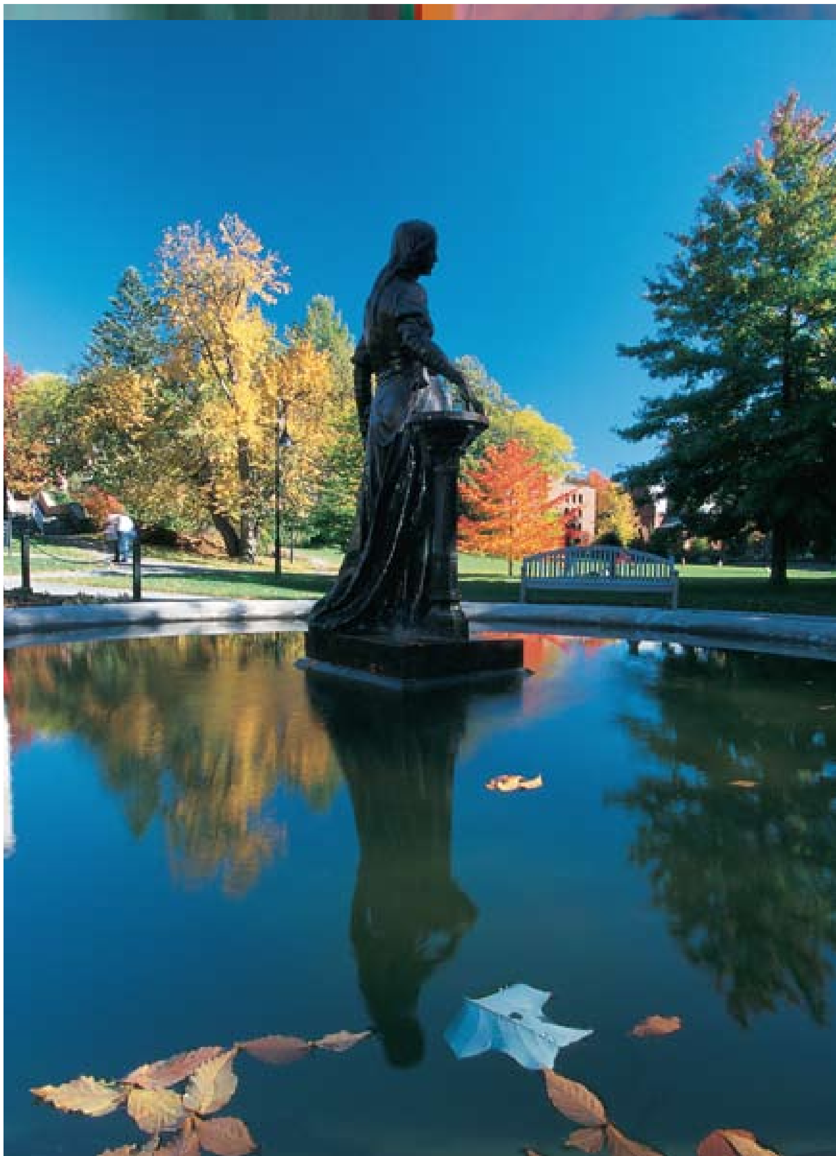
Smith College

Financial Report 2004–05



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 2004–05

Ruth H. Constantine
Vice President for Finance and Administration and Treasurer

Basil A. Stewart
Controller and Assistant Treasurer

We are pleased to present the financial report of Smith College for the year ended June 30, 2005. Highlights of the year included:

- For the first time in the college's history, the endowment surpassed the $1 billion mark. At June 30, 2005, the endowment market value was $1.036 billion.
- The college realized cost savings by implementing several reorganization measures in accordance with the financial equilibrium plan adopted the previous year. Total operating expenses decreased 1.2 percent from the prior year.
- Unrestricted giving increased by 8.1 percent from the prior year, mainly attributable to the success of the Alumnae Fund campaign.

Smith's financial results for 2004–05 were positively affected by net comprehensive fee revenue, giving and expense reductions. Tuition, room and board net of financial aid increased 4.6 percent to $78.7 million in 2004–05. Gifts are a key source of support for the college. Total gifts and pledges totaled $38.6 million, of which $20.8 million was for unrestricted purposes, an increase of 4.3 percent above the prior year. As in the previous year, overall net assets increased largely due to endowment growth.

This year, we have revised the presentation of the financial statements and accompanying footnotes by stating figures in thousands of dollars and reclassifying the transactions associated with the interest rate swap agreements on bonds to the non-operating section of the statement of activities.

Statement of Financial Position

Total assets at June 30, 2005, were nearly $1.6 billion. The market value of investments, which represents approximately 71 percent of total assets, increased by $119.1 million, or 11.9 percent. New gifts and additions to endowment totaled $13.8 million and market appreciation, net of income allowed for spending, added the balance. Increased volume in the securities lending program, raising the level of required collateral, supplements much of the true increase in assets resulting from endowment growth.

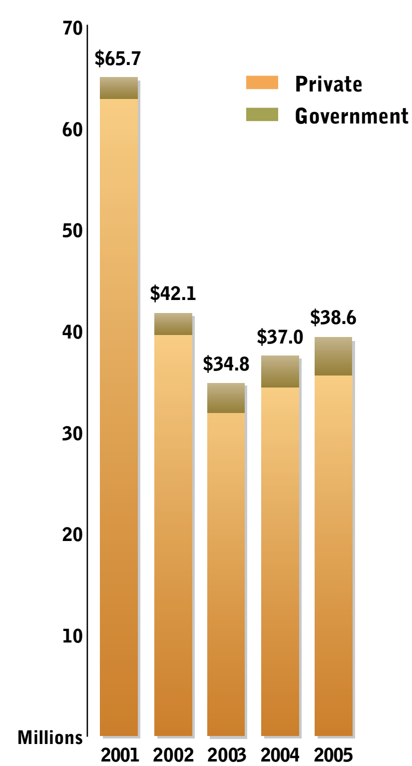
Total liabilities at June 30, 2005, increased by $12.8 million, or 5.3 percent, with most of the increase associated with the planned giving and securities lending programs. The life income obligation increased 34.6 percent from the prior year due to new gifts of $1.7 million and the use of new gender-specific rates to calculate the liability. The liability associated with the securities lending program increased 3.5 percent from the prior year.

Smith's total net assets increased by $109.8 million, or 9.0 percent, principally due to the increase in endowment market value.

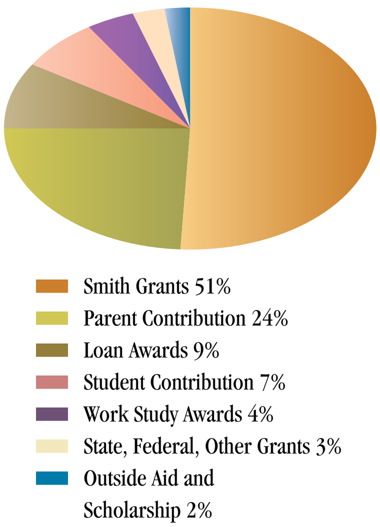
Statement of Activities

Operations for the year ended June 30, 2005 produced positive results and were managed within budget. The increase in unrestricted net assets from operations was $7.0 million in fiscal year 2005 compared to an increase of $3.4 million in fiscal year 2004.

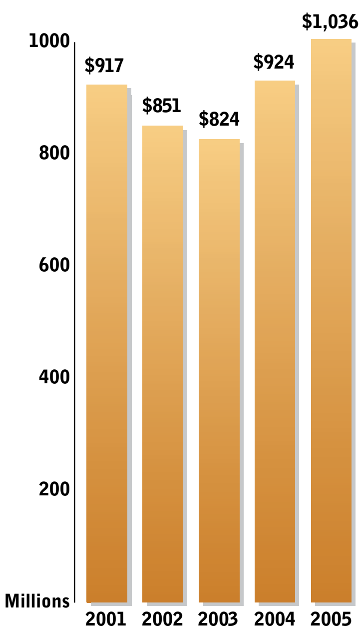
Total Giving



Financing a Smith Education



Endowment Market Value



Operating Revenue

Operating revenue was $164.0 million in 2004–05, an increase of 1.0 percent from 2003–04. Comprehensive fees revenue increased 6.9 percent, in large part due to an increase in the comprehensive fee of 5.0 percent. Student financial aid increased by 8.0 percent above the prior year. A total of 1,926 undergraduate students received grants totaling $38.2 million from college funds, including generous corporate and foundation support for engineering and international students. Endowment income for scholarships and restricted scholarship gifts totaled $17.7 million, covering 46 percent of the financial aid grants awarded. Total gifts and pledges of $38.6 million were received during the year, including government grants of $3.6 million. During fiscal year 2005, net assets released from restrictions consisted of $25.7 million in cumulative net appreciation from endowment investments utilized for operations and $7.7 million in donor-restricted gifts for program services.

Operating Expenses

Operating expenses totaled $157.0 million in 2004–05, a decrease of 1.2 percent from 2003-04. Expenses were reduced in specific program areas in accordance with priorities established in the college's financial equilibrium planning. Labor costs, which represent over 60 percent of the total operating budget, decreased slightly from the prior year.

Academic support expenses decreased because in the prior year the college recorded $3.6 million in expense associated with a faculty retirement program. General and administrative expenses decreased in part due to the planned reductions referenced above, and in part due to reduced expenses associated with the fundraising campaign that ended in December 2004. Instructional expenses increased principally due to costs associated with study abroad and School for Social Work programs.

Investments

Early in 2004, Smith selected Investure, LLC, to manage its investment portfolio under the oversight of the investment committee of the board of trustees. Investure is responsible for providing investment management and advisory services. This decision has allowed the college to have an increasingly diverse portfolio of investments.

Smith continues to maintain a large and diversified position in hedge funds, publicly traded equity and private equity funds. Equity investments range from small to large capitalization companies located in the United States as well as developed and emerging international markets. As of June 30, 2005, 37 percent of the pooled portfolio was invested in hedge funds, 25 percent in domestic equities, 17 percent in international equities, 10 percent in fixed income, 9 percent in private equity and 2 percent in real assets. Income from the endowment supports the breadth of the college's activities and programs, from general operations to specific needs such as scholarships and professorships. Income from endowment investments is also critically important in funding new initiatives and emerging needs.

The college's endowment market value increased by $111.1 million in 2004–05 to a total value of $1.036 billion on June 30, 2005. The increase in market value includes $143.3 million in investment return, consisting of appreciation and yield, and $13.8 million in gifts and other additions to the endowment, net of $46.0 million in distributions to support operations. Total return on the college's long-term investments, net of fees, was 16.1 percent for the year.

Facilities

The college completed several renovation projects during the year. Mechanical systems were upgraded in Gill Hall, where the college's school for grades K–6 is located. The Davis Center, renovated last summer, became the new home of the Mwangi Cultural Center. In addition, a new campus telecommunications system was installed. Before the end of the fiscal year, the college started new capital projects including a new building housing the Center for Early Childhood Education, and renovations to several student houses.

Smith has hired the architectural firm of Bohlin Cywinski Jackson to design a new engineering and molecular sciences building. Construction is expected to begin in 2007.

Capital expenditures for land, building, equipment and collections were $14.6 million in fiscal year 2005. These additions are offset by $13.4 million in depreciation expense.

Debt

Shortly after fiscal year end in July 2005, the college issued long-term debt of $33,065,000 in revenue bonds. The bonds were issued at a interest rate of 4.2 percent. The proceeds from the bonds will be used to fund a variety of capital projects on the college campus.

Ten Years in Review

	2005	2004	2003	2000	1995
Assets, Liabilities and Net Assets (000s)					
Total Assets	$1,585,630	$1,462,974	$1,450,710	$1,286,750	$754,379
Total Plant Assets	271,862	270,627	266,392	167,386	156,444
Endowment Funds Market Value	1,035,542	924,464	823,915	906,944	507,017
Life Income Funds Market Value	49,271	45,306	43,098	43,811	25,273
Long-Term Debt	72,916	74,493	75,299	72,324	41,310
Net Assets	1,332,637	1,222,805	1,122,727	1,176,865	676,579
Income and Expense (000s)					
Undergraduate Comprehensive Fees	$105,577	$99,159	$93,435	$77,099	$62,679
Undergraduate Scholarships	38,209	35,618	32,730	22,914	16,871
Net	67,368	63,541	60,705	54,185	45,808
Unrestricted Gifts and Grants	20,823	19,264	22,772	24,938	10,405
Restricted Gifts and Grants	17,826	17,783	11,980	23,110	18,421
Total Operating Expenses	157,007	158,985	158,166	126,275	94,053
Salaries and Wages	75,537	76,343	77,923	62,306	50,030
Benefits	21,503	20,836	21,271	15,259	13,128
Other Statistics					
Undergraduate FTE	2,776	2,738	2,743 *	2,575	2,530
Faculty FTE	294.0	304.0	301.0	263.9	262.8
Student-Faculty Ratio	8.8	8.5	8.5	9.7	9.6
Comprehensive Fee	$38,886	$37,034	$34,936	$30,260	$25,150
Net Cost Per Student	$50,500	$52,100	$52,200	$44,500	$30,400
Fee as Percent of Cost Per Student	77.0%	71.1%	62.2%	68.0%	82.7%
Students Receiving Scholarships	65.4%	64.6%	64.1%	58.0%	52.7%
Operations Supported by Endowment	28.4%	28.3%	29.3%	29.8%	20.0%
Endowment Per Student	$355,955	$321,615	$286,900	$342,560	$193,975
Endowment Spending as Percent of Market Value	4.6%	5.2%	5.7%	4.3%	4.8%

* Starting in July 2000, students attending independent study-abroad programs have paid comprehensive fees to the college, increasing enrolled FTEs.

Report of Independent Auditors

To the Trustees of Smith College
Northampton, Massachusetts

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Smith College (the "college") at June 30, 2005 and 2004, 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. Those standards 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

Boston, Massachusetts
September 18, 2005

Statements of Financial Position

June 30, 2005 and 2004

(In Thousands)

	2005	2004
Assets		
Cash and cash equivalents	$38,223	$37,623
Collateral held for loaned securities	106,420	102,794
Contributions and accounts receivable, net	33,011	35,578
Other assets	5,719	5,225
Loans receivable, net	9,396	9,246
Investments	1,120,999	1,001,881
Land, buildings, equipment and collections, net	271,862	270,627
Total assets	$1,585,630	$1,462,974
Liabilities		
Accounts payable and accrued liabilities	$23,575	$20,868
Payable under securities loan agreements	106,420	102,794
Life income obligation	23,772	17,663
Deferred income	3,983	3,780
Deposits and agency funds	22,327	20,571
Bonds payable	72,916	74,493
Total liabilities	$252,993	$240,169
Net Assets		
Unrestricted	486,447	458,373
Temporarily restricted	559,916	488,820
Permanently restricted	286,274	275,612
Total net assets	$1,332,637	$1,222,805
Total liabilities and net assets	$1,585,630	$1,462,974

See accompanying notes to financial statements.

Statements of Activities

For the years ended June 30, 2005 and 2004

(In Thousands)

		2005		2004
Changes in Unrestricted Net Assets				
Operating Revenues and Other Additions				
Student income: Tuition and other fees	$	93,209	$	87,191
Room and board fees		27,011		26,533
		120,220		113,724
Student aid		(41,525)		(38,456)
Student income, net		78,695		75,268
Gifts		20,823		19,264
Investment return supporting operations		21,580		22,891
Other income		9,445		9,083
Net assets released from restrictions		33,459		35,856
Total operating revenues	$	164,002	$	162,362
Operating Expenses				
Instruction		67,282		63,916
Academic support		23,681		28,179
Student services		18,948		18,364
Auxiliary enterprises		25,358		24,794
General and administrative		21,738		23,732
Total expenses		157,007		158,985
Operating subtotal	$	6,995	$	3,377
Non-Operating Revenues and Other Changes				
Realized and unrealized (loss) gain on interest-rate swap agreements		(5,077)		1,366
Investment return increasing long-term investment		26,156		26,092
Non-operating revenues and other changes subtotal	$	21,079	$	27,458
Increase in unrestricted net assets	$	28,074	$	30,835
Changes in Temporarily Restricted Net Assets				
Gifts		7,750		7,149
Investment return		98,508		79,768
Change in life income funds		(1,703)		3,366
Net assets released from restrictions		(33,459)		(35,856)
Increase in temporarily restricted net assets	$	71,096	$	54,427
Changes in Permanently Restricted Net Assets				
Gifts		10,076		10,634
Investment return		873		3,284
Change in life income funds		(287)		898
Increase in permanently restricted net assets	$	10,662	$	14,816
Total increase in net assets	$	109,832	$	100,078
Net assets, beginning of year		1,222,805		1,122,727
Net assets, end of year	$	1,332,637	$	1,222,805

See accompanying notes to financial statements.

Statements of Cash Flows

For the years ended June 30, 2005 and 2004

(In Thousands)

		2005		2004
Cash Flows From Operating Activities				
Increase in net assets	$	109,832	$	100,078
Adjustments to reconcile increase in net assets to net cash used in operating activities:				
Depreciation and amortization		13,367		12,732
Net unrealized and realized gains on investments		(135,154)		(118,226)
Actuarial change in life income obligation		6,109		724
Decrease (increase) in assets:				
Contributions and accounts receivable, net		2,567		635
Other assets		(496)		2,175
Increase (decrease) in liabilities:				
Accounts payable and accrued liabilities		1,726		(2,002)
Deferred income		203		162
Deposits and agency funds		1,674		4,174
Capital gifts		(14,632)		(14,895)
Loss on disposal				267
Contributions of property		(698)		(2,540)
Net cash used in operating activities	$	(15,502)	$	(16,716)
Cash Flows From Investing Activities				
Purchases of plant and equipment	$	(12,921)	$	(18,147)
Proceeds from loan collections		2,238		2,474
Loans issued		(2,388)		(2,173)
Purchases of investments		(660,654)		(931,049)
Sales and maturities of investments		676,690		940,768
Net cash provided by (used in) investing activities	$	2,965	$	(8,127)
Cash Flows From Financing Activities				
Contributions to endowment	$	6,702	$	8,926
Contributions to life income agreements		1,656		1,708
Contributions to plant		6,274		4,260
Federal contribution Perkins loan funds		82		82
Payments on long-term debt		(1,577)		(805)
Net cash provided by financing activities	$	13,137	$	14,171
Net change in cash and cash equivalents	$	600	$	(10,672)
Cash and cash equivalents, beginning of year	$	37,623	$	48,295
Cash and cash equivalents, end of year	$	38,223	$	37,623
Supplemental disclosures:				
Interest paid	$	1,544	$	1,016
Gifts in kind		698		2,540
Purchases of plant and equipment included in accounts payable		2,033		1,052
Collateral received for loaned securities		106,420		102,794

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 judgments 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. Significant estimates include the allowance for uncollectible contributions and accounts receivable, the allowance for uncollectible loans receivable, the valuation of nonmarketable securities, useful lives, accrued compensation and benefits, and the actuarial assumptions regarding life income obligations.

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 and gains realized 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 or limitations by law 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 or limitations by law. 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 and changes in life income funds 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. 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, are recognized as revenues in the period received. Restricted contributions received where the restriction is met in the same year are shown as unrestricted activities rather than initially reported in temporarily restricted. 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 risk-free rate appropriate for the expected payment term. Amortization of the discount is recorded as contribution revenue in the appropriate net asset category. Allowance is made for uncollectible contributions based upon management's judgment 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.

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 non-marketable securities are valued using current estimates of fair value by management based on information provided by the general partner or investment manager for the respective funds. Investments in units of non-publicly traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market prices of the underlying investments. Certain alternative investments are carried at estimated fair value as of March 31, 2005 (and 2004), as adjusted for cash receipts, cash disbursements, and securities distributions through June 30, 2005 (and 2004). Investments carried at estimated fair value represented 51 percent and 45 percent of the college's investments as of June 30, 2005, and June 30, 2004, respectively. One related group of limited partnership investments represents 35 percent and 19 percent of investments as of June 30, 2005, and June 30, 2004, respectively. 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 interests in perpetual trusts and interest in the net assets of the Alumnae Association of Smith College (Alumnae Association). 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. Assets of the Alumnae Association and the Smith Students' Aid Society, Inc. are invested with the college's pooled endowment.

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.

As of June 30, 2005 and 2004, the college had loaned certain securities, returnable on demand, with a fair value of approximately $104,311,000 and $100,614,000 respectively, to several financial institutions that have deposited collateral with respect to such securities of $106,420,000 and $102,794,000 respectively. The college receives income on the invested collateral, and also continues to receive interest and dividends from the securities on loan.

Derivative financial instruments are utilized by the college 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, 2005, the notional amount of open positions on forward foreign exchange contracts was approximately $1,841,000, and on the same date, the fair value of the forward foreign exchange contracts, recorded as part of the college's investments, was $38,000. No S&P 500 futures were held at June 30, 2005.

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, 2005 and 2004, the fair value of the interest rate swaps, recorded as part of the college's accounts payable and accrued liabilities, was $9,836,000 and $6,639,000 respectively.

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. 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.

Certain reclassifications have been made to 2004 accounts to conform with the 2005 presentation, including the reclassification of realized and unrealized gains on interest rate swap agreements of approximately $1,366,000 from operating to non-operating revenue.

2. Contributions and Accounts Receivable

Contributions and accounts receivable consist of the following items at June 30:

	2005	2004
Students, employees, other	$ 2,930	$ 2,595
Contributions expected to be collected		
within: One year	13,687	14,761
One to five years	6,532	7,021
Over five years	23,311	23,735
Less: Allowance for uncollectible accounts and unamortized discount	(13,449)	(12,534)
	$33,011	$35,578

3. Loans Receivable

Loans receivable consists of the following items at June 30:

	2005	2004
Student loans	$7,647	$7,767
Employee loans and mortgages	3,245	2,845
Less: Allowance for uncollectible loans	(1,496)	(1,366)
	$9,396	$9,246

4. Investments

Investments are composed of the following at June 30 (in thousands):

	Pooled	Other	Outside Trustees	2005 Total	2004 Total
Cash and cash equivalents	$28,348	$6		$28,354	$83,647
Fixed Income Securities	93,690	2,427		96,117	84,803
Equity Securities	374,572			374,572	375,802
Alternative Equity/ Other	570,145	895		571,040	423,530
Funds Held by Bond Trustee			916	916	742
Life Income Funds			18,103	18,103	19,494
Interest in the Net Assets of the Alumnae Association			15,958	15,958	14,311
Beneficial Interests			15,682	15,682	15,321
Due to Brokers	(2,381)			(2,381)	(47,947)
Due from Brokers	2,638			2,638	32,178
Total Investments	$1,067,012	$3,328	$50,659	$1,120,999	$1,001,881

Investment return is composed of the following for the years ended June 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2005 Total	2004 Total
Dividends and Interest	$15,191	$243	$607	$16,041	$16,928
Realized Gains (Losses)	27,538	74,220	-	101,758	46,265
Unrealized Gains (Losses)	8,801	24,045	550	33,396	71,961
Fees	(3,794)	-	(284)	(4,078)	(3,118)
	$47,736	$98,508	$873	$147,117	$132,036

Under the spending formula, investment return is used as follows for the years ended June 30 (in thousands):

	2005		2004	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Supporting operations	$21,580	$25,738	$22,891	$23,856
Increasing long-term investments	26,156	72,770	26,092	55,912
	$47,736	$98,508	$48,983	$79,768

Outstanding commitments to limited partnerships were $232,629,000 and $101,147,000 at June 30, 2005 and 2004, respectively. These commitments are scheduled to be funded over a number of years.

5. Land, Buildings, Equipment and Collections

Land, buildings, equipment and collections are as follows at June 30 (in thousands):

Cost	Useful Lives	2005	2004
Land		$ 4,878	$ 4,729
Land improvements	10–30 years	5,099	5,054
Buildings	40–70 years	321,095	316,279
Works of art	100 years	29,382	28,605
Library books	15 years	38,632	35,727
Equipment	5–12 years	19,586	21,123
		418,672	411,517
Accumulated depreciation		(152,338)	(142,270)
		266,334	269,247
Construction in progress		5,528	1,380
		$271,862	$270,627

6. Accounts Payable and Accrued Liabilities

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

	2005	2004
General payables	$ 3,836	$ 3,060
Interest rate swaps	9,836	6,639
Facilities, construction, repairs	3,131	2,882
Payroll related	1,793	1,613
Compensated absences	3,183	2,937
Retirement and separation plans	1,796	3,737
	$23,575	$20,868

7. Life Income Assets, Obligations and Net Assets

Life income funds consist of the following items at June 30 (in thousands):

	Annuities (held by College)		Life Income (College Trustee)		Life Income (Individual Trustee)	
	2005	2004	2005	2004	2005	2004
Assets:						
Cash/Investments	$31,168	$25,813	$18,103	$19,493		
Contributions Receivable					$ 23,284	$ 23,680
Discount/Allowance					(11,876)	(10,637)
Obligation:						
Obligation	(14,752)	(9,947)	(9,020)	(7,716)		
	$16,416	$15,866	$9,083	$11,777	$11,408	$13,043
Net Assets:						
Temporary	$7,297	$6,864	$ 3,392	$ 3,831	$ 8,267	$ 9,558
Permanent	9,119	9,002	5,691	7,946	3,141	3,485
	$16,416	$15,866	$ 9,083	$11,777	$11,408	$13,043

8. Deposits and Agency Funds

Deposits and agency funds consist of the following items at June 30 (in thousands):

	2005	2004
Student deposits	$ 686	$ 724
Alumnae Association	16,148	14,591
Smith Students' Aid Society	3,323	2,882
Other deposits	112	69
Perkins loan program	2,058	2,305
	$22,327	$20,571

9. Bonds Payable

The college has the following general long-term obligations as of June 30 (in thousands):

Series	Final Year of Maturity	Interest Rates	2005	2004
Massachusetts Development Finance Agency:				
2000	2010	4.6%–5.75%	$ 6,135	$ 6,855
2001	2024	Variable	32,224	32,961
2002	2029	Variable	34,555	34,675
			72,914	74,491
Unamortized premium			2	2
			$72,916	$74,493

The average interest rate on the Series 2001 and Series 2002 bond issues, during fiscal 2005, were 1.85 percent and 1.85 percent respectively, with June 30, 2005 rates of 2.16 percent and 2.16 percent respectively.

The fair value of the Series 2000 bonds payable as of June 30, 2005 is approximately $6,493,000. The fair value of the Series 2001 and 2002 bonds payable as of June 30, 2005 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 (in thousands):

2006	2007	2008	2009	2010	Thereafter	Total
$1,901	$1,988	$2,079	$2,175	$2,285	$62,486	$72,914

10. Net Assets

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2005	Total 2004
Endowment					
Permanent Endowment			$258,358	$ 258,358	$ 244,479
Net Appreciation on Permanent Endowment		$487,685		487,685	410,305
Term Endowment		4,787		4,787	4,305
Quasi-endowment	$284,712			284,712	265,375
	284,712	492,472	258,358	1,035,542	924,464
Life Income Funds		18,956	17,951	36,907	40,686
Plant Funds	182,692	5,147		187,839	182,032
Loan Funds			6,570	6,570	6,026
Other Funds	19,043	43,341	3,395	65,779	69,597
	$486,447	$559,916	$286,274	$1,332,637	$1,222,805

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 at June 30, 2005 was $5,338 ($4,828 at June 30, 2004). The total endowment shares in the endowment fund (including annuity funds) were 199,987 at June 30, 2005 (196,693 at June 30, 2004).

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 benefit 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 $6,644,000 in 2004–05 ($6,768,000 in 2003–04).

12. Subsequent Event

The $33,065,000 Massachusetts Development Finance Agency Higher Education Revenue Bonds, Smith College Issue, Series 2005, were issued on July 20, 2005. The bonds, which mature on July 1, 2035, bear interest at 5 percent. The proceeds from the bonds are to fund construction projects on the Smith College campus.

3654-10/05

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