



FINANCIAL OVERVIEW OF SMITH COLLEGE - VOLUNTEER LEADERSHIP WEEKEND



STRICTLY PRIVATE AND CONFIDENTIAL

Topics for discussion



How does Smith spend its resources?

How does Smith finance its spending?

What are the pressing budget and financial issues facing Smith?

Financial overview



- \$175 million core operating budget, plus another \$10 to \$20 million in capital plan annually; growing faster than inflation
- \$1.4 billion endowment/investment pool; asset to expenditure ratio of 8-1 is top ten among colleges
- About 1,000 staff and 300 faculty positions; staff and faculty to student ratios in line with other top colleges
- Plant valued at more than \$700 million
- Long history of balanced budgets; focus on financial equilibrium
- Decentralized orientation, particularly among colleges
- Reliance on endowment and philanthropy
- Access to excellence balance
- Limited potential for productivity without paradigm/mission shift

Financial management



- In budget, personnel decisions and management, Smith strikes a balance between centralized oversight to realize institutional priorities and delegated authority to empower individual senior staff to make decisions and identify priorities in their own areas.
- Major issues are discussed collaboratively at weekly senior administrator meetings.
- Trustees are very engaged, discussing financial planning and operating budget performance at each quarterly meeting.
- Two campus committees, the Advisory Committee on Resource Allocation and the Committee on Mission and Priorities, play significant roles in developing the annual budget and major financial and capital planning parameters.
- Comprehensive rolling multi-year financial and capital plans are explicitly linked and integrated.

How do we know we've been successful?



- Budget is **integrated into an overall plan** that reflects priorities and values
- Resources are directed toward the plan's objectives
- **Key constituencies support or, at minimum, understand** the reasons behind the budget
- Budget managers are held **accountable for performance**
- Budget incorporates **substitution**, i.e. deciding NOT to do something in order to fund a higher priority
- Institution is **moving toward its objectives**

Framework for Equilibrium



Balanced revenue and spending expectations next year and beyond

Adequate reinvestment in plant

Intergenerational equity in endowment management

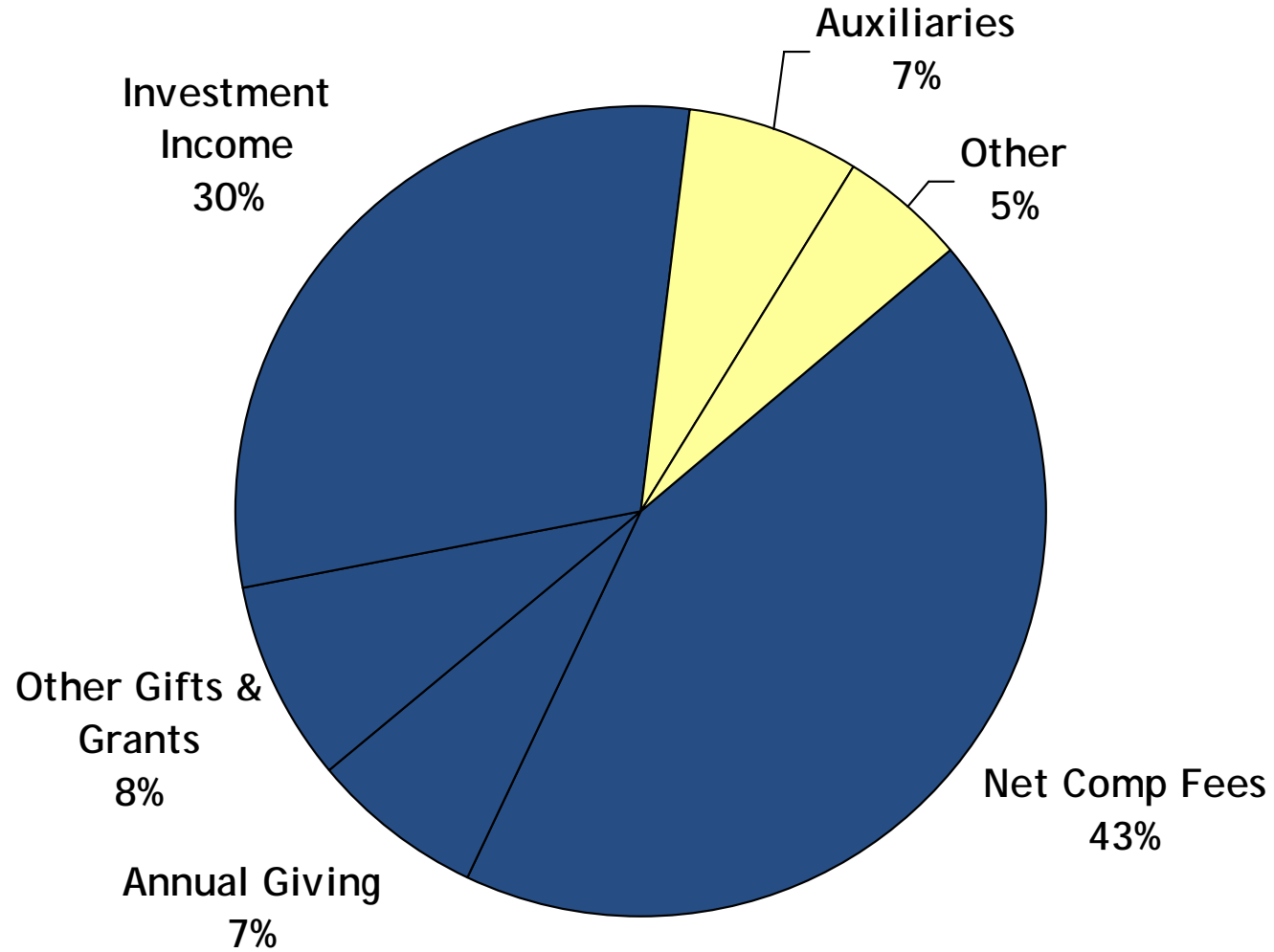
Sufficient flexibility/new resources for initiatives and momentum

Competitive compensation increases

Maintaining or enhancing educational experience

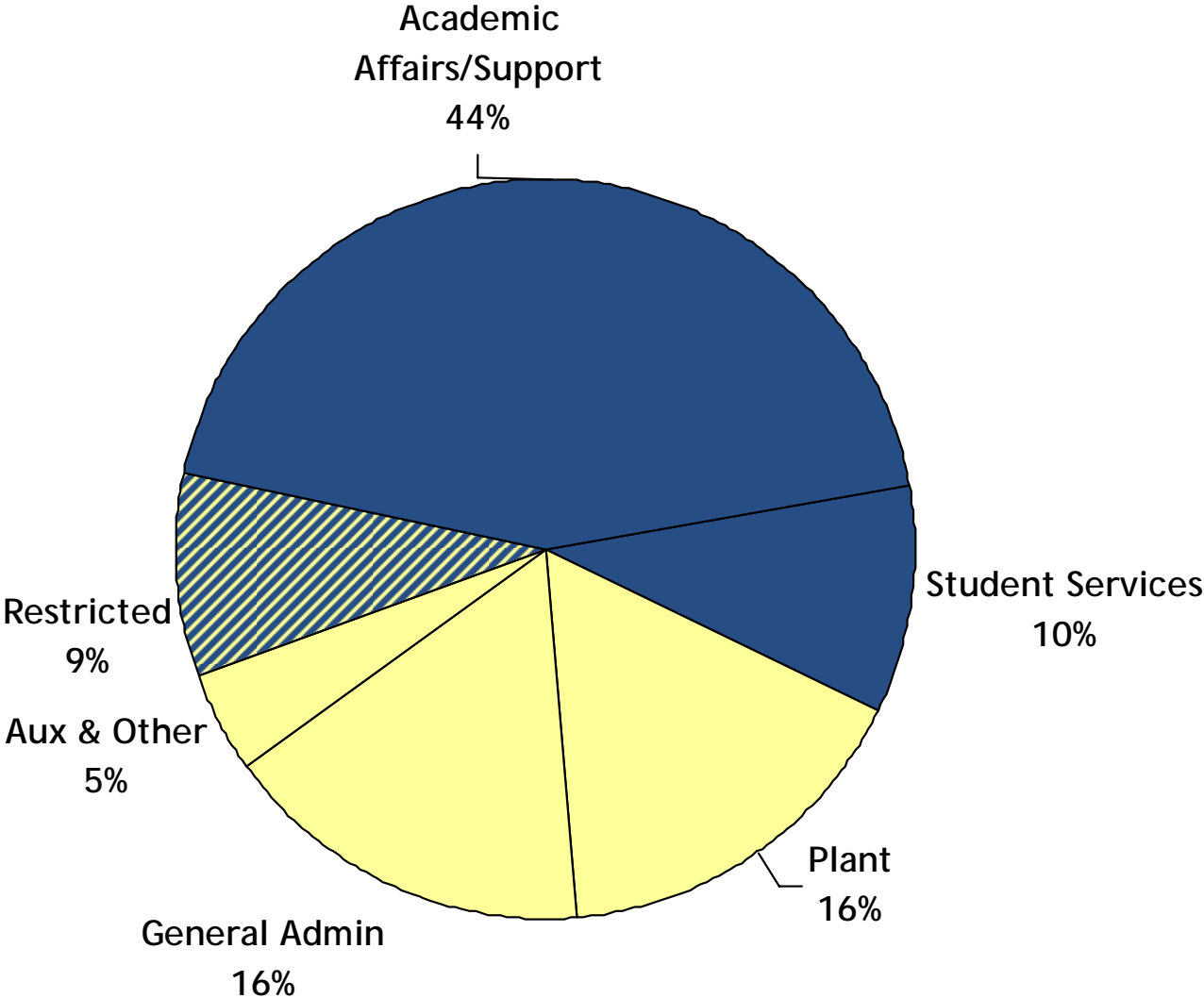
Sources of operating revenue

Operating revenue, 2006-07



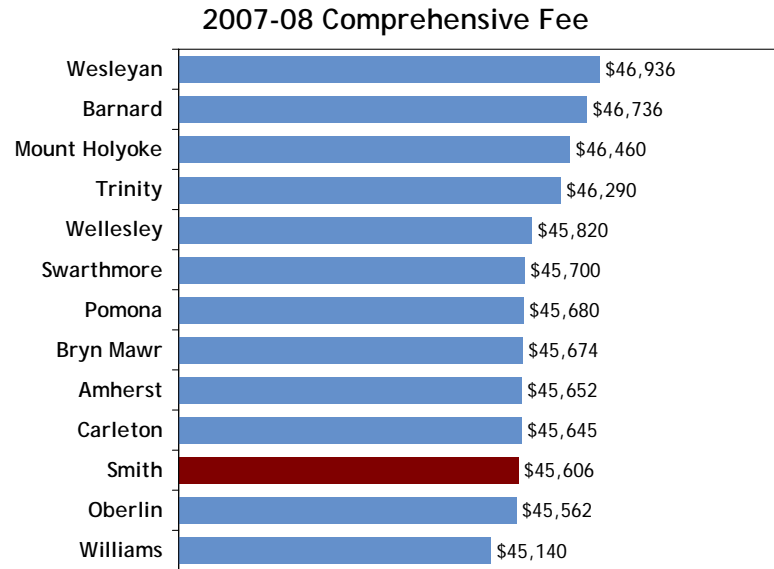
Allocation of operating expenses

Operating expense, 2006-07



Student charges

Comparison of 2007-08 comprehensive fee



Smith has increased its comprehensive fee by 5-6% in recent years, positioning itself near the median of a tightly clustered peer group.

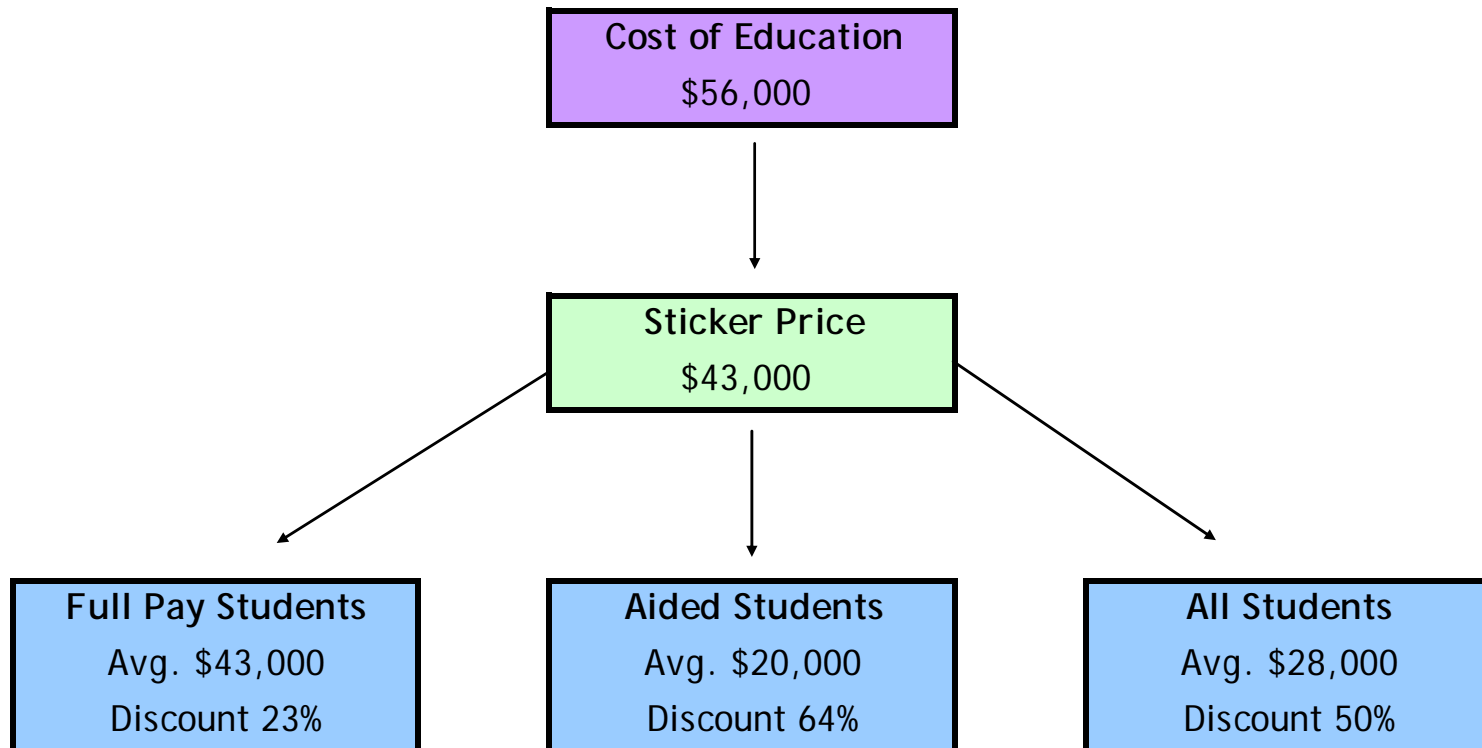
* Comprehensive fee includes tuition, room and board, and mandatory fees.

Student charges, 2003-04 to 2007-08

	2003-04	2004-05	2005-06	2006-07	2007-08
Tuition	\$27,330	\$28,930	\$30,520	\$32,320	\$33,940
Room & Board	9,490	9,730	10,270	10,880	11,420
Fees	214	226	234	238	246
Total	\$37,034	\$38,886	\$41,024	\$43,438	\$45,606
Percent Change	6.00%	5.00%	5.50%	5.90%	5.00%

Cost of education vs. Sticker price vs. Amount paid

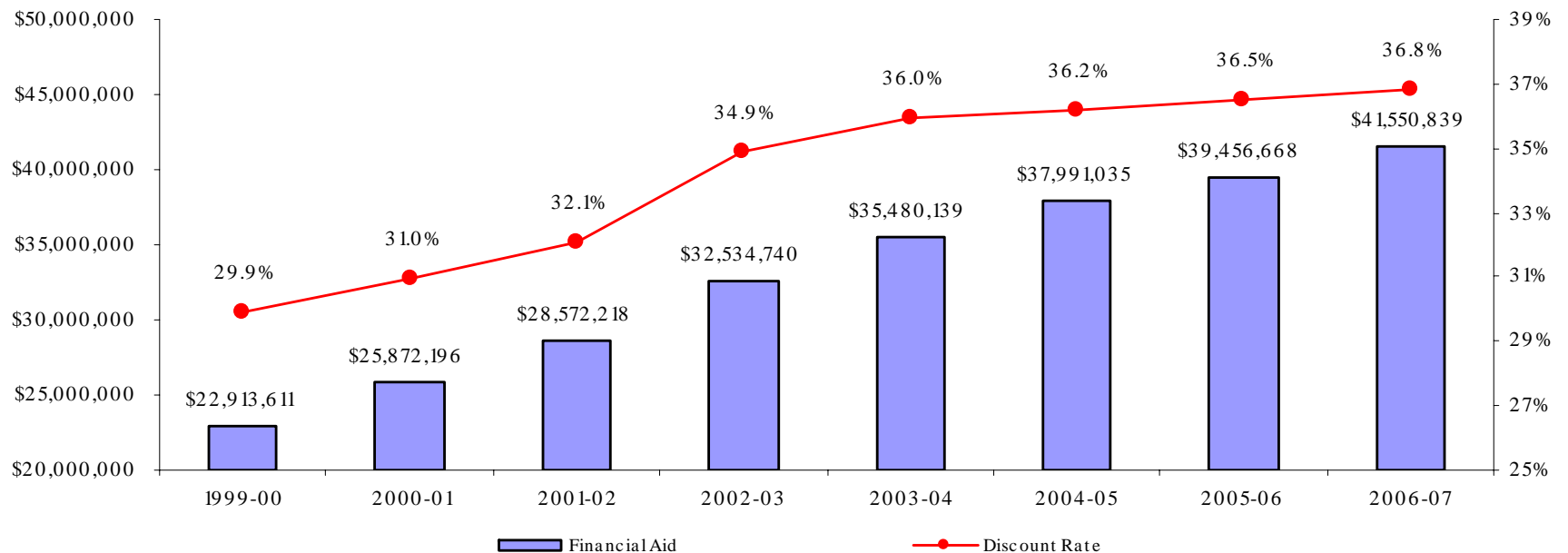
Cost versus price, adjusted for aid



Undergraduate financial aid

Increases in both the share of students on aid as well as their average need has led to an increasing discount rate. Smith continues to meet the full demonstrated need of enrolling students through a combination of grants, loans, and work-study. Smith is consistently recognized as a national leader in creating access for low-income and first-generation students. Sixty percent of Smith students receive need-based grant aid, a rate significantly higher than at most peer institutions.

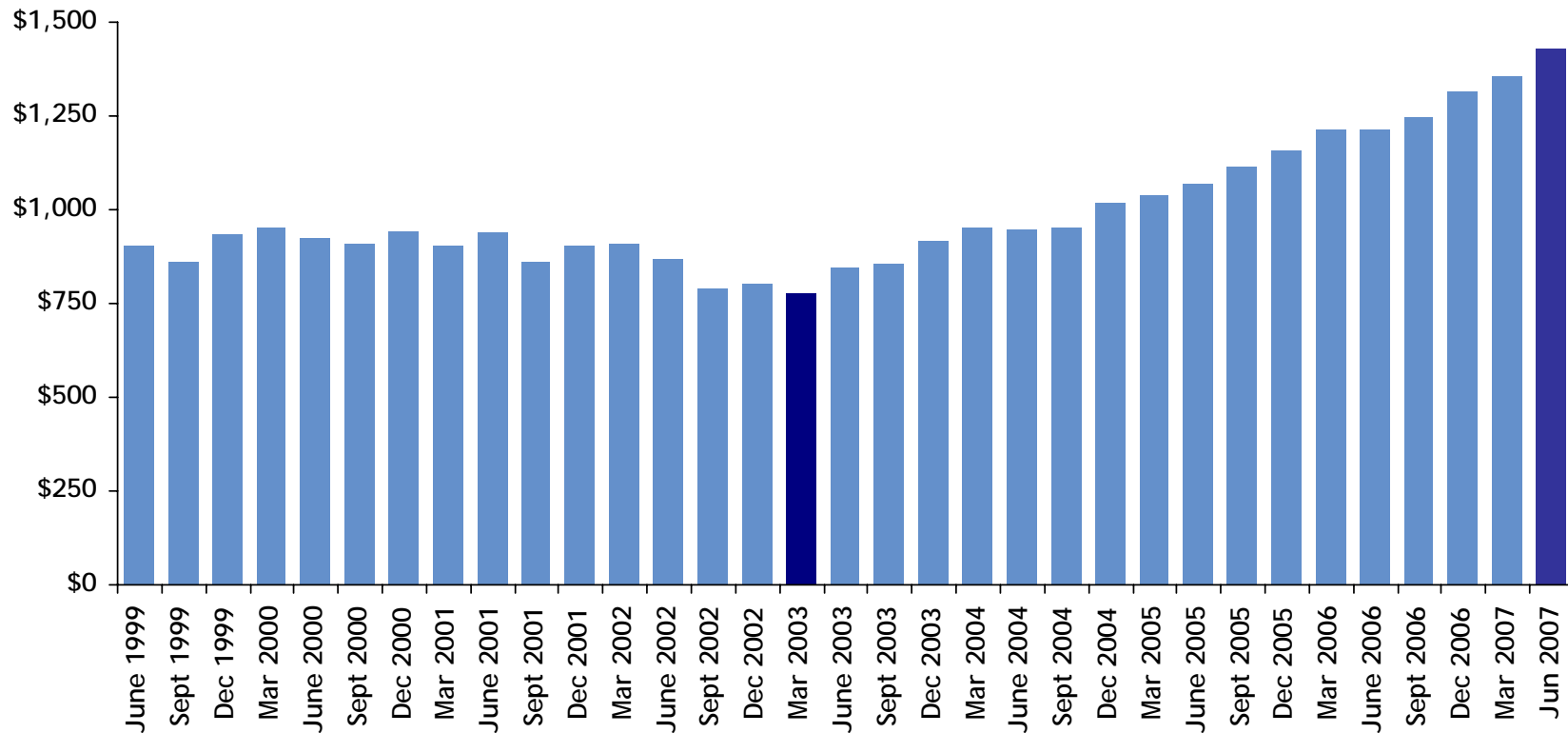
Undergraduate financial aid, FY2000 to FY2007



Long-term investment pool

Smith's investment pool has grown 75% since March 2003, from \$775 million to \$1.43 billion due to market appreciation, new gifts, and a reasonable pace of spending from the endowment. Smith's endowment is among the highest of any liberal arts college in the nation, ranking eighth overall and ninth when adjusted for enrollment size (\$406,022 market value per student as of June 30, 2006). The endowment per student has nearly doubled over the past decade.

Market value of investment pool (\$ millions)



Endowment performance

Smith's returns have typically exceeded the average for colleges and universities nationally, and have ranked in the top quartile within the college's closest peer group. More recently, Smith's performance has exceeded the average for both groups.

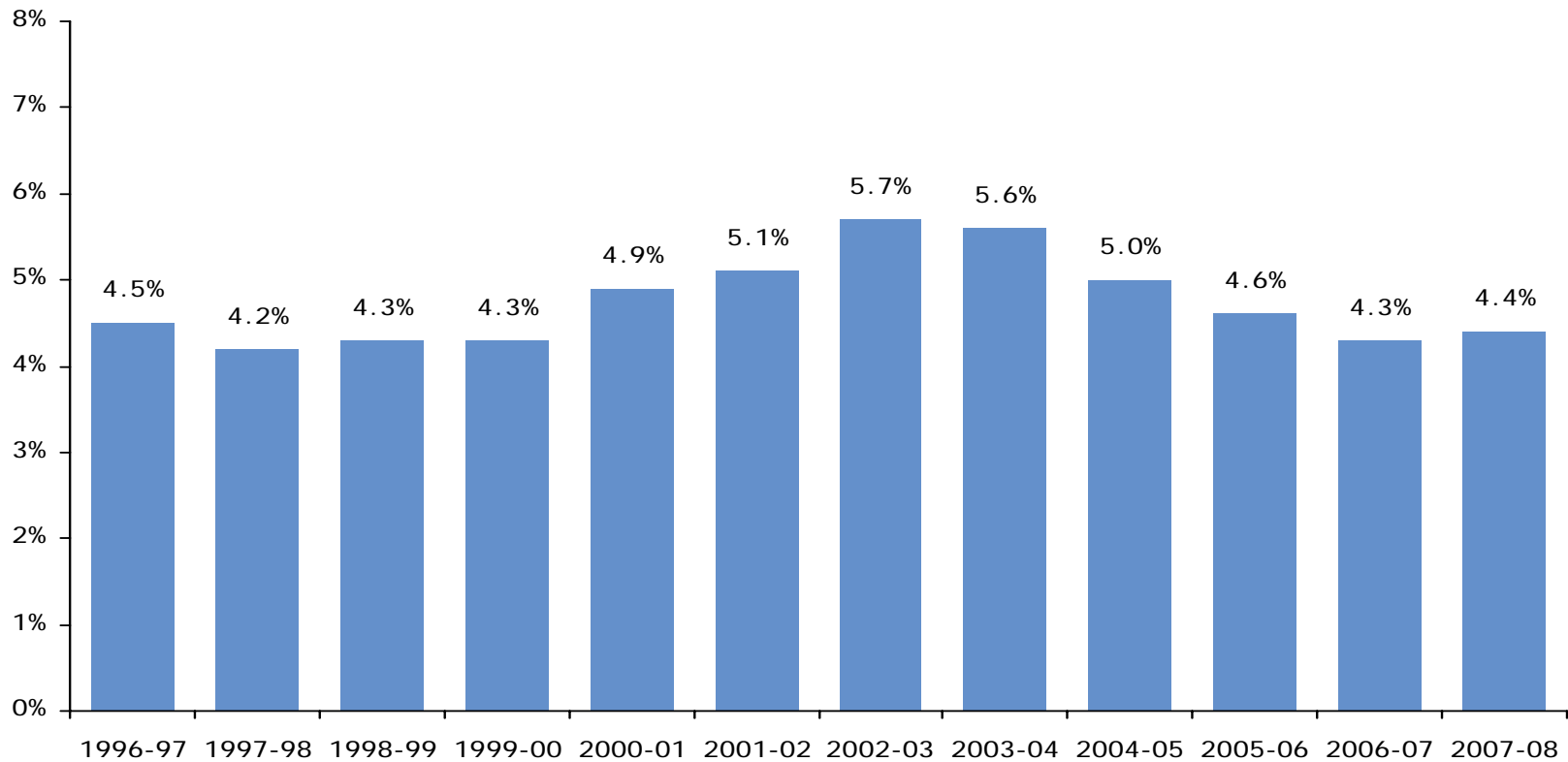
Total return on investment pool (annualized returns)

	<u>Period Ending 6/30/2007</u>			
	1 year %	3 year %	5 year %	10 year %
Smith	23.2%	17.8%	14.0%	10.4%
<u>Benchmarks</u>				
Composite Benchmark	18.7%	14.1%	12.2%	8.9%
Russell 3000	20.1%	12.4%	11.5%	7.6%
Merrill Lynch 7-10 yr	5.5%	3.4%	4.2%	N/A

Endowment spending rate

Smith's spending rate has averaged 4.8% over the past decade. The college revised both its rate and formula for 2005-06. Spending per share increases 4.0% annually, within a 4.0% to 6.0% of market value collar. For 2007-08, the college has re-set its rate to 4.75% of the December 31 2006 market value, after several years of decline. Strong returns since translate into a 4.38% effective rate for 2007-08. The endowment supports approximately 30% of the operating budget.

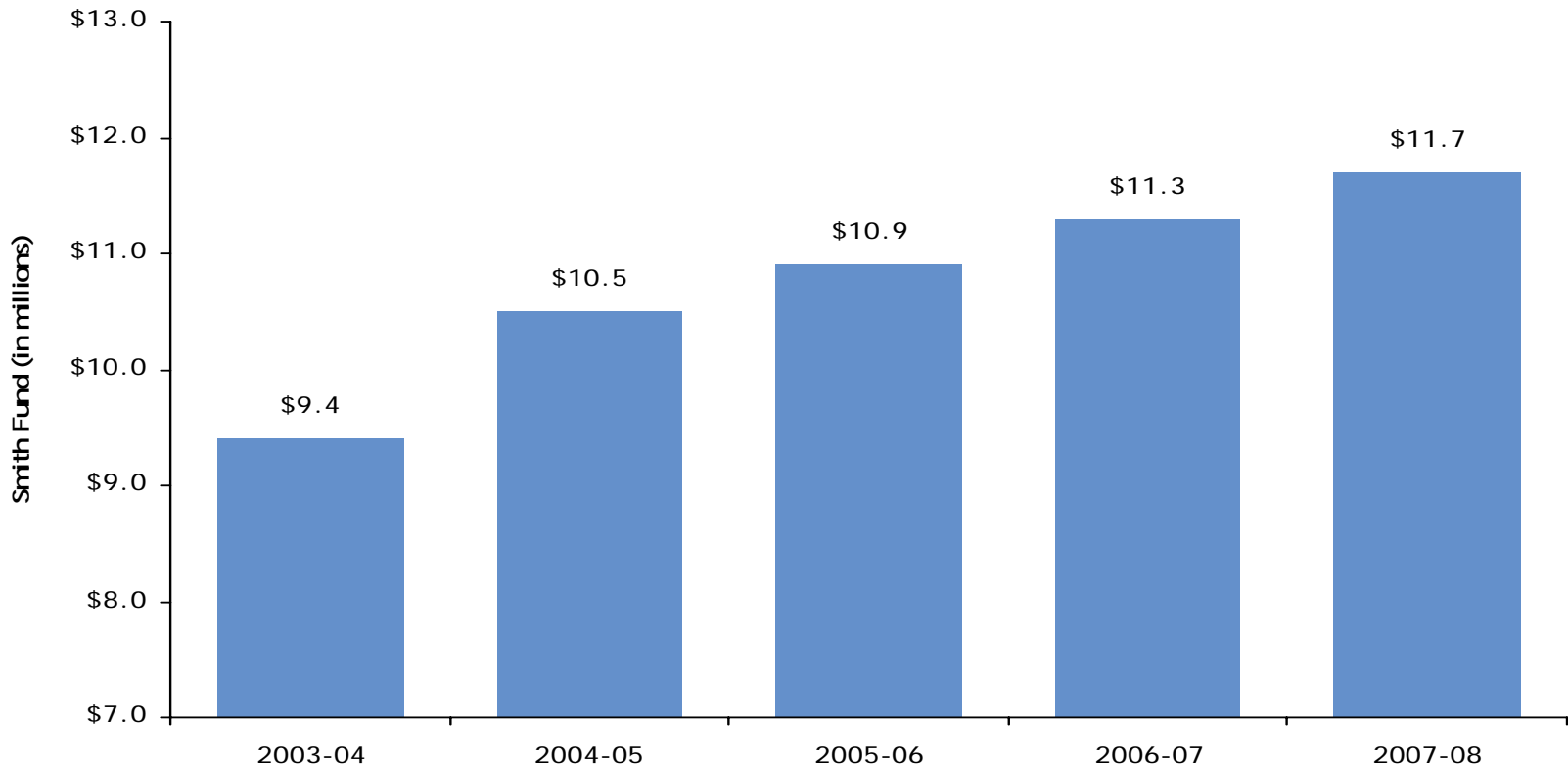
Spending as percentage of beginning-of-year market value



Current Unrestricted Giving

The Smith Fund provides unrestricted funding for the current year budget. After a period of decline as the last campaign wound down, giving to the Smith Fund has rebounded substantially in recent years. The financial plan expects the fund to grow by 4% annually in order to roughly keep up with its current 7% contribution toward operating revenues. Advancement is in the midst of a campaign to increase the proportion of alumnae giving annually to the fund.

Annual gifts to the Smith Fund



Smith campus and physical plant



Characteristics of Campus

- 120 residential, academic, and administrative buildings totaling more than 3.0 million gross square feet of space on a 174-acre central campus
- Smith's physical plant represents one of its greatest assets, with an estimated replacement value exceeding \$700 million
- The average age of campus facilities is 13.9 years, calculated as the accumulated depreciation divided by the 2005-06 depreciation expense
- Deferred maintenance is estimated at a reasonable \$30 million, or less than 5% of the replacement value of the physical plant
- Smith has implemented a detailed phased plan to fund fully renewal and replacement needs, thereby avoiding increases deferred maintenance

Budget issues



- Compensation planning
- Study abroad
- Energy prices and conservation
- Endowment spending
- Use of restricted resources
- Debt management
- Financial aid and pricing policy
- Enrollment planning
- Fundraising expectations
- Capital planning
- Efficiencies
- Incorporating planning priorities

Strategic Plan - The Smith Design for Learning

Smith concluded an 18-month highly participatory strategic planning process in May 2007 with adoption of *The Smith Design for Learning*. The plan is comprehensive in scope, aims to position Smith among the top colleges in the nation, responds to current challenges and opportunities, and focuses on student learning.

Foundational Commitments

- Enhance student recruitment, retention and financial aid to make Smith a top choice for exceptional students from all walks of life
- Increase and support the diversity of the faculty and staff; actively work to hire and retain employees from under-represented groups
- Achieve and maintain competitive faculty salaries to ensure that Smith continues to attract faculty of excellence and distinction
- Foster the integration of teaching and scholarship through enhanced pedagogical resources and more effective research support
- Advance Smith's technological capabilities, with particular attention to the Web and its capacities to enhance teaching, recruitment, and visibility
- Increase investment in renewal and replacement of Smith's physical facilities and technological resources in ways consistent with the college's commitment to environmental sustainability

Strategic Plan - The Smith Design for Learning

Strategic Directions

- Strengthen essential student capacities
- Promote a culture of research, inquiry, and discovery
- Prepare women for rewarding lives in a rapidly changing world
- The Smith Centers for Societal Leadership and Engagement
 - Center for International Studies and Cross-Cultural Communication
 - Center for Community Collaboration
 - Center for the Environment