

Hampshire College Financial Statement Summary 2023-2024

Overview

At the end of the fiscal year that ended June 30, 2024, Hampshire College has made extraordinary progress, increasing enrollment by 74% since fall 2021 (from 472 to 824 students), increasing campaign dollars to nearly \$44 million in cash and pledges for unrestricted operating support, creating a sustainability fund to support ongoing operations as we rebuild enrollment, and establishing a pattern of budget discipline that projects positive revenue in FY2027. These results are on track with the multi-year plan to achieve long-term financial stability.

Controlling expenses and driving enrollment growth continue to be fundamental to meeting the objectives of the Sustainability Plan, which is the College's multi-year plan to return to full enrollment and a break-even budget. Expense control has been maintained through a combination of disciplined cost management and efficiency gains.

The College's audit firm of Clifton, Larson, and Allen LLC (CLA) gave an unmodified or "clean" audit opinion with no material weaknesses in controls identified.

Below is a summary of the audited financial statements for the year ended June 30, 2024.

Statement of Financial Position

Assets – total assets decreased by \$14.2 million, with investments declining by nearly \$5 million, thereby constituting a significant portion of the decrease. Of the remaining \$9 million decrease, \$900k was due to a decrease in cash, \$3.6 million was due to a decrease in Employee Retention Tax Credit receivable as these funds have been disbursed to the college, a \$2.7 million decrease in Contributions receivable, and \$1.8 million decrease in Property, Plant, and Equipment as annual depreciation continues to be greater than the amount of newly acquired assets.

Liabilities – total liabilities remained relatively constant at nearly \$28 million, with a slight increase in deferred income offset by scheduled debt principal decreases and accrued liabilities. The College did not take on new debt during the fiscal year. Note that our current debt is classified as short-term as one of the bondholders in December 2022

exercised their option to “put” debt back to the College. The College continues to pursue refinancing opportunities.

Net Assets – net assets decreased by \$14.2 million both due primarily from a loss from operations of \$9 million and endowment income used for operations of \$4.3 million.

Statement of Activities

Operating Results – Total Operating revenues and other support increased slightly by \$1.5 million from the previous year. Net tuition and fees increased just under \$5 million due to enrollment increases. This increase was anticipated in our Sustainability Plan; a more significant increase was recognized in the fall of 2024, with a student body increasing 17% to 842 students. The College saw a decrease in contributions of \$2.6 million as certain grants have ended, including a \$195k decrease in federal funding as emergency COVID funding has ceased. A decrease of \$3.9 million was recorded under Endowment Allocation for operations as explained in Note 5. The college also recognized nearly \$300k of additional Auxiliary Enterprise revenues increasing to nearly \$3.1 million, offset by a small decrease in other income.

Expenditures increased \$5.1 million over the previous year. This increase is primarily in the student focused support areas such as student services and auxiliary enterprises due to higher student body count and post-COVID increase in student activities.

The “Change in net assets from operating activities” or Operating Results (total operating revenue less total operating expenses and other expenditures) was an approximate decrease of \$10 million.

Non Operating Results – the “change in net assets from nonoperating activities” was a decrease of \$4 million, primarily reflecting the use of \$4 million in endowment funds used for operations.

Statement of Cash Flows

The College’s on-hand cash and cash equivalents at the end of the year decreased \$901k from the previous year. This was driven primarily by the sale of investments providing \$7.4 million in cash, offset by \$7.5 million of losses from operating activities. The college did not take on new debt during the year.

Substantial Doubt About the Entity’s Ability to Continue as Going Concern

CLA included a “Going Concern” statement with regard to current efforts to refinance long-term debt (see the preamble and footnote 15 of the financial statements). The holder of

the College's Series 2012 Bond exercised its put option on April 29, 2022, with a current mandatory tender due on March 31, 2025. The Series 2016 Bond could be called at any time. Therefore, the College has re-classified the bonds from long-term to short-term debt. Management concluded that it would be prudent to acknowledge the College's ability to continue as a going concern within one year after the issuance of the financial statements is dependent upon successfully securing financing or further extensions. The College continues to pursue options to refinance or extend the bonds.

Looking Towards the Future

Hampshire College remains on pace to achieve sustainable operating budgets for FY2027 and subsequent years by reaching stable enrollment at a realistic net revenue per student while maintaining budget discipline. The plan developed in fall 2019 continues to guide Hampshire and demonstrates a clear path to full enrollment that produces operating revenues that meet expenses.