MOUNT HOLYOKE

ANNUAL FINANCIAL STATEMENTS
June 30, 2012 and 2011

Michael Malyszko

Mount Holyoke College
South Hadley, Massachusetts

Table of Contents

KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Trustees
Mount Holyoke College:

We have audited the accompanying statements of financial position of Mount Holyoke College (the College) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. 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 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Holyoke College as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 29, 2012

MOUNT HOLYOKE COLLEGE
Statements of Financial Position
June 30, 2012 and 2011
(in thousands)

	2012	2011
Assets		
Cash and cash equivalents	$ 8,142	$ 14,732
Short-term investments	102	281
Accounts and notes receivable, net	1,892	3,164
Contributions receivable, net	25,441	27,328
Inventory, prepaid expenses and deferred charges	2,527	2,681
Student loans receivable, net	18,422	18,053
Funds held by trustee under bond indenture	24,339	33,471
Land, buildings, equipment and collections, net	175,980	178,663
Investments	601,006	611,906
Other assets	5,800	2,669
Total assets	$ 863,652	$ 892,948
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued liabilities	8,632	7,571
Deposits and deferred revenue	1,642	1,298
Split-interest obligations	19,105	18,576
Line of credit		3,800
Bonds payable	113,915	115,988
Other liabilities	33,890	23,295
Federal student loan advances	4,671	4,649
Total liabilities	181,855	175,177
Net assets:		
Unrestricted	104,359	129,725
Temporarily restricted	321,335	344,070
Permanently restricted	256,103	243,976
Total net assets	681,797	717,771
Total liabilities and net assets	$ 863,652	$ 892,948

The accompanying notes are an integral part of the financial statements.

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2012
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:				
Revenues and other changes				
Tuition and fees	$ 95,634			$ 95,634
Residence and dining	26,339			26,339
Less student aid	(53,301)			(53,301)
	68,672			68,672
Contributions	7,041	$ 4,049		11,090
Grants and contracts	3,592	43		3,635
Other revenue	4,239	422	$ 8	4,669
Endowment return distributed for operations	3,930	20,450	56	24,436
Amounts transferred from/(to) endowment funds	4,167	(642)		3,525
Other auxiliary income	6,070			6,070
Net assets released from restrictions	23,325	(23,325)		
	121,036	997	64	122,097
Expenses				
Instruction and research	53,635			53,635
Academic support and libraries	16,299			16,299
Student services, residence halls and food service	32,239			32,239
Fund raising and alumnae relations	7,316			7,316
Institutional support	10,059			10,059
Other auxiliary expense	8,284			8,284
	127,832			127,832
	(6,796)	997	64	(5,735)
Nonoperating activity:				
Contributions	87	373	10,243	10,703
Total endowment investment return	(2,704)	(3,585)	(1)	(6,290)
Endowment return distributed for operations	(3,930)	(20,506)		(24,436)
Transfers (to)/from operations	(4,167)	642		(3,525)
Change in split interest obligations	130	214	1,543	1,887
Change in value of interest rate swaps	(4,756)			(4,756)
Change in pension benefit obligation other than net periodic cost	(3,847)			(3,847)
Other changes, net	(814)	561	278	25
Net assets released from restrictions	1,431	(1,431)		
	(18,570)	(23,732)	12,063	(30,239)
Total change in net assets	(25,366)	(22,735)	12,127	(35,974)
Net assets, beginning of year	129,725	344,070	243,976	717,771
Net assets, end of year	$ 104,359	$ 321,335	$ 256,103	$ 681,797

The accompanying notes are an integral part of the financial statements.

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2011
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:				
Revenues and other changes				
Tuition and fees	$ 90,846			$ 90,846
Residence and dining	25,308			25,308
Less student aid	(49,572)			(49,572)
	66,582			66,582
Contributions	9,377	$ 4,603		13,980
Grants and contracts	2,105	40		2,145
Other revenue	4,359	665	$ 5	5,029
Endowment return distributed for operations	3,890	19,529	54	23,473
Amounts transferred from/(to) endowment funds	4,741	(1,355)		3,386
Other auxiliary income	5,781			5,781
Net assets released from restrictions	24,079	(23,998)	(81)	
	120,914	(516)	(22)	120,376
Expenses				
Instruction and research	53,030			53,030
Academic support and libraries	14,814			14,814
Student services, residence halls and food service	31,894			31,894
Fund raising and alumnae relations	7,361			7,361
Institutional support	9,635			9,635
Other auxiliary expense	8,164			8,164
	124,898			124,898
	(3,984)	(516)	(22)	(4,522)
Nonoperating activity:				
Contributions		1,219	5,882	7,101
Total endowment investment return	17,199	84,655	96	101,950
Endowment return distributed for operations	(3,890)	(19,583)		(23,473)
Transfers (to)/from operations	(4,741)	1,355		(3,386)
Change in split-interest agreements	(165)	460	1,821	2,116
Change in value of interest rate swaps	382			382
Change in pension benefit obligation other than net periodic cost	1,171			1,171
Loss on refinancing of debt	(33)			(33)
Other changes, net	2,411	(2,211)	(203)	(3)
Net assets released from restrictions	361	(229)	(132)	
	12,695	65,666	7,464	85,825
Total change in net assets	8,711	65,150	7,442	81,303
Net assets, beginning of year	121,014	278,920	236,534	636,468
Net assets, end of year	$ 129,725	$ 344,070	$ 243,976	$ 717,771

The accompanying notes are an integral part of the financial statements.

MOUNT HOLYOKE COLLEGE
Statements of Cash Flows
For the years ended June 30, 2012 and 2011
(in thousands)

	2012	2011
Cash flow from operating activities		
Change in net assets	$ (35,974)	$ 81,303
Adjustments to reconcile change in net assets		
to net cash used in operating activities		
Depreciation and amortization	10,788	10,798
Change in interest rate swap liability	4,756	(382)
Contributions restricted for long-term investments	(12,509)	(7,241)
Realized and unrealized gain on split-interest agreements	(854)	(1,853)
Realized and unrealized loss (gain) on investments	9,589	(103,249)
Other	(14)	(71)
Changes in operating assets and liabilities		
Accounts and notes receivable, net	1,272	(319)
Contributions receivable, net	1,887	(302)
Inventory, prepaid expenses and deferred charges	188	26
Other assets and liabilities	2,708	(1,524)
Accounts payable and accrued liabilities	430	(1,436)
Deposits and deferred revenue	344	(394)
Net cash used in operating activities	(17,389)	(24,644)
Cash flow from investing activities		
Purchase of plant and equipment	(7,472)	(7,785)
Proceeds from sale of plant assets	14	79
Change in student loans receivable, net	(369)	(136)
Change in split-interest obligations	529	314
Purchases of investments	(130,059)	(86,820)
Proceeds from sales and maturities of investments	132,225	119,972
Purchases of short-term investments	(3,489)	(2,261)
Proceeds from sales and maturities of short-term investments	3,668	2,240
Net cash (used in) provided by investing activities	(4,953)	25,603
Cash flow from financing activities		
Proceeds from contributions for:		
Investment in endowment	11,753	6,052
Investment in planned giving	469	11
Plant and equipment	287	1,178
Change in federal student loan funds	22	23
Change in funds deposited with trustee	9,132	(29,368)
Proceeds from line of credit	-	12,900
Payments on line of credit	(3,800)	(12,800)
Proceeds from bonds	-	75,470
Payments on bonds payable	(2,035)	(45,860)
Bond premium received	-	662
Bond issuance costs	(76)	(550)
Net cash provided by financing activities	15,752	7,718
Net change in cash and cash equivalents	(6,590)	8,677
Cash and cash equivalents, beginning of year	14,732	6,055
Cash and cash equivalents, end of year	$ 8,142	$ 14,732
Interest paid	$ 4,767	$ 6,005
Change in plant and equipment purchases included in accounts payable	632	(460)

The accompanying notes are an integral part of the financial statements.

1. Accounting Policies

a. Description of Organization

Mount Holyoke College (the "College") is an independent, residential, liberal arts college. A pioneer and leader in the world-wide education of women since its founding in 1837, the College is the oldest continuing institution of higher learning for women in the nation.

b. Basis of Financial Presentation

The financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The College's significant estimates include the valuation of its investments and interest rate swaps, allowances for uncollectible contributions, student loans and accounts receivable, the useful lives of buildings, equipment and collections, and assumptions related to its pension benefit obligations and its liability for split-interest agreements.

c. Classification of Net Assets

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.

Temporarily Restricted — Net assets whose use by the College is subject to legal or 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.

d. Classification of Revenues, Expenses, Gains and Losses

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted 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. 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 net assets released from restrictions. 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.

Amounts reflected as operating revenues and expenses on the Statement of Activities include activities that relate to ongoing operations of the College. Distributions from the endowment used in support of current year expenditures are reported as operating revenue. Other income, consisting of total endowment investment return net of amounts distributed for operations, gains and losses on interest rate swap agreements, adjustments for pension benefit obligations other than net periodic cost, contributions to be used for facilities and equipment or to be invested by the College to provide future revenue to the College to support its programs and activities, and other items not related to the College's ongoing operations are reported as nonoperating activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received with donor-imposed restrictions are reported as permanently or temporarily restricted revenues depending upon 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 the gift. Contributions to be received after one year are discounted at a risk-adjusted 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 information.

e. Income Taxes

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The College assesses uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

f. Investments

Investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices and exchange rates. Fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The College's interest in alternative investment funds, which include investments in hedge funds and private equity funds, are generally reported at net asset value (NAV) provided by the fund managers. NAV is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV.

The determination of NAV by the fund managers considers variables such as the financial performance of underlying investments, including comparisons of comparable companies' earnings multiples, cash flow analyses, recent sales prices of investments, and other pertinent information. The estimates of fair values, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed.

Included in the College's investments are 100% ownership interests in Center Redevelopment Corporation (CRC) and Center Business Corporation (CBC). The corporations were formed in 1986 (CRC) and 1987 (CBC) to develop and lease retail, residential and office space at the Village Commons in South Hadley, Massachusetts.

g. Land, Buildings, Equipment and Collections

All plant assets are stated at cost except gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets under the following guidelines: buildings (50 years), building improvements (20 years), land improvements and infrastructure (20 years), furniture, equipment and vehicles (5 years), and library acquisitions (10 years).

The College recognizes the fair value of its liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the College capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Statement of Activities.

h. Cash Equivalents

For purposes of the Statements of Cash Flows, the College considers investments acquired with an original maturity date of three months or less to be cash equivalents, unless they are part of short-term investments or long-term investment funds.

i. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 defines fair value, requires certain disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 the 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 measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

For those alternative investments valued using NAV as a practical expedient, classification in Levels 2 or 3 is based on the College's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2.

j. Subsequent Events

The College evaluated events subsequent to June 30, 2012 and through October 29, 2012, the date on which the financial statements were issued.

k. Reclassifications

Certain items in 2011 have been reclassified to conform to the current year presentation.

2. Accounts and Notes Receivable

Accounts receivable, including student accounts and notes receivable, are net of an allowance for doubtful accounts of $475,000 at June 30, 2012 and 2011.

3. Contributions Receivable

Contributions receivable at June 30, 2012 and 2011 are summarized as follows (in thousands):

Contributions to be collected:

	2012	2011
Within one year	$ 1,481	$ 2,903
In one to five years	12,314	12,689
After five years	15,675	17,930
	29,470	33,522
Less: discount to present value	(2,690)	(4,756)
	26,780	28,766
Less: allowance for uncollectible contributions	(1,339)	(1,438)
	$ 25,441	$ 27,328

Discount rates for contributions receivable range from 0.7% to 6.0%, depending upon the expected date of collection and the fiscal year in which the pledge was made.

4. Student Loans Receivable

Student loans are net of an allowance for doubtful accounts of $2,900,000 and $2,800,000 at June 30, 2012 and 2011, respectively.

5. Land, Buildings, Equipment and Collections

Land, buildings, equipment and collections consist of the following (in thousands) at June 30:

	2012	2011
Land and land improvements	$ 22,877	$ 22,465
Buildings	228,761	225,188
Vehicles, equipment and furnishings	61,286	60,220
Art and library collections	35,982	34,924
	348,906	342,797
Less accumulated depreciation	(175,595)	(165,743)
	173,311	177,054
Construction in progress	2,669	1,609
	$175,980	$178,663

The College capitalized approximately $71,000 and $35,000 of interest on various construction projects during the years ended June 30, 2012 and 2011, respectively.

Depreciation expense for the College was $10,787,767 and $10,796,828 for the years ended June 30, 2012 and 2011, respectively.

Conditional asset retirement obligations of approximately $9,235,000 and $8,884,000 are included within other liabilities on the Statements of Financial Position for the years ended June 30, 2012 and 2011, respectively.

6. 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, often requiring the estimation of fair values by the fund managers in the absence of readily determinable market values.

At June 30, 2012 and 2011, the carrying values of the College's cash and cash equivalents, receivables, accounts payable and deposits approximated their fair values.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2012 and 2011

The College's assets and liabilities at June 30, 2012 that are reported at fair value are summarized in the following table by their fair value hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
Assets:						
Investments:						
Fixed income	$ 43,505	$ 15,464		$ 58,969	Daily	1-3
Equity securities	63,505	118,728		182,233	Daily-Quarterly	1-60
Equity securities			$ 6,363	6,363	9 Months	30
Hedge funds:						
Equity long/short		12,634	7,249	19,883	3-12 Months	45-65
Equity long/short			23,170	23,170	Rolling 3 years	45-90
Other strategies		14,392	30,396	44,788	3-12 Months	45-90
Other strategies			73,490	73,490	2-3 Years	60-90
Private investments:						
Buyout			50,694	50,694	Illiquid	Not applicable
Real assets			68,502	68,502	Illiquid	Not applicable
Venture capital			32,249	32,249	Illiquid	Not applicable
Other strategies			36,058	36,058	Illiquid	Not applicable
Employee mortgages		4,607		4,607	Not redeemable	Not applicable
Total investments	107,010	165,825	328,171	601,006		
Other assets:						
Short-term investments	102			102	Daily	1
Money market and agency funds held by bond trustee	24,339			24,339	Daily	1
Interest rate swap		3,649		3,649		
Total other assets	24,441	3,649		28,090		
Total assets at fair value	$ 131,451	$ 169,474	$ 328,171	$ 629,096		
Liabilities:						
Interest rate swaps		$ 20,172				
Total liabilities at fair value		$ 20,172				

The College's assets and liabilities at June 30, 2011 that are reported at fair value are summarized in the following table by their fair value hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
Assets:						
Investments:						
Fixed income	$ 30,757	$ 32,859		$ 63,616	Daily	1-10
Equity securities	55,210	149,416		204,626	Daily-Quarterly	1-90
Equity securities			$ 7,644	7,644	2 years	30
Hedge funds:						
Equity long/short		15,545	18,133	33,678	3-18 Months	45-60
Equity long/short			15,573	15,573	Rolling 3 years	60-90
Other strategies		12,489	15,994	28,483	Quarterly-Annually	30-90
Other strategies			84,376	84,376	Rolling 1-3 Years	60-90
Private investments:						
Buyout			49,179	49,179	Illiquid	Not applicable
Real assets			61,297	61,297	Illiquid	Not applicable
Venture capital			31,696	31,696	Illiquid	Not applicable
Other strategies			26,697	26,697	Illiquid	Not applicable
Employee mortgages		5,041		5,041	Not redeemable	Not applicable
Total investments	85,967	215,350	310,589	611,906		
Other assets:						
Short-term investments	281			281	Daily	1
Money market funds held by bond trustee	33,471			33,471	Daily	1
Interest rate swap		653		653		
Total other assets	33,752	653		34,405		
Total assets at fair value	$ 119,719	$ 216,003	$ 310,589	$ 646,311		
Liabilities:						
Interest rate swaps		$ 12,420				
Total liabilities at fair value		$ 12,420				

The following tables present the College's activity for the fiscal years ended June 30, 2012 and 2011 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Equities	Hedge Funds	Private Equity	Total
Fair value as of June 30, 2011	$ 7,644	$ 134,076	$ 168,869	$ 310,589
Transfers		(9,768)		(9,768)
Acquisitions		20,000	35,766	55,766
Dispositions	(155)	(3,626)	(17,679)	(21,460)
Investment return	(1,126)	(6,377)	547	(6,956)
Fair value as of June 30, 2012	$ 6,363	$ 134,305	$ 187,503	$ 328,171

During the year ended June 30, 2012, two investment funds with a transfer value of $9,768,000 were reclassified from Level 3 to Level 2 based on the expiration of the redemption lock-ups.

	Equities	Hedge Funds	Private Equity	Total
Fair value as of June 30, 2010	$ 4,040	$ 114,555	$ 140,996	$ 259,591
Transfers		(5,915)		(5,915)
Acquisitions	3,117	32,500	26,683	62,300
Dispositions		(14,505)	(19,142)	(33,647)
Investment return	487	7,441	20,332	28,260
Fair value as of June 30, 2011	$ 7,644	$ 134,076	$ 168,869	$ 310,589

At June 30, 2012 and 2011, the College's remaining outstanding commitments to private equity partnerships totaled $68.3 million and $70.1 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. There can be no assurance that the timing or amounts of the capital calls will materialize as indicated. The projected capital call amounts for the next five fiscal years and thereafter are summarized in the table below (in thousands):

Fiscal Year	Capital Calls
2013	$ 24,559
2014	18,000
2015	11,745
2016	7,751
2017	1,897
Thereafter	4,359
Total	$ 68,311

The private equity partnerships have terms of 4 to 15 years, with extensions of two to five years. As of June 30, 2012, the weighted average remaining life of the private equity partnerships is approximately four years. In addition, certain of the College's other investment funds are subject to redemption lock up periods. The expirations of these lock up periods are summarized in the table below (in thousands):

Fiscal Year	Amount
Less than one year	$ 2,239
Between one and three years	107,993
Greater than three years	3,436
Total	$ 113,668

Interest and dividends and gains on the College's investments are summarized in the table below (in thousands of dollars):

	2012	**2011**
Interest and dividends	$ 15,303	$ 8,858
Realized gains	2,391	30,138
Unrealized (losses) gains	(12,176)	73,111
Fees	(11,808)	(10,157)
Total	$ (6,290)	$ 101,950

7. Endowment Funds

The College's endowment consists of approximately 1,500 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).

Endowment funds share in an investment pool on a unit market value basis. Funds are added to and withdrawn from the pool at the then current unit market value of the pooled assets. Life income funds are invested and also accounted for on a unit market value basis in two separate investment pools.

The College uses a total return approach to managing endowment investments. Funds are invested to maximize total return consistent with prudent risk without regard to the mix of current investment income and realized and unrealized gains or losses. Asset allocation parameters are established for investments and holdings are periodically rebalanced to the target allocations. 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/exit the investment pool, based on the then market value of a unit in the pool. The pool is valued monthly. The spending policy limits the annual distribution of return to a 5% increase over the preceding annual distribution, within a range of 4.5% to 5.5% of a twelve quarter average market value less outstanding debt. For fiscal years 2012 and 2011, the College elected to distribute 5.2% and 4.8%, respectively, of the average of the prior twelve quarter-end market values, as of December 31, 2010 and December 31, 2009, respectively, less outstanding debt. Debt service payments were funded by quasi-endowment. Effective July 1, 2012, the spending rule was changed so the amount of outstanding debt is no longer excluded from the average market value calculation. Future debt service payments will be fully incorporated into the annual operating budget over time.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the Commonwealth of Massachusetts became effective June 30, 2009. The College has prepared these financial statements on the basis that the original gifts of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, must be preserved. As a result, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in determining appropriate spending levels from donor-restricted endowment funds:

a) Duration and preservation of the endowment fund
b) Purposes of the College and the endowed fund
c) General economic conditions
d) Possible effects of inflation or deflation
e) Expected total return from income and the appreciation of investments
f) Other resources of the College
g) 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. At June 30, 2012, this dollar amount was approximately $1.2 million ($0.4 million as of June 30, 2011). These unrealized losses have been recorded as reductions of unrestricted net assets. Future market gains will be used to restore this reduction in unrestricted net assets before any net appreciation above the historic cost of such funds increases temporarily restricted net assets.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restricted amounts reported below include term endowments reported as temporarily restricted net assets; and appreciation, reported as temporarily restricted net assets.

Endowment funds, consisted of the following at June 30, 2012 and 2011 (in thousands):

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (1,246)	$ 278,903	$ 235,210	$ 512,867
Board designated (quasi)	60,630	20,548		81,178
Total	$ 59,384	$ 299,451	$ 235,210	$ 594,045

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (433)	$ 302,660	$ 224,431	$ 526,658
Board designated (quasi)	70,464	20,162		90,626
Total	$ 70,031	$ 322,822	$ 224,431	$ 617,284

Changes in endowment funds for the fiscal years ended June 30, 2012 and 2011 were as follows (in thousands):

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
June 30, 2011 balance	$ 70,031	$ 322,822	$ 224,431	$ 617,284
Contributions	87	86	9,774	9,947
Interest and dividends	2,656	12,632	15	15,303
Realized/unrealized losses net of fees	(5,359)	(16,217)	(17)	(21,593)
Distributions	(3,930)	(20,763)	257	(24,436)
Transfers	(4,167)	774	772	(2,621)
Other changes	66	117	(22)	161
June 30, 2012 balance	$ 59,384	$ 299,451	$ 235,210	$ 594,045

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2010 balance	$ 59,130	$ 258,399	$ 218,358	$ 535,887
Contributions		40	5,872	5,912
Investment income	1,744	7,106	8	8,858
Realized/unrealized gains net of fees	15,455	77,549	88	93,092
Distributions	(3,890)	(19,635)	52	(23,473)
Transfers	(4,660)	1,644	191	(2,825)
Other changes	2,252	(2,281)	(138)	(167)
June 30, 2011 balance	$ 70,031	$ 322,822	$ 224,431	$ 617,284

8. Line of Credit

The College has an uncollateralized demand line of credit available through December 31, 2012, in the amount of $20,000,000 at an interest rate of prime less 25 basis points. The amount outstanding on the line of credit was $0 and $3,800,000 at June 30, 2012 and 2011, respectively.

9. Bonds Payable

The College's bonds payable as of June 30, 2012 and 2011 are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates	2012	2011
Massachusetts Development Finance Authority (MDFA):				
2001	2012	5.0%		$ 1,225
2008	2013-2037	2.85%-5.00%	$ 37,405	38,215
Unamortized premium			400	416
2011A	2013-2032	Variable	45,470	45,470
2011B	2013-2042	2.0%-5.0%	30,000	30,000
Unamortized premium			640	662
			$ 113,915	$ 115,988

During the year ended June 30, 2011, the College issued Massachusetts Development Finance Authority bonds, Series 2011A and 2011B. The proceeds of Series 2011A were used to refund Massachusetts Development Finance Authority Series 2001 bonds, while the proceeds of Series 2011B are being used to provide funding for various construction projects.

The refunding of the Series 2001 bonds resulted in a loss of approximately $33,000 in the fiscal year ended June 30, 2011.

Debt service payments are initially made to a Trustee under the terms of the bond agreements. Amounts paid to the Trustee but not yet paid to bondholders are included in funds held by bond trustee on the Statements of Financial Position. Unexpended borrowings from the Series 2011B Massachusetts Development Finance Authority issue are also included in this line item as of June 30, 2012 and 2011.

The College's bonds trade periodically in a limited market. Utilizing available market pricing information provided by a third-party, the College estimated that the aggregate fair value of its fixed rate debt as of June 30, 2012 was approximately $74.3 million.

Principal payments due on these bonds during each of the next five fiscal years ending June 30 and thereafter are as follows (in thousands):

2013	$ 2,785
2014	2,895
2015	3,005
2016	3,130
2017	3,270
Thereafter	97,790
	$ 112,875

On July 1, 2004, in connection with the 2001 Massachusetts Development Finance Authority bonds, the College entered into an interest rate swap agreement with a notional amount of $44,246,000. Under the terms of the agreement, each month from August 1, 2011 through July 1, 2031, the College will receive a variable rate of interest equal to 68% of LIBOR, and the College will pay a fixed rate of interest of 4.38%. The fair value of the swap agreement was a liability of approximately $12,854,000 and $8,498,000 at June 30, 2012 and 2011, respectively. This is included in other liabilities on the Statements of Financial Position.

On November 4, 2005, the College entered into a forward starting fixed payer swap agreement with a notional amount of $29,650,000. Under the terms of the agreement, every six months from January 1, 2007 through July 1, 2036, the College will pay a fixed rate of interest of 3.785%, and the College will receive a variable rate of interest equal to 68% of LIBOR. The fair value of the swap agreement was a liability of approximately $7,318,000 and $3,922,000 at June 30, 2012 and 2011, respectively. This is included in other liabilities on the Statements of Financial Position.

On October 22, 2009, the College, as part of its management of debt, entered into a fixed receiver swap agreement with a notional amount of $29,650,000. Under the terms of the agreement, every six months from January 1, 2010 through July 1, 2036, the College will pay a variable rate of interest equal to the Securities Industry and Financial Markets Association Municipal Swap Index rate, and the College will receive a fixed rate of interest of 3.145%. The fair value of the swap agreement was an asset of approximately $3,649,000 and $653,000 at June 30, 2012 and 2011, respectively. This is included in other assets on the Statements of Financial Position.

The value of the derivative interest rate swaps noted above represent the estimated cost to the College to cancel the agreement at each reporting date and is based on pricing models that consider interest rates, credit quality, and other market factors. Interest rate volatility, remaining outstanding principal and time to maturity will affect the swaps' fair value at subsequent reporting dates. If the College repays the debt on schedule, the value of the swaps will reach zero at their final maturity. The swaps are general obligations of the College and are unsecured except that the agreements require collateral posting by the College and the counterparty under certain conditions. To date, the College has not been required to post collateral with respect to these swap agreements.

10. Defined Contribution Retirement Plan

The College sponsors a defined contribution retirement plan covering all faculty and administrative employees. Benefits were administered by ING Financial Partners for the year ended June 30, 2012, and by Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Fidelity Tax-Exempt Services Company for the year ended June 30, 2011. The College contributed approximately $5,018,000 in 2012 and $4,908,000 in 2011 to the plan.

11. Defined Benefit Pension Plan

The College maintains a defined benefit pension plan for bargaining unit employees. The plan is noncontributory.

Obligations and Funded Status

The following table sets forth changes in the College's pension benefit obligation, plan assets, and funded status at June 30 (in thousands):

	2012	2011
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 12,183	$ 12,005
Service cost	75	480
Interest cost	655	626
Actuarial loss	2,663	6
Plan amendments		(79)
Benefits paid	(393)	(855)
Benefit obligation at end of year	$ 15,183	$ 12,183
Change in value of plan assets:		
Fair value of plan assets at beginning of year	$ 10,558	$ 9,024
Actual (loss) return on plan assets	(495)	1,572
Benefits paid	(393)	(855)
Employer contribution	1,427	817
Fair value of plan assets at end of year	$ 11,097	$ 10,558
Funded status	$ (4,086)	$ (1,625)

To determine the benefit obligations, the College used a discount rate, which is the estimated rate at which the obligation for pension benefits could effectively be settled, of 4.0% and 5.50% at June 30, 2012 and June 30, 2011, respectively, and a salary projection rate, which is the estimated rate at which salaries will increase, of 3.0% for the years ended June 30, 2012 and 2011. The excess of the benefit obligation over the fair value of plan assets is included in other liabilities on the Statements of Financial Position.

Components of Net Periodic Benefit Cost

To determine net periodic pension costs, the College used a discount rate, which is the estimated rate at which the obligation for pension benefits could effectively be settled, of 5.5% for the years ended June 30, 2012 and 2011; a salary projection rate, which is the estimated rate at which salaries will increase, of 3.0% and 3.5% for the years ended June 30, 2012 and 2011, respectively; and an expected long-term rate of return on plan assets, which is the estimated rate of earnings generated on the assets of the plan, of 8.0% for the years ended June 30, 2012 and 2011.

Net periodic pension cost for the years ended June 30, 2012 and 2011 includes the following components (in thousands):

	2012	2011
Service cost earned during the period	$ 75	$ 480
Interest cost on projected benefit obligation	655	626
Amortization of prior service cost	10	16
Amortization of net loss	154	227
Expected return on assets	(853)	(717)
Net periodic pension cost	$ 41	$ 632
Increase (decrease) in liability included in change in net assets	$ 2,461	$ (1,356)

Plan Assets

The plan's asset allocations at June 30, 2012 and 2011 by asset category are as follows:

	Plan Assets at June 30		Target Investment %	
Asset Category	2012	2011	2012	2011
Equity securities	63.1 %	60.1 %	62 %	61 %
Debt securities	26.2	26.9	26	27
Cash	1.0	3.1	2	2
Other	9.7	9.9	10	10
Total	100.0 %	100.0 %	100 %	100 %

The plan assets are invested in a well-diversified investment portfolio which includes domestic and international equity and fixed income securities. The plan's expected return is based on the projected long-term returns for the asset classes represented in the investment portfolio.

The following are descriptions of the valuation methodologies used to measure plan assets at fair value:

Mutual funds: Valued at the exchange-traded value, if available, or net asset value (NAV) of shares held by the plan at year end.
Other: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2012 and 2011 (in thousands):

	2012			
Asset Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 117			$ 117
Mutual funds	8,483	$ 1,386		9,869
Other			$ 1,111	1,111
Total	$ 8,600	$ 1,386	$ 1,111	$ 11,097

	2011			
Asset Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 334			$ 334
Mutual funds	9,072			9,072
Other			$ 1,152	1,152
Total	$ 9,406		$ 1,152	$ 10,558

The following tables present the plan's activity for the fiscal years ended June 30, 2012 and 2011 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Other
Fair value as of June 30, 2011	$ 1,152
Participant distributions	(89)
Service fees	(17)
Investment return	65
Fair value as of June 30, 2012	$ 1,111
Fair value as of June 30, 2010	$ 1,200
Participant distributions	(99)
Service fees	(19)
Investment return	70
Fair value as of June 30, 2011	$ 1,152

Cash Flows

The College has an estimated minimum required contribution of $557,000 to the defined benefit pension plan for the year ending June 30, 2013.

Benefit payments, which reflect expected future service, are expected to be paid as follows (in thousands):

2013	$ 296
2014	539
2015	593
2016	642
2017	975
2018-2022	$ 4,439

MOUNT HOLYOKE COLLEGE

Members of the Board of Trustees
2011-2012

Executive Officers of the College

Lynn Pasquerella
President

Diane C. Anci
Vice President for Enrollment and Dean of Admission

Cerri Banks
Vice President for Student Affairs and Dean of the College

Christopher Benfey
Interim Vice President for Academic Affairs and Dean of Faculty

Charles J. Haight
Vice President for Development

Ben C. Hammond
Vice President for Finance and Administration and Treasurer

Stephen Herman
Senior Advisor to the President

Sarah Sutherland
Senior Advisor to the President and Secretary of the College

Financial Officers of the College

Ben C. Hammond
Vice President for Finance and Administration and Treasurer

Janice M. Albano
Associate Treasurer

Ellen C. Rutan
Comptroller