Smith College

Financial Report 2001–02

Office of the Vice President for Finance and Administration
College Hall 4
Smith College
Northampton, Massachusetts 01063

Notice of Nondiscrimination

Smith College is committed to maintaining a diverse community in an atmosphere of mutual respect and appreciation of differences.

Smith College does not discriminate in its educational and employment policies on the bases of race, color, creed, religion, national/ethnic origin, sex, sexual orientation, age, or with regard to the bases outlined in the Veterans Readjustment Act and the Americans with Disabilities Act.

Smith’s admission policies and practices are guided by the same principle, concerning women applying to the undergraduate program and all applicants to the graduate programs.

For more information, please contact the Office of Institutional Diversity, (413) 585-2141.

Financial Report 2001–02

Ruth H. Constantine
Vice President for Finance and Administration

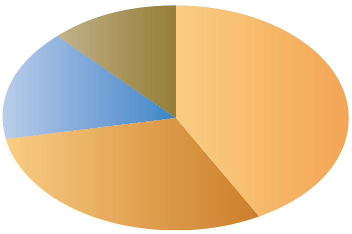
I am pleased to present the financial report of Smith College for the fiscal year ended June 30, 2002, the 127th of the college. Financial highlights included:

- A surplus of $99,000 resulted from budgeted operations.
- The net return on endowment investments was -3.7 percent for the year. As a result, the market value of the endowment fell by $66 million to $851 million.
- The college received $42.1 million in campaign gifts, and Alumnae Fund participation exceeded 50 percent for the first time.
- Several major building projects were under way during the year, including the Brown Fine Arts Center, the Campus Center and the Lyman Conservatory.

Financial Highlights

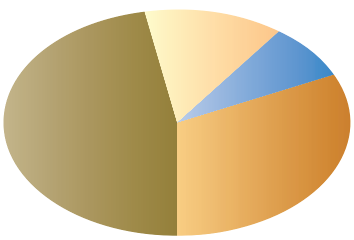
	2002	2001	2000	1999	1998
Budget Results (000s)					
Revenues	$144,325	$140,479	$128,408	$116,024	$110,735
Expenses	144,226	138,584	124,386	115,908	110,683
Budget Surplus	$99	$1,895	$4,022	$116	$52
Endowment (000s)					
Market Value	$851,253	$917,254	$906,944	$884,782	$793,214
Total Return on Endowment	-3.7%	4.1%	5.3%	12.5%	17.3%
Spending from Endowment	5.2%	4.8%	4.3%	4.0%	3.9%
Facilities (000s)					
New Construction	$26,115	$16,406	$8,877	$681	$391
Renovations and Alterations	$17,291	$20,820	$20,570	$6,465	$6,568
Debt (000s)					
Long term debt	$76,185	$74,017	$72,324	$34,180	$35,801
Undergraduate Student Enrollment and Fees					
Scholarships as Percent of Comprehensive Fee	31.7%	31.0%	29.7%	29.8%	29.2%
Comprehensive Fee	$33,110	$31,560	$30,260	$29,240	$28,610
Undergraduate Enrollment FTE	2,743	2,707	2,575	2,548	2,562
Gifts (000s)					
Unrestricted Alumnae fund	$9,373	$10,396	$11,468	$10,014	$8,985
Total Giving	$42,096	$65,696	$48,049	$53,861	$55,168

Operating Budget Income



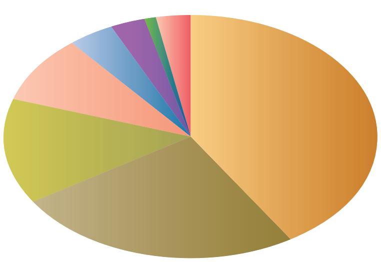
- Comprehensive Fee 42%
- Investments 30%
- Gifts and Grants 12%
- Other Income 16%

Operating Budget Expense



- Salaries and Wages 47%
- Benefits 13%
- Physical Plant 8%
- Other Expenses 32%

Average Financial Aid Award for 2001–02



- Smith Grants 41%
- Parent Contribution 25%
- Loan Awards 14%
- Student Contribution 9%
- Employment Awards 4%
- Federal Grants 3%
- State Grants 1%
- Other Grants 3%

2001–02 and 2000–01 Operating Results

	2001–02	2000–01	Change	
Income				
Comprehensive Fees, net	$60,965,509	$ 58,154,256	$ 2,811,253	4.8%
Investments	43,442,669	43,729,938	(287,269)	-0.7%
Gifts and Grants	16,622,927	16,202,241	420,686	2.6%
Other Income	23,294,173	22,392,737	901,436	4.0%
Total Income	144,325,278	140,479,172	3,846,106	2.7%
Expense				
Salaries and Wages	67,734,926	63,832,777	3,902,149	6.1%
Benefits	18,042,477	16,671,021	1,371,456	8.2%
Physical Plant, Utilities and Debt	12,248,683	11,483,468	765,215	6.7%
Other Expense	46,199,963	46,597,012	(397,049)	-0.9%
Total Expense	144,226,049	138,584,278	5,641,771	4.1%
Surplus	$ 99,229	$ 1,894,894	$(1,795,665)	N/A

Operating Results

Despite worsening economic conditions, results from operations in 2001–02 continued the strong trend of recent years. Primarily because of a larger than expected incoming class, undergraduate comprehensive fee income net of scholarships was 3 percent above budget and 4.8 percent above prior year income. Operating support from investments exceeded the level budgeted, though it decreased slightly from the prior year, when the college had an unusually high rate of return on short-term investments. Revenues supporting the college's operating budget totaled $144.3 million for the year, an increase of 2.7 percent. A surplus of $99,000 resulted from budgeted operations.

Financial aid packages awarded by Smith incorporate loans, work study and scholarship grants. During 2001–02, 1,844 undergraduate students received grant assistance from college funds, a 3 percent increase over the prior year. Grant awards totaled $28.6 million, a 10 percent increase. The increase reflected a number of factors including generous corporate gifts to support scholarships for the new engineering program, foundation support for international student scholarships and weakening economic conditions. Income from endowed scholarships and restricted scholarship gifts totaled $17.6 million, covering 62 percent of the grant awards.

Operating budget expenses rose 4.1 percent above the prior year's level. The compensation budget for 2001–02 allowed for some academic departments to fill positions before retirements occur, because of the relatively high number of retirements anticipated over the next few years.

Gifts

The campaign continued to achieve success in 2001–02. Gifts and pledges of $42.1 million were received during the year, including government grants of $2.3 million. Gifts measured in terms of cash received exceeded the prior year's level. Total budget support from gifts and grants grew slightly over the prior year, even though giving to the Alumnae Fund fell short of its goal. In recent years staff and volunteers have worked to increase participation in the Alumnae Fund, and their efforts were rewarded when participation reached a record high of 50 percent for 2001–02.

Investments

The market value of the college's endowment was $851 million at year-end, down -7.2 percent from the prior year. New gifts and transfers to endowment during 2001–02 totaled $15.1 million. Smith's annualized rate of return over the past five years was 6.9 percent, surpassing the median college and university return of 5.9 percent.

The endowment portfolio earned a total return, net of fees, of -3.7 percent for the year. For the second consecutive year, Smith's return surpassed its benchmark of -7.6 percent by a wide margin. The college's returns were boosted by a heavy value tilt among its U.S. equity managers, an over-weighting of small- and mid-cap U.S. stocks, and relatively little exposure to the still-hurting venture capital and technology sectors. Nevertheless, the investment return again fell short of the college's financial goal of earning its spending rate plus the rate of inflation.

The college's U.S. equity managers' return was -8.3 percent for the year vs. -17.2 percent for the Russell 3000 (a broad U.S. market index). Smith's international managers' returns dropped -13.6 percent vs. the benchmark's decline of -12.5 percent. Emerging markets managers earned a return of 3.4 percent. The allocation to absolute return strategies, implemented in July 2001, also paid off, earning a 4.3 percent return for the year. Private equity valuations collapsed, resulting in a loss of -24.6 percent. The most successful asset class, U.S. bonds, earned 8.5 percent, although this was below the index return of 10.0 percent.

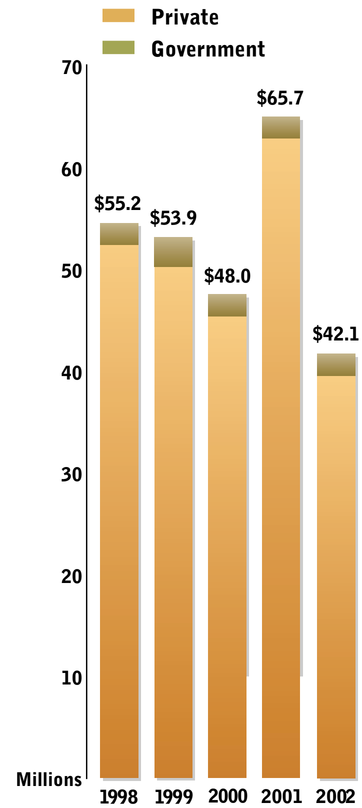
In 2001–02 the endowment spending rate remained at 5.25 percent of the average market value over a three-year period. This approach smoothes the year-to-year changes in spending. With the growth of the endowment over the past five years, the contribution to the operating budget has risen 74 percent, from $23.2 million in 1996–97 to $40.3 million in 2001–02. The share of the total budget provided by endowment income rose from 23 percent to 28 percent over the five-year period.

Life income funds managed by the college totaled $41 million at year-end, down from $44 million on June 30, 2001. Short- and intermediate-term investments of operating funds, which averaged $68 million during 2001–02, earned a return of 4.8 percent.

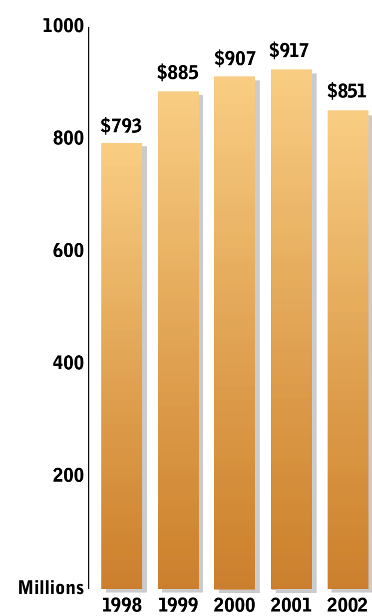
Fiscal year 2001–02 saw several changes in the management of the college's investments. The Board of Trustees approved a new investment policy in May. Changes resulting from the new policy include the addition of two new asset classes: inflation hedges and absolute return strategies. Inflation hedges, which may include real estate, timber, natural resources, and Treasury Inflation-Protected Securities (TIPS), are designed to provide protection against one of the greatest threats to any large pool of assets, an erosion of value through inflation. Even in the absence of significant inflation, this asset class is expected to provide solid returns and diversification. The absolute return asset class includes a variety of strategies designed to earn a return that is somewhat independent from the performance of equity or fixed income markets, thus providing the endowment with valuable diversification.

The college hired its first director of investments two years ago, with a plan to hire two additional people in the following years. An investment analyst was added in 2001–02, and hiring of a third investment professional is planned for the next year. These changes enhance the college's ability to manage an increasingly diverse portfolio of investments.

Total Giving



Endowment Market Value



Facilities

The college expended $43.4 million on construction projects in 2001–02. The largest project underway was the $35 million expansion and renovation of the Brown Fine Arts Center. The art department and art library returned to the building in fall 2002, and the Museum of Art will reopen in the spring of 2003.

Construction began on a new campus center in February. Architects Marion Weiss and Michael Manfredi designed the building, and it is scheduled for completion in the summer of 2003.

Construction on the Lyman Plant House neared completion by year-end, when staff moved into new offices in the building. The major work has shifted to the greenhouses, which are to be completed in the fall of 2002.

A complete renovation of the squash courts was finished during the year. The six original courts were removed and replaced with five new courts sized to meet international standards.

Several renovations of student residence houses were completed during the year, including King and Scales houses in the quadrangle; Sessions Annex on Elm Street; and Parsons Annex on Round Hill Road.

The college has engaged an architect for a new fitness center to be located at the athletics complex, funded by a campaign gift. A preliminary assessment of engineering and science facilities needs has been completed. Planning will proceed on both projects over the next several months.

Bond Refinancing

Because of favorable interest rates, the college refinanced a portion of its year 2000 bond issue in 2001–02. The cash savings from the refinancing exceed $3.5 million over the life of the issue, however with the increase in the principal amount of the new issue over the old, accounting guidelines require that the college record an extraordinary loss of $2.7 million on the transaction.

The college's $35 million expansion and renovation of its arts facilities neared completion in 2001–02. John Davis, Alice Pratt Brown Professor of Art, gave a tour of the building to students and visitors before classes ended in the spring.

Smith began construction of a 60,000-square-foot campus center in 2001–02. When the building opens in fall 2003, it will incorporate a lobby and reception area, a sky-lit concourse, a two-story lounge looking toward Paradise Pond, performance and meeting rooms, a community art gallery, a bookstore, a mail room, the student radio station and a food court.

Report of Independent Accountants

To the Trustees of Smith College
Northampton, Massachusetts

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Smith College (the "college") at June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers

Hartford, Connecticut
September 16, 2002

Statement of Financial Position

June 30, 2002 and 2001

		2002		2001
Assets				
Cash and cash equivalents	$	58,791,208	$	69,943,049
Collateral on loaned securities		170,526,726		
Contributions and accounts receivable, net		42,107,066		47,543,160
Other assets		8,278,185		6,530,866
Loans receivable, net		9,864,434		9,990,122
Investments		922,580,584		1,019,001,265
Land, buildings, equipment and collections, net		239,395,978		200,311,707
Total assets	$	1,451,544,181	$	1,353,320,169
Liabilities				
Accounts payable and accrued liabilities	$	14,270,995	$	14,498,940
Collateral on loaned securities		170,526,726		-
Life income obligation		15,436,720		15,536,449
Deferred income		4,043,987		5,376,519
Deposits and agency funds		16,732,338		18,503,945
Long-term debt		76,184,833		74,016,736
Total liabilities	$	297,195,599	$	127,932,589
Net Assets				
Unrestricted		440,967,869		450,736,544
Temporarily restricted		459,346,687		528,405,663
Permanently restricted		254,034,026		246,245,373
Total net assets	$	1,154,348,582	$	1,225,387,580
Total liabilities and net assets	$	1,451,544,181	$	1,353,320,169

See accompanying notes to financial statements

Statement of Activities

For the years ended June 30, 2002 and 2001

	2002	2001
Changes in Unrestricted Net Assets		
Operating Revenues and Other Additions		
Student income: Tuition and other fees	$ 77,134,447	$ 73,292,663
Room and board fees	24,196,986	21,975,244
	101,331,433	95,267,907
Student aid	(31,243,518)	(28,010,979)
Student income, net	70,087,915	67,256,928
Gifts	23,396,526	20,910,053
Investment return supporting operations	29,726,088	36,301,969
Other income	8,079,330	7,133,428
Net assets released from restrictions	39,614,879	30,730,649
Total operating revenues	$ 170,904,738	$ 162,333,027
Operating Expenses		
Instruction	62,030,879	57,761,144
Academic support	20,844,701	18,282,484
Student services	18,781,256	16,263,522
Auxiliary enterprises	28,600,882	24,170,667
General and administrative	23,574,067	23,790,512
Total expenses	$ 153,831,785	$ 140,268,329
Operating subtotal	17,072,953	22,064,698
Non-Operating Revenues and Other Changes		
Investment depreciation reducing long-term investment	(24,104,827)	(1,196,046)
(Decrease) increase in unrestricted net assets before extraordinary loss	$ (7,031,874)	$ 20,868,652
Extraordinary loss on debt refinancing	(2,736,801)	(2,397,641)
(Decrease) increase in unrestricted net assets	$ (9,768,675)	$ 18,471,011
Changes in Temporarily Restricted Net Assets		
Gifts	7,923,261	23,944,870
Investment (depreciation) appreciation	(36,024,168)	16,149,068
Change in life income funds	(1,343,190)	(118,154)
Net assets released from restrictions	(39,614,879)	(30,730,649)
(Decrease) Increase in temporarily restricted net assets	$ (69,058,976)	$ 9,245,135
Changes in Permanently Restricted Net Assets		
Gifts	10,776,327	20,840,923
Investment (depreciation) appreciation	(990,899)	305,519
Change in life income funds	(1,996,775)	(339,835)
Increase in permanently restricted net assets	$ 7,788,653	$ 20,806,607
Total (decrease) increase in net assets	$ (71,038,998)	$ 48,522,753
Net assets beginning of year	1,225,387,580	1,176,864,827
Net assets end of year	$ 1,154,348,582	$ 1,225,387,580

See accompanying notes to financial statements.

Statement of Cash Flows

For the years ended June 30, 2002 and 2001

	2002	2001
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ (71,038,998)	$ 48,522,753
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Extraordinary loss due to long-term debt refinancing	2,736,801	2,397,641
Depreciation and amortization	10,361,817	10,275,395
Net unrealized and realized losses (gains) on investments	51,113,094	(22,158,012)
Actuarial change in life income obligation	(99,729)	250,847
(Increase) decrease in assets:		
Contributions and accounts receivable, net	5,436,094	(19,026,887)
Accrued dividend and interest income		
Other assets	(1,777,848)	(536,930)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	614,552	1,683,134
Deferred income	(1,332,532)	(388,422)
Deposits and agency funds	(1,831,893)	(588,712)
Capital gifts	(12,527,441)	(11,745,125)
Contributions of property	(983,344)	(813,613)
Net cash (used in) provided by operating activities	$ (19,329,427)	$ 7,872,069
Cash Flows From Investing Activities		
Purchases of plant and equipment	$ (49,091,054)	$ (41,509,413)
Net change in loans receivable	125,688	(482,175)
Purchases of investments	(1,196,971,938)	(1,623,033,016)
Sales and maturities of investments	1,242,279,525	1,646,332,059
Net cash used in investing activities	$ (3,657,779)	$ (18,692,545)
Cash Flows From Financing Activities		
Contributions to endowment	$ 11,589,403	$ 9,710,616
Contributions to life income agreements	938,038	2,034,509
Federal contribution Perkins loan funds	60,286	61,067
Proceeds from long-term debt	35,015,000	34,035,500
Defeasance of outstanding bonds	(34,753,298)	(33,809,520)
Payments for debt financing costs	(267,064)	(247,106)
Payments on long-term debt	(747,000)	(625,000)
Net cash provided by financing activities	$ 11,835,365	$ 11,160,066
Net change in cash and cash equivalents	$ (11,151,841)	$ 339,590
Cash and cash equivalents, beginning of year	$ 69,943,049	$ 69,603,459
Cash and cash equivalents, end of year	$ 58,791,208	$ 69,943,049
Supplemental disclosures:		
Interest paid	3,432,207	3,911,263
Gifts in kind	983,344	813,613
Purchases of plant and equipment included in accounts payable	5,188,278	6,030,775

See accompanying notes to financial statements.

Notes to Financial Statements

1. Accounting Policies

Organization

Smith College is a private liberal arts college for women, providing academic, residential and other services to a diverse student population. The college is exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3).

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues, gains and expenses recognized during the reporting periods. Actual results may differ from those estimates.

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

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.

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.

Unrestricted: Net assets that are not subject to donor-imposed stipulations. Net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Contributions are reported as increases in the appropriate category of net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Revenues from other sources are reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. 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 reclassifications from temporarily restricted net assets to unrestricted net assets. Items where the restriction is met in the same year will be shown as unrestricted rather than initially reported in temporarily restricted. 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.

Contributions, including unconditional promises to give and grant awards, are recognized as revenues in the period received. Contributions received with donor-imposed restrictions are reported as permanently or temporarily restricted revenues depending on the specific restriction. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgement and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing assets of endowment and similar funds and life income funds are included in long-term investments. Cash and cash equivalents are reported at cost which approximates fair value.

Other assets include inventories, which are valued at the lower of cost (first in, first out method) or market.

Investments are reported at their respective fair values. The values of publicly traded fixed income and equity securities are based upon quoted market prices. Private equities and certain other nonmarketable securities are valued using current estimates of fair value provided by the general partner or investment manager for the respective funds. Purchases and sales of investments are recorded at the trade date of the transaction. Realized investment gains and losses are recorded utilizing the average cost method for all investments except where specific identification is required by law. Investments include the beneficial interest of the college in the Alumnae Association and perpetual trusts. Beneficial interest in a perpetual trust represents resources neither in the possession of, nor under the control of the college, but held and administered by an outside fiscal agent, with the college deriving income from the trust.

The college uses the Total Return Concept. Under this concept, substantially all of the college's investments are pooled for investing purposes. Yield (interest and dividends) and a prudent portion of appreciation are distributed for operating purposes. Temporarily restricted appreciation so utilized is released to unrestricted revenues as expenses are incurred.

The college adopted Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, on July 1, 2000. The statement establishes accounting and reporting standards for derivative instruments and hedging activities and requires recognition of all derivatives at fair value in the financial statements.

The college utilizes derivative financial instruments to equitize cash held by investment managers and to manage currency exchange risks arising from investments in nonderivative foreign assets in proportion to the asset at risk. Such instruments consist of S&P 500 futures and forward foreign exchange contracts entered into as part of the investment portfolio of the college's endowment fund. On June 30, 2002, the notional amount of open positions on S&P 500 futures and forward foreign exchange contracts was approximately $7,178,000 and $30,773,000 respectively, and on the same date, the fair value of the S&P futures and the forward foreign exchange contracts, recorded as part of the college's investments, was $(13,775) and $(1,615,280), respectively.

In connection with the issuance of the Series 2001 and Series 2002 revenue bonds, the college entered into interest rate swap agreements that effectively changed the interest rate exposure on the issues from a variable rate to a fixed rate of 4.39 percent on the Series 2001 bonds and 4.66 percent on the Series 2002 bonds. The interest rate swap agreements have a notional amount and termination date equal to the principal amount and maturity date of the respective Series 2001 and Series 2002 bonds. On June 30, 2002 and 2001, the fair value of the interest rate swaps, recorded as part of the college's investments, was $(4,506,423) and $110,195 respectively.

As of June 30, 2002, the college had loaned certain securities, returnable on demand, with a fair value of approximately $166,792,000, to several financial institutions that have deposited collateral with respect to such securities of $170,526,726. The college receives income on the invested collateral, and also continues to receive interest and dividends from the securities on loan. This transaction has been accounted for as a non-cash investing activity for purposes of the accompanying Statement of Cash Flows.

Land, buildings, equipment and collections are recorded at cost. Depreciation is calculated on a straight line basis over the estimated useful life of the assets. Equipment, works of art and other assets contributed to the college are capitalized at fair value at the date of the gift. Collection purchases are recorded at cost. The Museum of Art maintains a collection of art for educational purposes.

Life income obligation results from annuity and life income agreements which are primarily irrevocable charitable remainder agreements. The college holds the assets for those classified as annuities and outside trustees hold the assets for those classified as life income agreements in pooled income funds. The assets are reported as investments at their fair value. The college records contribution revenue for the gift portion and a liability for the present value of the estimated future payments to be made to the beneficiaries. The obligation is adjusted during the term of the agreement for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits.

Endowment and similar funds represent resources that have been restricted by the donor or designated by the trustees that will be invested to provide future revenue to the college to support its programs and activities.

Post-Retirement Benefits, consisting of health and dental care benefits, are provided to retired employees between the ages of 62–65. Expenses are reported on a current basis.

Certain reclassifications have been made to 2001 accounts to conform with the 2002 presentation.

2. Accounts Receivable

Accounts Receivable consists of the following items at June 30:

	2002	2001
Students, employees, other	$ 1,642,708	$ 2,116,764
Contributions expected to be collected within:		
One year	17,753,954	22,728,029
One to five years	12,834,840	15,832,227
Over five years	26,982,850	25,054,397
Less: Allowance for uncollectible accounts and unamortized discount	(17,107,286)	(18,188,257)
	$42,107,066	$47,543,160

3. Loans Receivable

Loans Receivable consists of the following items at June 30:

	2002	2001
Student loans	$ 7,761,526	$7,829,673
Employee loans and mortgages	3,428,311	3,533,277
Less: Allowance for uncollectible loans	(1,325,403)	(1,372,828)
	$ 9,864,434	$9,990,122

4. Investments

Investments are composed of the following at June 30:

	Pooled	Other	Outside Trustees	2002 Total	2001 Total
Cash and cash equivalents	$25,370,851	$ 16,901	$	$ 25,387,752	$ 64,110,431
Due to Brokers	(31,998,566)			(31,998,566)	(82,275,885)
Due from Brokers	32,252,926			32,252,926	16,104,442
Fixed Income	200,901,154	2,069,453		202,970,607	315,760,039
Real Estate	8,449			8,449	198,303
Equity Securities	498,388,016	31,464		498,419,480	570,300,191
Limited Partnerships/ Other	144,499,088	150,000		144,649,088	54,493,271
Bond Trustee			4,035,149	4,035,149	29,324,153
Life Income Funds			20,282,984	20,282,984	22,214,693
Beneficial Interests			26,572,715	26,572,715	28,771,627
Total Investments	$869,421,918	$ 2,267,818	$50,890,848	$922,580,584	$1,019,001,265

Investment Return

	Unrestricted	Temporarily Restricted	Permanently Restricted	2002 Total	2001 Total
Dividends and Interest	$ 24,900,524	$ 839,997	$ 473,486	$ 26,214,007	$ 35,520,227
Realized Gains (Losses)	(3,922,198)	(10,541,393)	(38,759)	(14,502,350)	46,979,973
Unrealized (Losses)	(9,274,351)	(26,322,772)	(1,013,621)	(36,610,744)	(24,894,915)
Fees	(6,082,714)		(412,005)	(6,494,719)	(6,044,775)
	$ 5,621,261	$(36,024,168)	$ (990,899)	$ (31,393,806)	$ 51,560,510

	2001–02	2000–01
Total return distribution:		
Dividends and interest	$ 20,556,751	$ 25,106,237
Investment fees	(5,966,291)	(5,732,521)
	14,590,460	19,373,716
Realized appreciation		
Unrestricted	9,468,220	7,292,895
Temporarily restricted	22,039,153	16,673,358
	31,507,373	23,966,253
	$ 46,097,833	$ 43,339,969

As of June 30:	2002	2001
Temporarily restricted net assets included realized and unrealized appreciation available for future appropriation:	$373,754,901	$429,933,185
Outstanding commitments to limited partnerships are:	106,586,329	79,260,993

5. Land, Buildings, Equipment and Collections

Land, buildings, equipment and collections are as follows at June 30:

Cost	Useful Lives	2002	2001
Land		$4,521,579	$4,271,706
Land improvements	10–30 years	4,494,684	4,190,151
Buildings	40–70 years	227,039,614	207,656,824
Works of art	100 years	24,202,941	23,346,870
Library books	15 years	30,194,873	27,347,230
Equipment	5–12 years	24,074,233	24,680,608
		314,527,924	291,493,389
Accumulated depreciation		(124,282,116)	(116,848,096)
		190,245,808	174,645,293
Construction in progress		49,150,170	25,666,414
		$239,395,978	$200,311,707

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following items at June 30:

	2002	2001
General payables	$4,061,356	$3,244,803
Facilities, construction, repairs	5,463,886	7,705,552
Payroll related	1,634,638	1,474,191
Compensated absences	2,957,309	1,920,588
Other	153,806	153,806
	$14,270,995	$14,498,940

7. Life Income Assets, Obligations, and Net Assets

Life income obligation consists of the following items at June 30:

	2002	2001
Annuities payable	$ 7,948,340	$ 6,925,383
Deferred pooled income funds	7,488,380	8,611,066
	$15,436,720	$15,536,449

Life income funds consisted of the following at June 30:

	Annuities (held by College)		Life Income (College Trustee)		Life Income (Individual Trustee)	
	2002	2001	2002	2001	2002	2001
Assets:						
Cash/Investments	$20,719,789	$21,864,110	$20,282,984	$22,214,693		
Contributions Receivable					$26,982,850	$25,054,398
Obligation:						
Obligation	(7,948,340)	(6,925,383)	(7,488,380)	(8,611,066)		
Discount/Allowance					(13,499,211)	(12,855,655)
	$12,771,449	$14,938,727	$12,794,604	$13,603,627	$13,483,639	$12,198,743
Net Assets:						
Temporary	$6,276,062	$ 6,914,581	$ 5,169,106	$ 5,768,188	$ 7,886,947	$ 7,319,530
Permanent	6,495,387	8,024,146	7,625,498	7,835,439	5,596,692	4,879,213
	$12,771,449	$14,938,727	$12,794,604	$13,603,627	$13,483,639	$12,198,743

8. Deposits and Agency Funds

Deposits and agency funds consist of the following items at June 30:

	2002	2001
Student deposits	$ 707,040	$ 1,334,624
Alumnae Association	13,558,394	14,627,176
Other deposits	36,476	239,464
Perkins loan program	2,430,428	2,302,681
	$16,732,338	$18,503,945

9. Bonds Payable

The college has the following general long-term obligations as of June 30:

With the Massachusetts Development Finance Agency:

Series	Year of Maturity	Interest Rates	Bonds Payable 2002	Bonds Payable 2001
2000	2002–2029	4.6%–5.75%	8,205,000	40,240,000
2001	2001–2024	variable	32,961,000	33,708,000
2002	2003–2029	variable	35,015,000	
			76,181,000	73,948,000
Unamortized premium			3,833	68,736
			$76,184,833	$74,016,736

The average interest rate on the Series 2001 and Series 2002 bond issues, during fiscal 2002, were 1.5 percent and 1.3 percent respectively, with June 30, 2002 rates of 1.2 percent and 1.2 percent respectively.

On February 7, 2002, the college utilized $34,753,298 of the proceeds from the Series 2002 revenue bonds to advance refund a portion of the Series 2000 bond issue. The Refunding Trust Fund is invested in cash and Government obligations and will provide for future payments of principal, redemption premium, and interest on the advance refunded Series 2000 bonds. In order to meet these obligations, the amount deposited in escrow was greater than the par value of the advance refunded Series 2000 bonds. The college incurred an extraordinary loss for the refunding of $2,736,801. Due to the lower interest rate on the Series 2002 Issue the college will have undiscounted cash savings of $3,562,774 over the life of the new issue. The outstanding principal of the defeased Series 2000 bonds, at June 30, 2002, which is not reflected in the college's financial statements, was $32,035,000.

On March 7, 2001, the college utilized $33,482,020 of the proceeds from the Series 2001 revenue bonds and $327,500 in the Series D Debt Service Fund to advance refund the Series D bond issue. The Refunding Trust Fund is invested in cash and Government obligations and will provide for future payments of principal, redemption premium, and interest on the Series D bonds. In order to meet these obligations, the amount deposited in escrow was greater than the par value of the Series D bonds. The college incurred an extraordinary loss for the refunding of $2,397,641. Because of the lower interest rate on the Series 2001 Issue the college will have undiscounted cash savings of $2,208,962 over the life of the new issue. The outstanding principal of the defeased Series D bonds, at June 30, 2002, which is not reflected in the college's financial statements, was $31,125,000.

The fair value of the Series 2000 bonds payable as of June 30, 2002 is approximately $9,588,366. The fair value of the Series 2001 and 2002 bonds payable as of June 30, 2002, approximates the total outstanding principal balance. Aggregate principal payments due on these bonds during each of the next five years, ending June 30, and thereafter are as follows:

2002–03	2003–04	2004–05	2005–06	2006–07	Thereafter	Total
$885,000	$805,000	$1,577,000	$1,901,000	$1,988,000	$69,025,000	$76,181,000

10. Net Assets

Net assets at June 30 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2002	Total 2001
Endowment					
Permanent Endowment		$373,191,606	$223,449,839	$ 596,641,445	$ 640,155,653
Term Endowment		5,208,491		5,208,491	5,500,825
Quasi-endowment	$242,253,514	7,150,016		249,403,530	271,597,655
	$242,253,514	385,550,113	223,449,839	851,253,466	917,254,133
Life Income Funds		19,332,115	19,717,577	39,049,692	40,741,097
Plant Funds	$167,178,236	2,166,076		169,344,312	155,649,874
Loan Funds			5,229,896	5,229,896	4,258,660
Other Funds	31,536,119	52,298,383	5,636,714	89,471,216	107,483,816
	$440,967,869	$459,346,687	$254,034,026	$1,154,348,582	$1,225,387,580

Included in unrestricted, temporarily restricted and permanently restricted net assets are the college's endowment and similar funds and life income funds. The per share market value of the college's pooled endowment fund as of June 30, 2002, was $4,584 ($5,028 at June 30, 2001). The total endowment shares in the endowment fund (including annuity funds) were 189,736 (186,415 at June 30, 2001).

Temporarily restricted net assets released to unrestricted net assets were as follows:

	2001–02	2000–01
Total return distribution	$20,655,328	$15,456,709
Program services	18,959,551	15,273,940
	$39,614,879	$30,730,649

11. Pension Plan

The college has a defined contribution retirement plan for substantially all its employees. The plan is administered by independent trustees to whom all funds are transferred for investment purposes and annuity payments. All employees are eligible to participate after meeting certain eligibility requirements. College contributions to the plan are based upon a percentage of salaries. The college's contribution to the retirement plan amounted to approximately $6,092,000 in 2001–02 ($5,706,000 in 2000–01).

Ten Years in Review

	2002	2001	2000	1997	1992
Assets, Liabilities and Net Assets (000s)					
Total Assets	$1,451,544	$1,353,320	$1,286,750	$955,474	$561,364
Total Plant Assets	239,396	200,312	167,386	146,036	119,186
Endowment Funds Market Value	851,253	917,254	906,944	683,424	387,769
Life Income Funds Market Value	41,003	44,079	43,811	32,571	20,858
Long-Term Debt	76,185	74,017	72,324	37,659	17,800
Net Assets	1,154,349	1,225,388	1,176,865	880,110	512,689
Income and Expense (000s)					
Undergraduate Comprehensive Fees	$89,176	$83,688	$77,099	$68,495	$53,397
Undergraduate Scholarships	28,572	25,872	22,914	19,402	14,707
Net	60,604	57,816	54,185	49,093	38,690
Unrestricted Gifts and Grants	23,396	20,910	24,938	16,068	11,067
Restricted Gifts and Grants	18,700	44,786	23,110	22,536	22,289
Total Operating Expenses	153,832	140,268	126,275	104,454	81,564
Salaries and Wages	71,283	67,731	62,306	51,005	43,783
Benefits	18,665	16,700	15,259	13,204	11,035
Other Statistics					
Undergraduate FTE	2,743	2,707	2,575	2,556	2,584
Faculty FTE	289.3	266.0	263.9	264.4	267.1
Student-Faculty Ratio	8.9	9.5	9.7	9.7	9.7
Comprehensive Fee	$33,110	$31,560	$30,260	$27,300	$21,750
Net Cost Per Student	$51,100	$47,000	$44,500	$37,100	$25,900
Fee as Percent of Cost Per Student	64.8%	67.1%	68.0%	73.6%	84.0%
Students Receiving Scholarships	58.1%	58.0%	58.0%	56.0%	67.5%
Operations Supported by Endowment	30.0%	30.9%	29.8%	24.7%	19.0%
Endowment Per Student	$296,870	$324,710	$342,560	$259,100	$144,310
Endowment Spending as Percent of Market Value	5.2%	4.8%	4.3%	4.1%	5.2%

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