

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 2015 and 2014, the percentage distributed was 4.5%.

In addition to the 4.5% draw, there was a board approved draw of $150,000 for the year ended June 30, 2015 to support a fundraising campaign. The board also approved a $2.3 million endowment borrowing to support capital projects and early retirements. Hampshire borrowed $950,000 for the year ended June 30, 2015 and is expected to borrow the remaining amount in fiscal year 2016. The borrowing was a transfer of money out of quasi endowment to operations. Terms for repayment to operations have yet to be determined. Included in other transfers is a board approved $2.6 million transfer of funds to board designated (quasi) endowed.

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 $95,573 and $78,897 at June 30, 2015 and 2014, 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.

(5) ENDOWMENT FUNDS (CONTINUED)

Endowment funds, which include pooled endowment funds but exclude split interest agreements and pledges, consisted of the following at June 30, 2015 and 2014.

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
June 30, 2015				
Donor restricted	$ (95,573)	3,490,489	23,039,294	26,434,210
Board designated (quasi)	12,873,501	—	—	12,873,501
Total	$ 12,777,928	3,490,489	23,039,294	39,307,711
June 30, 2014				
Donor restricted	$ (78,897)	3,832,911	21,565,573	25,319,587
Board designated (quasi)	12,247,462	—	—	12,247,462
Total	$ 12,168,565	3,832,911	21,565,573	37,567,049

Changes in endowment funds for the fiscal year ended June 30, 2015 were as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
June 30, 2014	$ 12,168,565	3,832,911	21,565,573	37,567,049
Other transfers	1,909,435	21,550	466,000	2,396,985
Investment return	419,418	541,192	—	960,610
Contributions	20,000	—	1,007,721	1,027,721
Appropriated to operations	(789,490)	(905,164)	—	(1,694,654)
Appropriated to operations - borrowing	(950,000)	—	—	(950,000)
June 30, 2015	$ 12,777,928	3,490,489	23,039,294	39,307,711

Changes in endowment funds for the fiscal year ended June 30, 2014 were as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
June 30, 2013	$ 10,053,129	902,292	20,084,510	31,039,931
Other transfers	(710,000)	—	710,000	—
Investment return	3,308,424	3,754,819	—	7,063,243
Contributions	—	—	769,192	769,192
Appropriated to operations	(482,988)	(824,200)	1,871	(1,305,317)
June 30, 2014	$ 12,168,565	3,832,911	21,565,573	37,567,049

(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 2015 and 2014, respectively. Funds held in trust by others totaled $2,291,934 and $2,299,095 at June 30, 2015 and 2014, respectively.

(7) PROPERTY, PLANT, AND EQUIPMENT

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

	USEFUL LIFE	2015	2014
Land	—	$ 3,877,606	3,877,606
Land improvements	30	5,526,775	4,159,216
Library collection	10	7,583,880	7,489,382
Vehicles	10	1,032,945	1,119,716
Equipment	3–5	22,088,380	20,930,633
Building and building improvements	10–50	69,497,640	67,689,174
		109,607,226	105,265,727
Accumulated depreciation		(68,592,600)	(66,309,949)
		41,014,626	38,955,778
Construction in progress		5,089,939	1,781,098
		$ 46,104,565	40,736,876

Depreciation expense was $2,379,422 and $2,256,386 at June 30, 2015 and 2014, respectively.

(8) 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 long term debt outstanding as of June 30 are as follows:

ISSUE	MATURITY DATE	INTEREST RATE AT JUNE 30, 2015	AMOUNT OUTSTANDING 2015	2014
HUD Project 136(D)	2019	3.00%	$ 240,000	295,000
Realty Trust Note	2022	6.01	606,203	668,335
Series 2012 Bond	2032	2.76	13,217,143	13,633,420
MDFA Commercial Paper	2016	Variable	—	8,100,000
			$ 14,063,346	22,696,755

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.

The MDFA Commercial Paper was supported with an irrevocable Letter of Credit dated May 2, 2006 issued by JPMorgan Chase Bank, National Association with a termination date of May 2, 2015. The College received notification from JPMorgan Chase Bank, National Association that they would not extend the Letter of Credit and it will terminate on May 2, 2015 in accordance with the terms of the agreement. The College was granted its first extension of the termination date to November 2, 2015 and a second extension to February 2, 2016. The MDFA Commercial Paper is classified as short term debt in 2015 for $8,100,000.

Principal payments on all short term and long term debt are as follows:

	AMOUNT
2016	$ 8,653,049
2017	570,229
2018	587,034
2019	604,460
2020	561,675
Thereafter	11,186,899
	$ 22,163,346

The estimated fair value of the College's long term debt is $13,764,638 at June 30, 2015. The valuation methodology considers certain observable inputs and thus would be categorized as Level 2 within the fair value hierarchy. The College further determined that the differences between the carrying value and estimated fair values of its other financial assets and liabilities at June 30, 2015 were not material.

(9) NET ASSETS

The composition of the categories of net assets as of June 30, 2015 and 2014 consists of:

	2015	2014
Temporarily restricted net assets:		
Accumulated net gains on permanently endowed funds	$ 3,490,489	3,832,911
Restricted by donors for capital	7,631,173	5,788,695
Restricted by donors for programs	4,823,586	2,701,771
Contributions receivable for programs	10,330,062	6,799,394
	$ 26,275,310	19,122,771
Permanently restricted net assets:		
Morgan Venture Fund	$ 542,519	522,852
Contributions receivable for permanent endowment	1,523,982	863,256
Funds Held in Trust by Others	2,291,934	2,299,095
Permanent endowment and similar funds	23,039,294	21,565,573
	$ 27,397,729	25,250,776

(10) COMMITMENTS UNDER OPERATING LEASES

The College has entered into certain operating lease agreements. Lease expense in 2015 and 2014 amounted to $332,985 and $333,064, respectively.

Payments under these agreements are as follows:

	AMOUNT
2016	$ 323,572
2017	188,677
2018	139,966
2019	130,443
	$ 782,658

(11) RETIREMENT PLAN

Contributions made by the College for the TIAA-CREF Retirement Plan were $2,228,592 and $2,161,606 during fiscal years 2015 and 2014, respectively, for eligible and enrolled employees based on a portion of salaries from 9.5% to 10%. In addition, the employees enrolled in the plan contributed a portion of their salaries ranging from 3% to 5%.

(12) LINE OF CREDIT

The College has an uncollateralized demand line of credit in the amount of $5,000,000 at an interest rate of 25 basis points above prime rate. There was no amount outstanding on the line of credit at June 30, 2015 and 2014. The credit line expired in December 2015.

(13) SUBSEQUENT EVENTS

The College evaluated subsequent events for potential recognition or disclosure through February 22, 2016, the date on which the financial statements were issued. As noted above in footnote 8, the College received a Notice of NonExtension of the irrevocable letter of credit that supports the College's MDFA Commercial Paper. According to the notice, the letter of credit would be expiring and would not be extended. The termination date of the letter of credit was extended from its original expiration date of May 2, 2015 to February 2, 2016. On February 1, 2016 the College issued bonds through Massachusetts Development Finance Agency, with Bankunited, N.A. as the bond owner, in the amount of $15 million. A portion of the proceeds, $7,987,456, together with $115,397 available from the excess interest balance held by the Trustee, was used to redeem the MDFA Commercial Paper in full in the amount of $8,102,853.

Trustees and Officers

JUNE 30, 2015