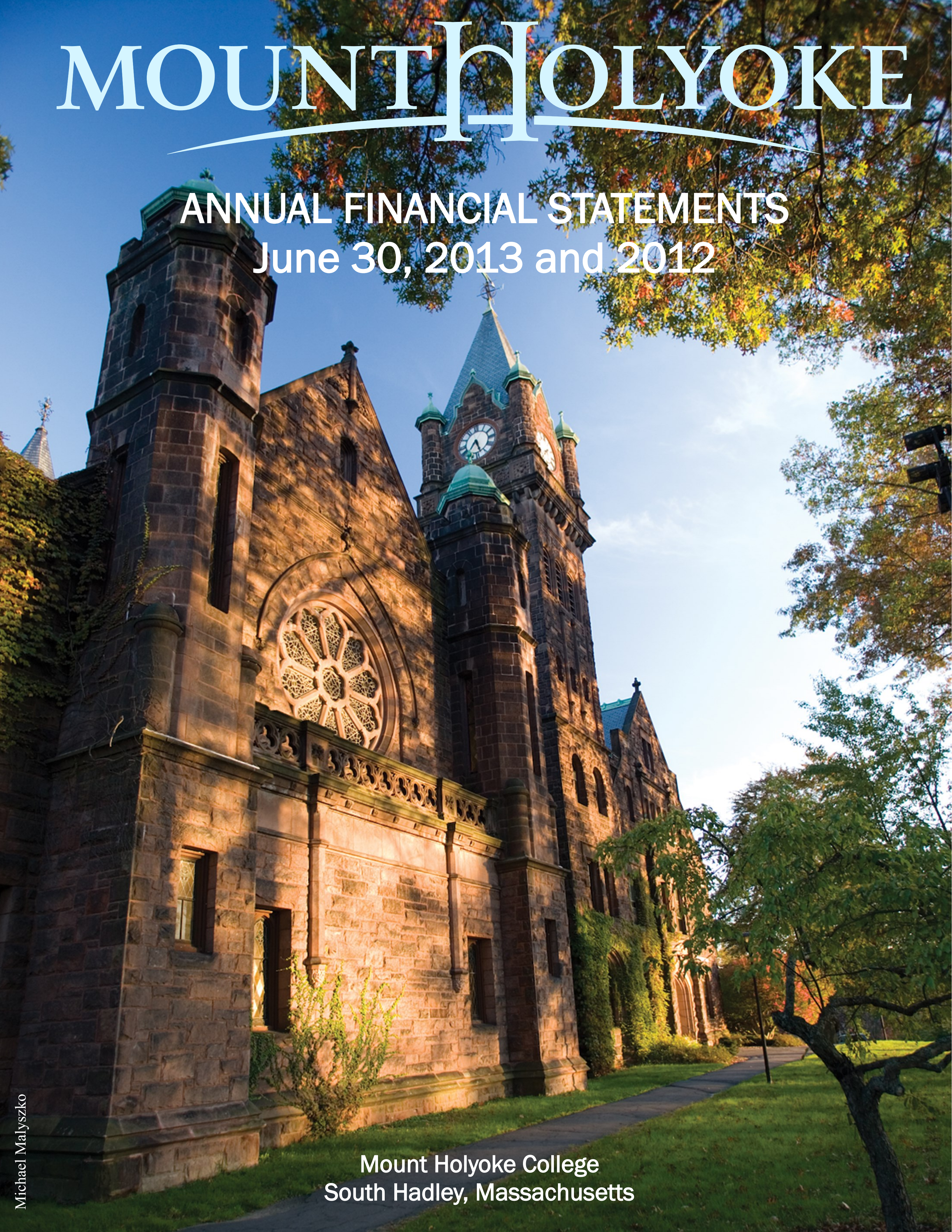
MOUNT HOLYOKE

ANNUAL FINANCIAL STATEMENTS
June 30, 2013 and 2012



Michael Malyszko

Mount Holyoke College
South Hadley, Massachusetts

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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 financial statements of Mount Holyoke College, which comprise the statements of financial position as of June 30, 2013 and 2012, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly in all material respects, the financial position of Mount Holyoke College as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 25, 2013

MOUNT HOLYOKE COLLEGE
Statements of Financial Position
June 30, 2013 and 2012
(in thousands)

	2013	2012
Assets		
Cash and cash equivalents	$ 29,843	$ 8,142
Short-term investments	593	102
Accounts and notes receivable, net	2,325	1,892
Contributions receivable, net	21,700	25,441
Student loans, net	18,815	18,422
Funds held by trustee under bond indenture	16,784	24,339
Land, buildings, equipment and collections, net	177,319	175,980
Investments	633,141	601,006
Other assets	6,882	8,328
Total assets	$ 907,402	$ 863,652
Liabilities and net assets		
Accounts payable and accrued liabilities	10,150	8,632
Deposits and deferred revenue	1,814	1,642
Split-interest obligations	18,639	19,105
Bonds payable	111,091	113,915
Other liabilities	27,495	33,890
Refundable advances — government student loan funds	4,649	4,671
Total liabilities	173,838	181,855
Net assets		
Unrestricted	117,892	104,359
Temporarily restricted	348,499	321,335
Permanently restricted	267,173	256,103
Total net assets	733,564	681,797
Total liabilities and net assets	$ 907,402	$ 863,652

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2013
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:				
Revenues and other changes				
Tuition and fees	$ 95,469			$ 95,469
Residence and dining	26,148			26,148
Less student aid	(51,104)			(51,104)
	70,513			70,513
Contributions	11,384	$ 5,210		16,594
Grants and contracts	3,031	83		3,114
Other revenue	4,172	630	$ 5	4,807
Endowment return distributed for operations	4,724	25,792	68	30,584
Amounts transferred from endowment funds	1,051	1,331		2,382
Other auxiliary income	6,378			6,378
Net assets released from restrictions	31,600	(31,600)		
	132,853	1,446	73	134,372
Expenses				
Instruction and research	54,267			54,267
Academic support and libraries	17,809			17,809
Student services, residence halls and food service	33,955			33,955
Fund raising and alumnae relations	7,888			7,888
Institutional support	10,028			10,028
Other auxiliary expense	8,338			8,338
	132,285			132,285
	568	1,446	73	2,087
Nonoperating activity:				
Contributions for long term investment	126	1,186	11,241	12,553
Total endowment investment return	10,044	53,568	75	63,687
Endowment return distributed for operations	(4,724)	(25,860)		(30,584)
Transfers to operations	(1,051)	(1,331)		(2,382)
Change in split interest obligations	521	1,189	(632)	1,078
Change in value of interest rate swaps	4,193			4,193
Change in pension benefit obligation other than net periodic cost	1,100			1,100
Other changes	862	(1,140)	313	35
Net assets released from restrictions	1,894	(1,894)		
	12,965	25,718	10,997	49,680
Total change in net assets	13,533	27,164	11,070	51,767
Net assets, beginning of year	104,359	321,335	256,103	681,797
Net assets, end of year	$ 117,892	$ 348,499	$ 267,173	$ 733,564

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	(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
Statements of Cash Flows
For the years ended June 30, 2013 and 2012
(in thousands)

	2013	2012
Cash flow from operating activities		
Change in net assets	$ 51,767	$ (35,974)
Adjustments to reconcile increase in net assets		
to net cash used in operating activities		
Depreciation and amortization	10,700	10,788
Change in interest rate swap liability	(4,193)	4,756
Contributions restricted for long-term investments	(17,113)	(12,509)
Gifts in kind	(773)	
Realized and unrealized gain on split-interest agreements	(1,062)	(854)
Realized and unrealized (gain) loss on investments	(59,958)	9,589
Gain on disposal of plant assets	(35)	(14)
Changes in operating assets and liabilities		
Accounts and notes receivable, net	(433)	1,272
Contributions receivable, net	3,741	1,887
Other assets and liabilities	(798)	2,896
Accounts payable and accrued liabilities	1,552	430
Deposits and deferred revenue	172	344
Net cash used in operating activities	(16,433)	(17,389)
Cash flow from investing activities		
Purchase of plant and equipment	(11,297)	(7,472)
Proceeds from sale of plant assets	35	14
Change in student loans, net	(393)	(369)
Change in split-interest obligations	(466)	529
Purchases of investments	(60,325)	(134,143)
Proceeds from sales and maturities of investments	89,210	136,309
Purchases of short-term investments	(5,726)	(3,489)
Proceeds from sales and maturities of short-term investments	5,235	3,668
Net cash provided by (used in) investing activities	16,273	(4,953)
Cash flow from financing activities		
Proceeds from contributions for:		
Investment in endowment	16,415	11,753
Investment in planned giving	679	469
Plant and equipment	19	287
Change in federal student loan funds	(22)	22
Change in funds deposited with trustee	7,555	9,132
Payments on line of credit		(3,800)
Payments on bonds payable	(2,785)	(2,035)
Bond issuance costs		(76)
Net cash provided by financing activities	21,861	15,752
Net change in cash and cash equivalents	21,701	(6,590)
Cash and cash equivalents, beginning of year	8,142	14,732
Cash and cash equivalents, end of year	$ 29,843	$ 8,142
Supplemental disclosure		
Interest paid	$ 5,364	$ 4,767
Change in plant and equipment purchases included in accounts payable	(34)	632

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. Unspent gains on donor-restricted endowments are included in temporarily restricted net assets until appropriated by the Board of

Trustees for spending. 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: Observable prices that are based on inputs not quoted in active markets, but corroborated by market data. In addition, Level 2 includes investments reported using net asset value (NAV) as a practical expedient to estimate fair value that are redeemable in the near term.

Level 3: Unobservable inputs that are used when little or no market data is available. In addition, Level 3 includes investments reported at NAV that are not redeemable in the near term.

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.

j. Subsequent Events

The College evaluated events subsequent to June 30, 2013 and through October 28, 2013, the date on which the financial statements were issued.

k. Reclassifications

Certain items in 2012 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 $550,000 and $475,000 at June 30, 2013 and June 30, 2012, respectively.

3. Contributions Receivable

Contributions receivable at June 30, 2013 and 2012 are summarized as follows (in thousands):

Contributions to be collected:	**2013**	**2012**
Within one year	$ 2,685	$ 1,481
In one to five years	7,588	12,314
After five years	15,871	15,675
	26,144	29,470
Less: discount to present value	(3,302)	(2,690)
	22,842	26,780
Less: allowance for uncollectible contributions	(1,142)	(1,339)
	$ 21,700	$ 25,441

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 $3,000,000 and $2,900,000 at June 30, 2013 and 2012, respectively.

5. Land, Buildings, Equipment and Collections

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

	2013	2012
Land and land improvements	$ 23,627	$ 22,877
Buildings	234,248	228,761
Vehicles, equipment and furnishings	64,638	61,286
Art and library collections	38,199	35,982
	360,712	348,906
Less accumulated depreciation	(186,115)	(175,595)
	174,597	173,311
Construction in progress	2,722	2,669
	$177,319	$175,980

The College capitalized approximately $71,000 of interest on various construction projects during each of the years ended June 30, 2013 and 2012.

Depreciation expense for the College was $10,696,981 and $10,787,767 for the years ended June 30, 2013 and 2012, respectively.

Conditional asset retirement obligations of approximately $9,632,000 and $9,235,000 are included within other liabilities on the Statements of Financial Position for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, the carrying values of the College's cash and cash equivalents, receivables, accounts payable and deposits approximated their fair values.

The College's assets and liabilities at June 30, 2013 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	$ 42,609	$ 5,041		$ 47,650	Daily	1-3
Equity securities	75,479	154,024		229,503	Daily-Quarterly	1-60
Hedge funds:						
Equity long/short		10,755	$ 9,083	19,838	Quarterly-Annually	45-65
Equity long/short			25,436	25,436	Rolling 3 years	45-90
Other strategies		25,898	34,606	60,504	3-12 Months	45-90
Other strategies			64,309	64,309	2-3 Years	60-90
Private investments:						
Buyout			52,563	52,563	Illiquid	Not applicable
Real assets			70,175	70,175	Illiquid	Not applicable
Venture capital			30,906	30,906	Illiquid	Not applicable
Other strategies			28,970	28,970	Illiquid	Not applicable
Employee mortgages		3,287		3,287	Not redeemable	Not applicable
Total investments	118,088	199,005	316,048	633,141		
Other assets:						
Short-term investments	593			593	Daily	1
Money market and agency funds held by bond trustee	16,784			16,784	Daily	1
Interest rate swap		1,900		1,900		
Total other assets	17,377	1,900		19,277		
Total assets at fair value	$ 135,465	$ 200,905	$ 316,048	$ 652,418		
Liabilities:						
Interest rate swaps		$ 14,231				
Total liabilities at fair value		$ 14,231				

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2013 and 2012

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	58,328	123,905		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	Quarterly-Annually	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	101,833	171,002	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	$ 126,274	$ 174,651	$ 328,171	$ 629,096		
Liabilities:						
Interest rate swaps		$ 20,172				
Total liabilities at fair value		$ 20,172				

The following tables present the College's activity for the fiscal years ended June 30, 2013 and 2012 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, 2012	$ 6,363	$ 134,305	$ 187,503	$ 328,171
Transfers	(6,363)	(3,397)		(9,760)
Acquisitions		8,740	18,726	27,466
Dispositions		(16,271)	(30,588)	(46,859)
Investment return		10,057	6,973	17,030
Fair value as of June 30, 2013	$ -	$ 133,434	$ 182,614	$ 316,048

During the year ended June 30, 2013, two investment funds totaling $9,759,613 at the date of transfer were reclassified from Level 3 to Level 2 based on the expiration of the redemption lock-ups. There were no transfers between Level 1 and Level 2 during the year ended June 30, 2013.

	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		(4,226)	(16,795)	(21,021)
Investment return	(1,281)	(5,777)	(337)	(7,395)
Fair value as of June 30, 2012	$ 6,363	$ 134,305	$ 187,503	$ 328,171

At June 30, 2013 and 2012, the College's remaining outstanding commitments to private equity partnerships totaled $66.3 million and $68.3 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 expected. 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
2014	$ 17,324
2015	17,097
2016	9,826
2017	7,673
2018	3,077
Thereafter	11,268
Total	$ 66,265

The private equity partnerships have terms of 4 to 15 years, with extensions of two to five years. As of June 30, 2013, 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	$ -
Between one and three years	111,091
Greater than three years	3,589
Total	$ 114,680

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

	2013	**2012**
Interest and dividends	$ 12,470	$ 13,323
Realized gains	34,001	3,759
Unrealized gains (losses)	25,957	(13,348)
Fees	(8,741)	(10,024)
Total	$ 63,687	$ (6,290)

7. Endowment Funds

The College's endowment consists of approximately 1,600 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. Effective July 1, 2012, the spending policy was changed to limit 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. For fiscal year 2013, the College elected to distribute 5.5% of the average of the prior twelve quarter-end market values, as of December 31, 2011. The spending rule in effect for fiscal year 2012 limited 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 year 2012, the College elected to distribute 5.2% of the average of the prior twelve quarter-end market values, as of December 31, 2010, less outstanding debt. Debt service payments were funded by quasi-endowment. Debt service payments are being 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, 2013, this dollar amount was approximately $0.4 million ($1.2 million as of June 30, 2012). 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, 2013 and 2012 (in thousands):

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (415)	$ 305,171	$ 246,814	$ 551,570
Board designated (quasi)	67,474	19,507		86,981
Total	$ 67,059	$ 324,678	$ 246,814	$ 638,551

	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

Changes in endowment funds for the fiscal years ended June 30, 2013 and 2012 were as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2012 balance	$ 59,384	$ 299,451	$ 235,210	$ 594,045
Contributions	126	555	11,175	11,856
Interest and dividends	2,246	10,211	13	12,470
Realized/unrealized gains net of fees	7,798	43,357	62	51,217
Distributions	(4,724)	(26,152)	292	(30,584)
Transfers	(1,051)	9	149	(893)
Other changes	3,280	(2,753)	(87)	440
June 30, 2013 balance	$ 67,059	$ 324,678	$ 246,814	$ 638,551

	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

8. Line of Credit

The College has an uncollateralized demand line of credit available through December 31, 2013, in the amount of $20,000,000 at an interest rate of prime less 25 basis points. There was no amount outstanding on the line of credit at June 30, 2013 and 2012.

9. Bonds Payable

The College's bonds payable, including unamortized discount, as of June 30, 2013 and 2012 are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates	2013	2012
Massachusetts Development Finance Authority (MDFA):				
2008	2013-2037	3.05%-5.00%	$ 36,575	$ 37,405
Unamortized premium			383	400
2011A	2013-2032	Variable	44,035	45,470
2011B	2013-2042	3.0%-5.0%	29,480	30,000
Unamortized premium			618	640
			$ 111,091	$ 113,915

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, 2013 and 2012.

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, 2013 was approximately $70.1 million. The fair value is estimated using significant observable inputs at June 30, 2013 and would be considered to be Level 2 in the fair value hierarchy.

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

2014	$ 2,895
2015	3,005
2016	3,130
2017	3,270
2018	3,330
Thereafter	94,460
Principal maturities	$ 110,090
Unamortized premium	1,001
Bonds payable, net	$ 111,091

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 $9,375,000 and $12,854,000 at June 30, 2013 and 2012, 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 $4,856,000 and $7,318,000 at June 30, 2013 and 2012, respectively. This is included in other liabilities on the Statements of Financial Position.

On October 22, 2009, the College 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 $1,900,000 and $3,649,000 at June 30, 2013 and 2012, 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 are administered by ING Financial Partners. The College contributed approximately $5,171,000 in 2013 and $5,018,000 in 2012 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):

	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 15,183	$ 12,183
Service cost	218	75
Interest cost	601	655
Actuarial (gain)/loss	(348)	2,663
Plan amendments		
Benefits paid	(597)	(393)
Benefit obligation at end of year	$ 15,057	$ 15,183
Change in value of plan assets:		
Fair value of plan assets at beginning of year	$ 11,097	$ 10,558
Actual return on plan assets net of expenses	1,153	(495)
Benefits paid	(597)	(393)
Employer contribution	244	1,427
Fair value of plan assets at end of year	$ 11,897	$ 11,097
Funded status	$ (3,160)	$ (4,086)

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 4.5% and 4.0% at June 30, 2013 and June 30, 2012, 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, 2013 and 2012. 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 4.0% and 5.5% for the years ended June 30, 2013 and 2012, respectively; a salary projection rate, which is the estimated rate at which salaries will increase, of 3.0% for the years ended June 30, 2013 and 2012; 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, 2013 and 2012.

Net periodic pension cost for the years ended June 30, 2013 and 2012 includes the following components (in thousands):

	2013	2012
Service cost earned during the period	$ 218	$ 75
Interest cost on projected benefit obligation	601	655
Amortization of prior service cost	10	10
Amortization of net loss	446	154
Expected return on assets	(857)	(853)
Net periodic pension cost	$ 418	$ 41
(Decrease)/increase in liability included in change in net assets	$ (1,100)	$ 3,847

Plan Assets

The plan's asset allocations at June 30, 2013 and 2012 by asset category are as follows:

	Plan Assets at June 30		Target Investment %	
Asset Category	2013	2012	2013	2012
Equity securities	56.3 %	63.1 %	57 %	62 %
Debt securities	30.7	26.2	31	26
Cash	2.6	1.0	2	2
Other	10.4	9.7	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 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, 2013 and 2012 (in thousands):

	2013			
Asset Description	Level 1	Level 2	Level 3	Total
Mutual and Other Funds	$ 9,171	$ 1,343		$10,514
Money Market Funds	307			307
Deposit Administration Contract			$ 1,076	1,076
Total	$ 9,478	$ 1,343	$ 1,076	$11,897

	2012			
Asset Description	Level 1	Level 2	Level 3	Total
Mutual and Other Funds	$ 8,483	$ 1,386		$ 9,869
Money Market Funds	117			117
Deposit Administration Contract			$ 1,111	1,111
Total	$ 8,600	$ 1,386	$ 1,111	$11,097

The following tables present the plan's activity for the fiscal years ended June 30, 2013 and 2012 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, 2012	$ 1,111
Participant distributions	(80)
Service fees	(17)
Investment return	62
Fair value as of June 30, 2013	$ 1,076
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

Cash Flows

The College has an estimated minimum required contribution of $732,424 to the defined benefit pension plan for the year ending June 30, 2014.

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

2014	$	569
2015		625
2016		679
2017		780
2018		434
2019-2023	$	5,297

MOUNT HOLYOKE COLLEGE

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