Smith College

Consolidated Financial Statements

June 30, 2021 and 2020

Smith College
Index
June 30, 2021 and 2020

	Page(s)
Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3–4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6–24

Report of Independent Auditors

To the Board of Trustees of Smith College

We have audited the accompanying consolidated financial statements of Smith College ("the College") and its affiliate, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the College's preparation and fair presentation of the consolidated 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 College'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Smith College and its affiliate as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Hartford, Connecticut
October 28, 2021

PricewaterhouseCoopers LLP, CITYPLACE I 185 Asylum Street Suite 2400 Hartford, Connecticut 06103-3404
T: 860 241 7000, www.pwc.com/us

Smith College
Consolidated Statements of Financial Position
June 30, 2021 and 2020

(in thousands)	2021	2020
Assets		
Cash and cash equivalents	$ 27,110	$ 42,890
Short-term investments	103,063	34,080
Receivables, net and other assets	114,504	72,857
Long-term investments	2,730,595	2,027,427
Property, plant and equipment, net	597,670	558,144
Total assets	$ 3,572,942	$ 2,735,398
Liabilities		
Accounts payable and accrued liabilities	$ 33,817	$ 29,928
Deferred income, deposits, and agency funds	28,401	24,051
Interest rate swap agreements	18,756	26,771
Liability for split interest agreements	21,397	20,460
Asset retirement obligations	22,221	21,401
Bonds and mortgages payable	365,143	265,216
Total liabilities	489,735	387,827
Net assets		
Without donor restrictions	909,043	720,255
With donor restrictions	2,174,164	1,627,316
Total net assets	3,083,207	2,347,571
Total liabilities and net assets	$ 3,572,942	$ 2,735,398

The accompanying notes are an integral part of these consolidated financial statements.

Smith College
Consolidated Statement of Activities
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

(in thousands)	Without Restriction	With Donor Restriction	Total 2021	Total 2020
Operating revenues and other additions				
Tuition, fees, residence & dining, net of financial aid of $68,431 and $87,352, respectively	$ 75,356	$ -	$ 75,356	$ 108,165
Gifts and grants	25,295	-	25,295	27,368
Investment return supporting operations	801	-	801	4,099
Other income	6,507	-	6,507	11,636
Endowment return appropriated	19,544	73,716	93,260	89,602
Net assets released from restrictions	102,582	(102,582)	-	-
Total operating revenues and other additions	230,085	(28,866)	201,219	240,870
Operating expenses				
Salaries and wages	101,350	-	101,350	109,323
Employee benefits	30,139	-	30,139	33,796
Supplies, services, other	50,143	-	50,143	59,842
Depreciation and amortization	19,988	-	19,988	19,063
Interest	5,833	-	5,833	6,994
Utilities	4,726	-	4,726	5,560
Total expenses	212,179	-	212,179	234,578
Increase (decrease) in net assets from operating activities	17,906	(28,866)	(10,960)	6,292
Nonoperating activities				
Gifts and grants	-	76,148	76,148	42,492
Net investment return increasing long-term investments	180,650	573,254	753,904	35,337
Endowment return appropriated	(19,544)	(73,716)	(93,260)	(89,602)
Realized and unrealized gains (losses) on interest rate swap agreements	8,015	-	8,015	(11,146)
Change in life income funds	(594)	2,381	1,787	(5,974)
Other income	2	-	2	231
Change in net asset classification and transfers	2,353	(2,353)	-	-
Increase (decrease) in net assets from nonoperating activities	170,882	575,714	746,596	(28,662)
Increase in net assets	188,788	546,848	735,636	(22,370)
Net assets				
Beginning of year	720,255	1,627,316	2,347,571	2,369,941
End of year	$ 909,043	$ 2,174,164	$ 3,083,207	$ 2,347,571

The accompanying notes are an integral part of these consolidated financial statements.

Smith College
Consolidated Statement of Activities
Year Ended June 30, 2020

(in thousands)	Without Restriction	With Donor Restriction	Total
Operating revenues and other additions			
Tuition, fees, residence & dining, net of financial aid of $87,352	$ 108,165	$ -	$ 108,165
Gifts and grants	27,368	-	27,368
Investment return supporting operations	4,099	-	4,099
Other income	11,636	-	11,636
Endowment return appropriated	19,801	69,801	89,602
Net assets released from restrictions	73,998	(73,998)	-
Total operating revenues and other additions	245,067	(4,197)	240,870
Operating expenses			
Salaries and wages	109,323	-	109,323
Employee benefits	33,796	-	33,796
Supplies, services, other	59,842	-	59,842
Depreciation and amortization	19,063	-	19,063
Interest	6,994	-	6,994
Utilities	5,560	-	5,560
Total expenses	234,578	-	234,578
Increase in net assets from operating activities	10,489	(4,197)	6,292
Nonoperating activities			
Gifts and grants	-	42,492	42,492
Net investment return increasing long-term investments	7,889	27,448	35,337
Endowment return appropriated	(19,801)	(69,801)	(89,602)
Realized and unrealized losses on interest rate swap agreements	(11,146)	-	(11,146)
Change in life income funds	(3,945)	(2,029)	(5,974)
Other income	231	-	231
Change in net asset classification and transfers	5,122	(5,122)	-
Decrease in net assets from nonoperating activities	(21,650)	(7,012)	(28,662)
Decrease in net assets	(11,161)	(11,209)	(22,370)
Net assets			
Beginning of year	731,416	1,638,525	2,369,941
End of year	$ 720,255	$ 1,627,316	$ 2,347,571

The accompanying notes are an integral part of these consolidated financial statements.

Smith College
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

(in thousands)		2021		2020
Cash flows from operating activities				
Increase (decrease) in net assets	$	735,636	$	(22,370)
Adjustments to reconcile increase in net assets to net cash used in operating activities				
Depreciation and amortization		19,155		18,357
Realized and unrealized (gain) loss in market value on interest rate swap agreem		(8,015)		11,146
Net unrealized and realized (gains) on investments		(761,000)		(39,452)
Actuarial change in life income obligations		937		64
Contributions restricted for long-term investment		(30,115)		(21,293)
Contributions of property and securities		(8,548)		(6,990)
Contributions of securities		3,837		4,449
Net change in operating assets and liabilities				
Receivables, net and other assets		(42,388)		(14,116)
Accounts payable, accrued liabilities, and asset retirement obligations		4,709		9,514
Deferred income, deposits and agency funds		4,350		(975)
Net cash used in operating activities		(81,442)		(61,666)
Cash flows from investing activities				
Purchases of property, plant and equipment		(58,694)		(72,265)
Proceeds from student and other loan collections		1,813		1,111
Student and other loans issued		(1,072)		(950)
Purchases of investments		(605,277)		(410,871)
Sales and maturities of investments		662,797		486,232
Change in short-term investments		(68,983)		32,362
Net cash (used in) and provided by investing activities		(69,416)		35,619
Cash flows from financing activities				
Contributions restricted for long-term investment		30,115		21,293
Proceeds from sale of donated securities for endowment		5,023		2,495
Mortgages		(60)		(58)
Proceeds from issuance of long-term debt		100,000		-
Net cash provided by financing activities		135,078		23,730
Net change in cash and cash equivalents		(15,780)		(2,317)
Cash and cash equivalents				
Beginning of year		42,890		45,207
End of year	$	27,110	$	42,890
Supplemental disclosure				
Interest paid	$	12,531	$	11,251
Gifts in kind		3,539		759
Purchases of property (decreasing) increasing payables		(4,162)		5,160
Donated Securities		8,548		6,990

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of Presentation
The Trustees of the Smith College (the "College") is a private liberal arts college providing women an education of uncompromising quality. Smith College educates women of promise for lives of distinction and purpose. A college of and for the world, Smith links the power of the liberal arts to excellence in research and scholarship, thereby developing engaged global citizens and leaders to address society's challenges. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") for The Trustees of the Smith College and includes the Alumnae Association of Smith College.

Net Asset Classes
The accompanying consolidated financial statements present information regarding the College's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions: net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the College or may be limited by contractual agreements with outside parties.

With donor restrictions: net assets are subject to donor stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Changes in net assets are classified as operating and nonoperating. Nonoperating changes in net assets are: net realized and unrealized gains and losses on long-term investments, less amounts distributed for operating purposes; the change in the market value of interest rate swap agreements; reclassifications of net assets received in prior periods; and contributions with donor restrictions. All other unrestricted activity, including net assets released from restrictions, is reported as operating without donor restrictions.

Revenues
The College considers tuition, room and board as one contract with three performance obligations under ASU 2014-09. The College is a residential community with most students living and dining on campus. Tuition is charged per semester at the same rate for all students. Room and board revenue is recognized ratably over the course of the contracted time students are on campus. Tuition, room and board are all fully earned during the fiscal year. Financial aid is calculated based on total cost of attendance.

The College records student related revenue in the fiscal year in which services are provided. Institutional financial aid includes amounts funded by the College's operations, endowments, and restricted gifts. This aid offsets the published price of tuition and fees, room, and board for students. Grants to students for costs in excess of published prices are reported as student services and expense included in the *Supplies, services, other* line of the consolidated statements of activities.

Student related revenue by performance obligation at June 30 (in thousands):

2021	Tuition, Fees	Residence & Dining	Total
Student charge	$ 131,818	$ 11,969	$ 143,787
Allocation of financial aid	(62,735)	(5,696)	(68,431)
Total net student charges	$ 69,083	$ 6,273	$ 75,356

2020	Tuition, Fees	Residence & Dining	Total
Student charge	$ 158,218	$ 37,299	$ 195,517
Allocation of financial aid	(70,688)	(16,664)	(87,352)
Total net student charges	$ 87,530	$ 20,635	$ 108,165

Contributions
Contributions are recognized as revenues when received. Conditional pledges are recognized as revenues when conditions are substantially met. The College had no conditional pledges outstanding as of June 30, 2021 and 2020, respectively. Unconditional pledges, net of an allowance for uncollectible amounts, are reported at their estimated net present values and are classified as with donor restrictions. Contributions restricted for the acquisition of property and collections are reported as with donor restrictions gifts and are reclassified to without donor restrictions net assets at the time the assets are acquired and placed in service.

Cash and Cash Equivalents
Cash and investments acquired with a maturity date of three months or less are reported as cash equivalents, unless they are part of short-term or long-term investment funds.

Short-Term Investments
Short-term investments include operating funds invested in equity securities, as well as funds identified for specific capital projects, with a maturity of more than three months but less than one year.

Investments and Fair Value
The College's investment objective is to invest its assets in a prudent manner in order to achieve a long-term rate-of-return sufficient to fund a portion of its spending and to increase investment value equal to or above inflation. The College uses a diversified investment approach incorporating multiple asset classes, strategies and managers. The College's Board of Trustees' Investment Committee oversees the College's investments and authorizes major investment decisions.

In addition to equity and fixed income investments, the College may also hold shares or units in institutional funds and alternative investment funds involving hedged and private equity strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments. Private equity funds generally employ buyout, venture capital and debt-related strategies.

Investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices. Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Nonmarketable securities, which include alternative investments in hedge funds and private equity funds, are valued using net asset value (NAV), or its equivalent, provided by fund managers as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2021 and 2020, the College had no specific plans or intentions to sell investments at amounts different than NAV. These nonmarketable investments often require the estimation of fair values by the fund managers in the absence of readily determinable market values.

Investments include beneficial interests in trusts. A beneficial interest in a limited-term or 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. Assets of the Smith Students' Aid Society, Inc., the Smith College Club of New York City, and the Five College Consortium, which are not part of Smith College, are invested with the College's pooled investments. Assets of the Alumnae Association of Smith College are also invested with the College's pooled investments and are included in these consolidated statements.

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 within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The investments reported at NAV as practical expedient are not required to be categorized in the fair value hierarchy.

Property, Plant & Equipment
Property, which includes land, land improvements, buildings and equipment, and works of art are recorded at cost at acquisition or fair value at date of donation. Smith discontinued the capitalization of library books in the period ended June 30, 2019. Library books capitalized in previous periods will be depreciated over their remaining useful lives. Depreciation is recognized using the straight-line method over the useful lives of the assets.

Asset Retirement Obligation

An asset retirement obligation (ARO) is a conditional legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time, new laws and regulations, and revisions to either the timing or amounts of the original estimate of undiscounted cash flows. Upon settlement of the obligation, any difference between the cost to settle the ARO and the liability recorded will be recognized in the statements of activities as an expense.

Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The College's significant estimates include the fair value of its investments, its valuation of contributions receivable, recognition of its conditional asset retirement obligations, interest rate swap agreements, and other accruals for expenses incurred which will be settled in the future. Actual results could differ from estimates.

Tax Status

The College is an organization described under Internal Revenue Code (IRC) Section 501(c)(3) and is generally exempt from federal and state income taxes under Section 501(a) of the Code and applicable state laws. The College believes it has taken no significant uncertain tax positions.

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act impacts the College in several ways, including new excise taxes on executive compensation and net investment income, increases to unrelated business taxable income (UBTI) by the amount of certain fringe benefits for which a deduction is not allowed, changes to the net operating loss rules, repeal of the alternative minimum tax (AMT), and the computation of UBTI separately for each unrelated trade or business. Further, the Act reduces the US federal corporate tax rate and federal corporate unrelated business income tax rate from 35% to 21%.

For the tax year ended June 30, 2021 and 2020, the College made a reasonable estimate of the effect of the net investment income excise tax on deferred tax balances. The College continues to evaluate the impact of tax reform on the organization.

Reclassifications

Certain prior year balances were reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

ASU 2016-02: “Leases (Topic 842)”
In February 2016, the FASB issued ASU 2016-02. The objective of this standard update is to provide a representation of an entity’s leasing activities. This standard update requires that lease assets and lease liabilities be recognized on the balance sheet and all key information about leasing arrangements be disclosed. *The College adopted ASU 2016-02 as of July 1, 2020. The adoption of the standard did not have a material impact to the College’s consolidated financial statements as of and for the year ended June 30, 2021.*

ASU 2018-13: “Fair Value Measurements (Topic 820)”
In August 2018, the FASB issued ASU 2018-13 Fair Value Measurements (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The standard modifies the disclosure for transfers between Levels 1 and 2 and the disclosure requirements for investments recorded at a net asset value in the fair value hierarchy. *The College adopted ASU 2018-13 as of July 1, 2020. The adoption of the standard did not have a material impact to the College’s consolidated financial statements as of and for the year ended June 30, 2021*.

ASU 2014-09 “Revenue from Contracts with Customers (ASC 606)”
In May 2014, the FASB issued ASU No. 2014-09, a principles-based standard to recognize revenue from customer contracts. The guidance applies to all contracts, but specifically excludes contribution income. The College adopted *ASU No. 2014-09 as of July 1, 2019 using the modified retrospective method. There was no material impact to revenues for the year ended June 30, 2020 as a result of its application.*

ASU 2018-08: “Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made”
In June 2018, the FASB issued ASU 2018-08, that aims to assist entities in (1) evaluating whether transactions should be accounted for as contributions or exchange transactions and (2) determining whether a contribution is conditional. *The College adopted ASU 2018-08 simultaneously with ASC 606 as of July 1, 2019. The College applied the new standard on a modified prospective basis. The adoption of the standard did not have a material impact to the College’s consolidated statement of activities for the year ended June 30, 2020.*

ASU 2016-18: “Statement of Cash Flows (Topic 230)”
In November 2016, the FASB issued ASU 2016-18: “Statement of Cash Flows (Topic 230): Restricted Cash” which requires that cash restricted by donors and others be combined with unrestricted cash in the statement of cash flows. *The College adopted ASU 2016-18 as of July 1, 2019.The College had no restricted cash during the period and therefore the standard had no effect on the College’s consolidated statement of cash flows for the year ended June 30, 2020.*

ASU 2016-15: “Statement of Cash Flows (Topic 230)”
In August 2016, the FASB issued ASU 2016-15: “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” which clarifies how certain items are categorized on the statement of cash flow. *The College adopted ASU 2016-15 as of July 1, 2019. The adoption of the standard did not have a material impact to the College’s consolidated statement of cash flows for the year ended June 30, 2020.*

ASU 2020-04: “Reference Rate Reform (Topic 848)”
In March 2020, the FASB issued ASU 2020-04 Reference Rate Reform (Topic 820) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The standard provides for practical expedients and exceptions in applying GAAP to contracts, hedging relationships and other

transactions that reference LIBOR or another reference rate that is expected to be discontinued. *This standard is effective for the College's fiscal year 2022. The College is currently assessing the impact on its consolidated financial statements.*

2. Liquidity

As of June 30, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows (in thousands):

	2021	2020
Cash and cash equivalents	$ 27,110	$ 42,890
Contributions, notes, and accounts receivable, net	4,690	4,657
Working capital investments	72,820	60,263
Next fiscal year endowment appropriation	100,298	95,423
Total financial assets available within one year	$ 204,918	$ 203,233

The College's Board of Trustees approves the annual spending distribution per unit. Under the provision of the spending rule, for fiscal years 2021 and 2020 the Board approved an endowment appropriation of $388.68 and $379.20 annually per unit, respectively. For fiscal year 2022 the Board approved an endowment appropriation of $416.28 annually per unit, for an estimated total spending allocation (in thousands) of $100,298. The College maintains $50 million in lines of credit accessible for short-term liquidity needs. The College did not draw from the line in fiscal year 2021 or 2020. Additionally, the College has board-designated endowment funds (in thousands) of $533,164 as of June 30, 2021. Although the College does not intend to spend from its board-designated endowment funds other than amounts appropriated for operation, amounts could be made available if necessary.

The College's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. To manage liquidity, the College maintains a working capital portfolio conservatively invested across three tiers, the amounts and duration of which correspond with the projected liquidity need. The first tier in cash and cash equivalents, tier two in mid-term high-quality fixed income, and tier three co-invested with the long-term investment portfolio.

3. Receivables, Net and Other Assets

Receivables, net and other assets consist of the following items at June 30 (in thousands):

	2021	2020
Contributions expected to be collected within		
One year	$ 17,753	$ 8,431
One to five years	40,404	13,877
Over five years	5,347	5,650
Less: Discount (0% to 3%)	(1,048)	(917)
Less: Allowance for uncollectibles	(1,889)	(1,889)
	60,567	25,152
Grants receivable	2,846	3,360
Charitable trusts	34,611	30,538
Less: Discount (1.0% to 4.72%)	(11,087)	(9,244)
	23,524	21,294
Students, employees, other receivables	6,153	6,344
Student loans	5,590	5,748
Employee loans and mortgages	3,244	3,757
Less: Allowance for uncollectibles	(2,478)	(2,470)
	12,509	13,379
Other assets	15,058	9,672
	$ 114,504	$ 72,857

4. Fair Value

The College's assets and liabilities as of June 30, 2021 that are measured at fair value on a recurring basis are summarized in the following table by their fair value hierarchy (in thousands):

		Total	Level 1	Level 2	Level 3	Investments Measured at NAV
Assets						
Investments						
Cash equivalents						
Cash equivalents and money market funds		$ 31,273	$ 31,273	$ -	$ -	$ -
Fixed income						
U.S. Treasuries and U.S. Treasury funds		149,146	149,146	-	-	-
Global equities						
U.S. equity securities		642	642	-	-	-
Derivative	Long-short	58,692	58,692	-	-	-
Hedge fund	Long-short	672,648	-	-	-	672,648
Private equity	Multi-strategy	12,030	-	-	-	12,030
Alternative equity						
Hedge fund	Multi-strategy	711,955	-	-	-	711,955
Hedge fund	Event driven	26,542	-	-	-	26,542
Private equity						
	Venture capital	3,163	-	-	-	3,163
	Buyout	2,435	-	-	-	2,435
	Multi-strategy	1,021,532	-	-	-	1,021,532
	Real asset investments	15,888	-	-	-	15,888
Third-party perpetual trusts		24,649	-	1,030	23,619	-
Total long-term investments		2,730,595	239,753	1,030	23,619	2,466,193
Short-term investments						
U.S. Treasuries and U.S. Treasury funds		76,129	76,129	-	-	-
Fixed income funds		26,934	26,934	-	-	-
Total short-term investments		103,063	103,063	-	-	-
		$ 2,833,658	$ 342,816	$ 1,030	$ 23,619	$ 2,466,193
Liabilities						
Interest rate swap agreements		$ (18,756)	$ -	$ (18,756)	$ -	$ -
		$ (18,756)	$ -	$ (18,756)	$ -	$ -

The College's assets and liabilities as of June 30, 2020 that are measured at fair value on a recurring basis are summarized in the following table by their fair value hierarchy (in thousands):

		Total	Level 1	Level 2	Level 3	Investments Measured at NAV
Assets						
Investments						
Cash equivalents						
Cash equivalents and money market funds		$ 17,934	$ 17,934	$ -	$ -	$ -
Fixed income						
U.S. Treasuries and U.S. Treasury funds		122,204	122,204	-	-	-
Global equities						
U.S. equity securities		341	341	-	-	-
Derivative	Long-short	27,520	27,520	-	-	-
Hedge fund	Long-short	568,877	-	-	-	568,877
Private equity	Multi-strategy	8,632	-	-	-	8,632
Alternative equity						
Hedge fund	Multi-strategy	566,449	-	-	-	566,449
Hedge fund	Event driven	25,546	-	-	-	25,546
Private equity						
	Venture capital	1,388	-	-	-	1,388
	Buyout	1,773	-	-	-	1,773
	Multi-strategy	649,427	-	-	-	649,427
	Real asset investments	15,915	-	-	-	15,915
Third-party perpetual trusts		21,421	-	765	20,656	-
Total long-term investments		2,027,427	167,999	765	20,656	1,838,007
Short-term investments						
U.S. Treasuries and U.S. Treasury funds		7,557	7,557	-	-	-
Fixed income funds		26,523	26,523	-	-	-
Total short-term investments		34,080	34,080	-	-	-
		$ 2,061,507	$ 202,079	$ 765	$ 20,656	$ 1,838,007
Liabilities						
Interest rate swap agreements		$ (26,771)	$ -	$ (26,771)	$ -	$ -
		$ (26,771)	$ -	$ (26,771)	$ -	$ -

The limitations and restrictions on the College's ability to redeem or sell investments vary by investment and range from none for publicly traded securities, to required notice periods (generally 30 to 90 days after initial lock-up periods) for certain hedge funds, to dependency on the disposition of portfolio positions and return of capital by the investment manager for private equity, venture capital, commodity fixed income related, and real estate limited partnership interests. Investments without restriction generally do not require any notice prior to withdrawal.

The "illiquid" category is related to private equity, real estate, and certain limited partnership investments, where the College cannot redeem the investment until it is sold and the monies are distributed by the fund manager.

At June 30, 2021 and 2020, the College's remaining outstanding commitments to private equity partnerships totaled $436.9 million and $561.2 million, respectively, 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.

Detailed redemption restrictions on the College's investments as of June 30, 2021 and 2020 are as follows (in thousands):

	2021					
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Cash equivalents	$ 31,273	$ -	$ -	$ -	$ -	$ 31,273
Fixed income	149,146	-	-	-	-	149,146
Global equities	59,334	672,648	-	-	12,030	744,012
Alternative equity	-	-	711,955	26,542	-	738,497
Private equity	-	-	-	-	1,043,018	1,043,018
Third party perpetual trusts	-	-	-	-	24,649	24,649
	$ 239,753	$ 672,648	$ 711,955	$ 26,542	$ 1,079,697	$ 2,730,595

	2020					
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Cash equivalents	$ 17,934	$ -	$ -	$ -	$ -	$ 17,934
Fixed income	122,204	-	-	-	-	122,204
Global equities	27,861	568,877	-	-	8,632	605,370
Alternative equity	-	-	566,449	25,546	-	591,995
Private equity	-	-	-	-	668,503	668,503
Third party perpetual trusts	-	-	-	-	21,421	21,421
	$ 167,999	$ 568,877	$ 566,449	$ 25,546	$ 698,556	$ 2,027,427

The following tables present the College's activity for the fiscal years ended June 30, 2021 and 2020, for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

2021	Fair Value Beginning of Year	Acquisitions	Dispositions	Realized Gains	Unrealized (Losses) Gains	Fair Value End of Year
Third-party perpetual trusts and other	$ 20,656	$ -	$ (301)	$ -	$ 3,264	23,619
	$ 20,656	$ -	$ (301)	$ -	$ 3,264	$ 23,619

2020	Fair Value Beginning of Year	Acquisitions	Dispositions	Realized Gains	Unrealized (Losses) Gains	Fair Value End of Year
Third-party perpetual trusts and other	$ 21,474	$ -	$ (628)	$ -	$ (190)	20,656
	$ 21,474	$ -	$ (628)	$ -	$ (190)	$ 20,656

Within each asset class, the College achieves diversification through allocations to several investment strategies and market capitalizations. The College has outsourced its investment office. This outsourced investment office has established private fund vehicles to facilitate the management of its clients' accounts. These private fund investments represent 89% of the College's investments at June 30, 2021 and 2020.

The College enters into derivative instruments such as futures for trading purposes. The College may enter into equity or index option contracts to speculate on the price movements of the financial instrument or index underlying the option.

Index future contracts are included in long-term investments on the statements of financial position. At June 30, 2021 and 2020, the College held certain index future contracts with an unrealized loss of $723,371 and $314,421, respectively. The College pledged collateral on the index futures contracts of $2.4 million and $1.2 million at June 30, 2021 and June 30, 2020, respectively.

The fair market value of investment derivatives held by the fund at June 30, 2021 and 2020, are summarized in the following table (in thousands):

	2021		
	Long Notional	**Short Notional**	**Unrealized Loss**
Instrument type			
Index futures contracts	58,539	-	723
	$ 58,539	$ -	$ 723

	2020		
	Long Notional	**Short Notional**	**Unrealized Loss**
Instrument type			
Index futures contracts	19,691	-	314
	$ 19,691	$ -	$ 314

As of June 30, 2021 and 2020, there were 273 and 214 futures contracts open, respectively. The volume of futures is based on the quarterly number of contracts held during the year. For the years ended June 30, 2021 and 2020, the average number of contracts for futures were 240 and 190, respectively.

The private equity partnerships have varying terms. As of June 30, 2021, the average remaining life of the private equity partnerships were unknown and dependent on the dissolution of the partnerships or the liquidation of the underlying investments.

Investment income and gains on the College's long-term investments are summarized below (in thousands):

	2021	2020
Interest and Dividends, net of fees	$ (2,568)	$ (37)
Realized and unrealized gains	757,273	39,473
	$ 754,705	$ 39,436

The total return as presented in the statements of activities is summarized below (in thousands):

	2021	2020
Without restrictions – operating	$ 801	$ 4,099
Without restrictions – nonoperating	180,650	7,889
With donor restriction – nonoperating	573,254	27,448
	$ 754,705	$ 39,436

5. Endowment Funds

The College's endowment consists of approximately 2,000 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-endowment).

The College manages the endowment to maximize annualized returns net of all costs over rolling ten-year periods while adhering to stated risk parameters that seek to avoid greater than 25% peak-to-trough declines in the inflation adjusted endowment unit value. Asset allocation parameters are established for investments with lock-up periods. The strategy allows for a significant allocation to equity-oriented investments offering long-term capital appreciation, diversified across asset classes and managers. The College compares the performance of its investments against several benchmarks.

The College's Board of Trustees approves the annual spending distribution per unit. Units are assigned when gifts and transfers enter or exit the investment pool, based on the then market value of a unit in the pool. The pool is valued monthly. The endowment spending policy provides that the income distributed per unit will increase by 4.0% annually as long as the resulting amount is between 4.0% and 6.0% of the preceding December 31 endowment market value. For the fiscal year ended June 30, 2021, the Board of Trustees increased the distribution per unit by 2.5%.

The College has interpreted the Massachusetts enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure. 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
- Investment policy of the College

As a result of market declines, the fair value of certain donor-restricted endowments may fall below original contributed value. As of June 30, 2021 there were no funds under water. As of June 30, 2020, funds (in thousands) with an original gift value of $9,799 were under water by $190. These unrealized losses have been recorded as reductions in net assets with donor restriction. Future market gains will be used to restore this reduction in net assets.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment funds for the fiscal years ended June 30, 2021 and 2020 were as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Balances June 30, 2020	$ 401,178	$ 1,506,000	$ 1,907,178
Interest and dividends, net of fees	(872)	(3,275)	(4,147)
Realized and unrealized gains	149,782	566,006	715,788
Contributions and transfers	2,620	30,903	33,523
Distributions	(19,544)	(73,716)	(93,260)
Balances June 30, 2021	$ 533,164	$ 2,025,918	$ 2,559,082

	Without Donor Restrictions	With Donor Restrictions	Total
Balances June 30, 2019	$ 411,093	$ 1,502,160	$ 1,913,253
Interest and dividends, net of fees	152	(3,037)	(2,885)
Realized and unrealized gains	8,755	28,631	37,386
Contributions and transfers	979	48,047	49,026
Distributions	(19,801)	(69,801)	(89,602)
Balances June 30, 2020	$ 401,178	$ 1,506,000	$ 1,907,178

6. Property, Plant and Equipment, Net

Property, plant and equipment at June 30 (in thousands):

	Useful Lives	2021	2020
Land	—	$ 7,997	$ 7,997
Land improvements	10–30 years	18,590	18,590
Buildings and building improvements	5-50 years	798,800	620,875
Works of art	100 years	70,749	66,939
Library books	15 years	59,893	60,071
Equipment	5–12 years	28,190	24,877
Right of Use Asset	various	3,099	-
		987,318	799,349
Accumulated depreciation		(404,707)	(386,157)
		582,611	413,192
Construction in progress		15,059	144,952
		$ 597,670	$ 558,144
Depreciation expense		$ 19,168	$ 18,293
Capitalized interest		6,886	4,397

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following items at June 30 (in thousands):

	2021	2020
General payables	$ 19,740	$ 13,993
Facilities, construction, repairs	4,278	8,440
Payroll related	5,173	2,480
Compensated absences	4,626	5,015
	$ 33,817	$ 29,928

8. Split Interest Agreements

Split interest agreements consist of the following at June 30 (in thousands):

	Annuities (Held by College)		Split Interest (College Trustee)		Split Interest (Outside Trustee)	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Assets						
Cash/investments	$ 46,028	$ 35,514	$ 10,507	$ 9,223	$ -	$ -
Contributions receivable (net)	-	-	-	-	23,524	21,294
Obligation	(17,063)	(16,538)	(4,334)	(3,922)	-	-
	$ 28,965	$ 18,976	$ 6,173	$ 5,301	$ 23,524	$ 21,294
Net assets						
Without donor restrictions	$ 8,212	$ 5,853	$ -	$ -	$ -	$ -
With donor restrictions	20,753	13,123	6,173	5,301	23,524	21,294
	$ 28,965	$ 18,976	$ 6,173	$ 5,301	$ 23,524	$ 21,294

Split interest assets, obligations and net assets result from annuity and split interest agreements, which are primarily irrevocable charitable remainder agreements. The College holds the assets for those classified as annuities and split interest agreements for which the College is trustee. 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. For split interest agreements held by outside trustees the College recognizes the net realizable value as a contribution receivable. Adjustments during the term of the agreements are made for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits.

9. Deferred Income, Deposits, and Agency Funds

Deferred income, deposits, and agency funds consist of the following items at June 30 (in thousands):

	2021	**2020**
Deferred income	$ 6,524	$ 6,862
Library Annex	6,989	7,139
Smith Students’ Aid Society	6,876	5,210
Lease Liability	3,144	-
Perkins loan program	409	504
Student deposits	215	1,165
Other deposits	4,244	3,171
	$ 28,401	$ 24,051

10. Bonds and Mortgages Payable and Interest Rate Swap Agreements

The College has the following general long-term obligations at June 30 (in thousands):

Bond Series	Final Year of Maturity	Interest Rates	2021	2020
Massachusetts Development Finance Agency				
2007A	2037	Variable	$ 25,460	$ 25,460
2007B	2037	Variable	47,500	47,500
The Trustees of the Smith College				
2015	2035	4.47 %	40,000	40,000
2015	2045	4.62 %	152,000	152,000
2020A	2060	2.86%	20,000	-
2020B	2061	2.86%	80,000	-
			364,960	264,960
Unamortized discount			(943)	(987)
Unamortized debt issuance cost			(449)	(391)
Bonds payable			363,568	263,582
Mortgages payable	2040	3.00 %	1,575	1,634
			$ 365,143	$ 265,216

On July 1, 2015, the College issued taxable bonds in the amount of $192 million. The proceeds were utilized to redeem prior borrowings and related interest rate swap agreements. In addition, remaining proceeds of $100.9 million were intended to finance various capital projects, operating costs, investments and other activities.

On January 29, 2016, the College converted its Series 2007 bonds to direct bank loans (Series 2007A with TD Bank, National Association, and Series 2007B with Century Subsidiary Investments, Inc. III) from variable rate demand obligations with a weekly tender feature.

In connection with the issuance of the Series 2007 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. The interest rate swap agreement on the Series 2007 bond issue has a notional amount and termination date equal to the principal amount and maturity date of the Series 2007 bond. The continued effectiveness of the 2007 Series swap will be contingent upon the ability of the counterparty to meet its contractual obligations under these agreements.

On September 30, 2020 the College issued a taxable private placement loan for $100 million at a fixed rate of 2.86% with the full principal payment due at maturity. These funds were drawn in two tranches during fiscal year 2021.

Future principal payments on bonds and mortgage payable are summarized as follows (in thousands):

	Principal Payments
Fiscal Year	
2022	$ 62
2023	64
2024	66
2025	68
2026	70
Thereafter	366,205
	$ 366,535

The swaps are summarized as follows (in thousands):

	2021		
Series	**Swap Fair Value**	**Average Interest Rate**	**Swap Fixed Rate**
2007	$ (18,756)	.53%	2.86 %
	$ (18,756)		

	2020		
Series	**Swap Fair Value**	**Average Interest Rate**	**Swap Fixed Rate**
2007	$ (26,771)	1.68 %	2.86 %
	$ (26,771)		

The swaps' fair values are indicative values based on midmarket levels as of the close of business on June 30, 2021 and 2020, derived from models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. The valuations do not represent the actual terms at which new transactions could be entered into or the actual terms at which existing transactions could be liquidated.

11. Net Assets

Net assets at June 30, 2021, are as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment	$ 533,164	$ 2,025,918	$ 2,559,082
Split interest agreements	8,212	50,450	58,662
Plant funds	258,639	-	258,639
Loan funds	-	8,999	8,999
Other funds	109,028	88,797	197,825
	$ 909,043	$ 2,174,164	$ 3,083,207

Net assets at June 30, 2020, are as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment	$ 401,178	$ 1,506,000	1,907,178
Split interest agreements	5,853	39,718	45,571
Plant funds	226,001	-	226,001
Loan funds	-	8,708	8,708
Other funds	87,223	72,890	160,113
	$ 720,255	$ 1,627,316	$ 2,347,571

Endowment return appropriated were as follows (in thousands):

	2021	2020
Scholarship	$ 34,885	$ 33,675
Instruction	20,660	20,078
General operating	19,544	18,579
Program support	12,857	12,126
Arts and library	5,314	5,144
	$ 93,260	$ 89,602

12. Functional Expenses

The statements of activities present expenses by natural classification. The College also summarizes its expenses by functional classification. The College's primary program service is academic instruction and research. Expenses reported as student services and auxiliary enterprises are incurred in support of this primary program activity.

Operation and maintenance of plant and depreciation expense for land improvements and buildings are allocated based on square footage. Depreciation expense for equipment is allocated to functional classifications based on the functional classifications of the departments in which the equipment is located, and depreciation expense for collections is allocated to the academic support functional classification.

Functional expenses for the year ended June 30, 2021, are as follows (in thousands):

	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total
Salaries and wages	$ 46,840	$ 13,658	$ 12,644	$ 7,212	$ 20,996	$ 101,350
Employee benefits	14,782	4,244	3,823	1,691	5,599	30,139
Supplies, services, other	7,085	11,682	12,145	6,192	13,039	50,143
Depreciation and amortization	4,960	7,023	2,581	4,658	766	19,988
Interest	1,523	907	884	2,191	328	5,833
Utilities	1,199	713	670	1,936	208	4,726
	$ 76,389	$ 38,227	$ 32,747	$ 23,880	$ 40,936	$ 212,179

Functional expenses for the year ended June 30, 2020, are as follows (in thousands):

	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total
Salaries and wages	$ 51,438	$ 14,907	$ 15,206	$ 9,936	$ 17,836	$ 109,323
Employee benefits	16,874	4,789	4,649	3,116	4,368	33,796
Supplies, services, other	17,257	10,604	9,227	8,306	14,448	59,842
Depreciation and amortization	5,129	5,541	2,575	5,011	807	19,063
Interest	1,857	1,106	1,035	2,651	345	6,994
Utilities	1,417	891	786	2,226	240	5,560
	$ 93,972	$ 37,838	$ 33,478	$ 31,246	$ 38,044	$ 234,578

13. Retirement Plan

The College has a defined contribution retirement plan for substantially all of its employees who are eligible to participate after meeting certain eligibility requirements. The College's contributions to the plan are based upon a percentage of salaries. The College's contributions to the plan for the fiscal year ended June 30, 2021 and 2020 were $8.7 million and $9.4 million, respectively. The College also provides health and dental insurance benefits for eligible retired employees between the ages of 62 and 65. The College recognized an accrued postretirement benefit obligation of $1.8 million at both June 30, 2021 and 2020, respectively.

14. Subsequent Events

The College evaluated subsequent events for potential recognition or disclosure through October 28, 2021, the date on which the consolidated financial statements were issued.