

# MOUNT HOLYOKE

A photograph of Mount Holyoke College's main building, a large Gothic Revival style stone structure with multiple towers and a prominent rose window. The building is surrounded by green lawns and trees with autumn foliage. The sky is clear and blue.

ANNUAL FINANCIAL REPORT  
June 30, 2022 and 2021

Mount Holyoke College  
South Hadley, Massachusetts





**MOUNT HOLYOKE COLLEGE**

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

**MOUNT HOLYOKE COLLEGE**

Financial Statements  
June 30, 2022 and 2021

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# MOUNT HOLYOKE COLLEGE

## Financial Report

### 2021-22

#### Narrative

The year ending June 30, 2022, was a better year than anticipated for Mount Holyoke as the College worked to return to full functionality as the Covid pandemic began to recede. Results of operations were very strong, ending 2021-22 with an \$8.3 million positive change in net assets from operating activities. This was offset by the non-operating decrease of \$73.1 million, largely the result of reductions in investment performance due to the worsening financial markets.

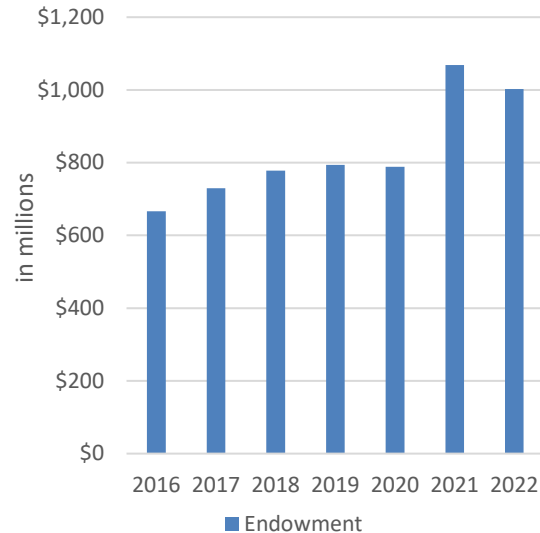
A \$21 million enterprise resource planning project was approved during the year, which will provide new administrative software for finance, human resources and student services. The new systems will improve the College's technology tools and permit greater productivity in these areas. In addition, work continues on addressing deferred maintenance.

#### Balance Sheet

The Balance Sheet reports the College's assets, liabilities and net assets for the year. Total assets were \$1.335 billion, down slightly from the June 30, 2021 total of \$1.408 billion. The largest change was in investments, lower by \$63 million as a result of the more challenging investment environment. Smaller reductions in cash and net contributions are attributable to timing differences and normal fluctuations in activity.

The market value of endowment declined to \$1.003 billion in 2021-22, due to an investment return of -5.5 percent.

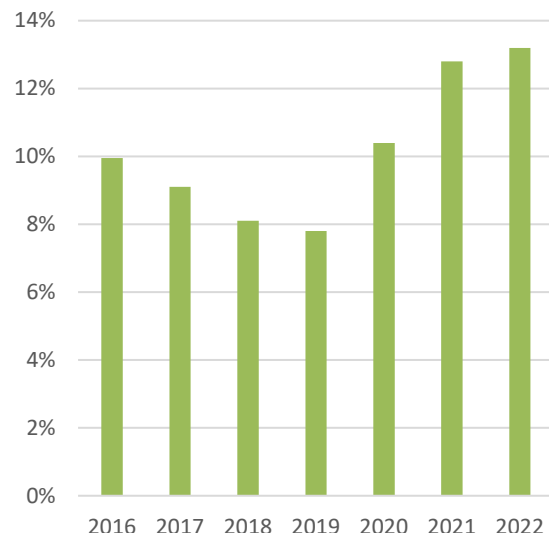
#### Market Value of Investments



Total liabilities decreased to \$213.4 million due to small declines in several categories.

As a result of the decline in assets, the ratio of long term debt, including split interest obligations, as a percentage of total assets increased slightly, from 12.8 percent in 2020-21 to 13.2 percent in 2021-22.

#### Debt to Assets



Mount Holyoke's net assets also decreased slightly, from \$1.186 billion in 2020-21 to \$1.122 billion in 2021-22.

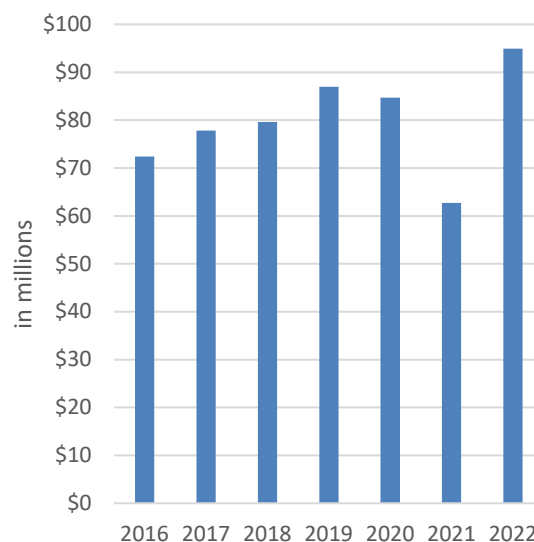


Both categories of net assets declined this past year. Unrestricted net assets, which provide the institution with the maximum flexibility, decreased from \$231.9 million at June 30, 2021 to \$228.0 million at June 30, 2022, and represented 20.3 percent of total net assets. Assets with donor restrictions, a category that includes spendable invested funds whose restricted purposes have not yet been met, undistributed gains from endowment, and all true endowment represented 79.7 percent of total net assets and ended the year at \$893.7 million, down \$60.9 million from the June 30, 2021 level.

### Statement of Activities

The Statement of Activities presents the College's revenues and expenses for 2021-22 and reports the changes in net assets during the year. The overall results of operations for 2021-22 was an increase of \$8.3 million. Operating revenues increased by \$38.8 million, primarily in net tuition, room and board charges.

### Net Student Charges



Expenses were up 27.6 million during 2021-22, representing a return to more typical operations after the closures of 2020-21. Typical of small liberal arts colleges, salaries and benefits costs dominate, representing 62 percent of operating expenses. The next largest expense category is depreciation and amortization of \$11.3 million, representing 7.4 percent of operating expenses. The cost of physical facilities, including utilities, maintenance, depreciation and interest on facilities debt, is allocated to each functional area based on square footage occupied.

The non-operating activities section of the Statement of Activities displays the total investment return for the year and identifies amounts distributed for operating purposes, which also appear in the operating section of the schedule. Non-operating net assets decreased in 2021-22 by \$73.1 million.

### Statement of Cash Flows

The Statement of Cash Flows provides information on the sources and uses of cash during the year. Mount Holyoke uses the indirect method of presenting the cash flow statement consistent with industry presentation.



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

## **Independent Auditors' Report**

The Board of Trustees  
Mount Holyoke College:

### *Opinion*

We have audited the financial statements of Mount Holyoke College (the College), which comprise the balance sheets as of June 30, 2022 and 2021, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, 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.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*KPMG LLP*

Hartford, Connecticut  
October 28, 2022

# MOUNT HOLYOKE COLLEGE

## Balance Sheets

June 30, 2022 and 2021

(In thousands)

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 47,873	55,794
Accounts and notes receivable, net	2,001	2,482
Contributions receivable, net	24,499	29,450
Student loans, net	9,045	10,076
Other assets	5,432	7,931
Investments	1,027,322	1,090,354
Land, buildings, equipment and collections, net	218,965	211,608
Total assets	\$ 1,335,137	1,407,695
<b>Liabilities and net assets</b>		
Accounts payable and accrued liabilities	\$ 11,769	13,840
Deposits and deferred revenue	2,530	2,763
Split-interest obligations	16,856	18,714
Bonds payable	160,071	161,337
Other liabilities	20,518	22,152
Refundable advances – government student loan funds	1,686	2,394
Total liabilities	213,430	221,200
Net assets:		
Without donor restrictions	228,006	231,941
With donor restrictions	893,701	954,554
Total net assets	1,121,707	1,186,495
Total liabilities and net assets	\$ 1,335,137	1,407,695

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



**MOUNT HOLYOKE COLLEGE**

Statement of Activities

Year ended June 30, 2022

(In thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating:			
Revenues and other changes:			
Tuition, room, and board, net of financial aid of \$63,988	\$ 94,890	—	94,890
Contributions	7,190	3,102	10,292
Grants and contracts	6,458	330	6,788
Other revenue	5,429	508	5,937
Endowment return distributed for operations	6,895	33,662	40,557
Amounts transferred (to)/from endowment funds	(63)	441	378
Other auxiliary income	2,818	—	2,818
Net assets released from program restrictions	<u>36,381</u>	<u>(36,381)</u>	<u>—</u>
	159,998	1,662	161,660
Expenses:			
Salaries and wages	71,003	—	71,003
Benefits	23,672	—	23,672
Depreciation and amortization	11,349	—	11,349
Interest	4,999	—	4,999
Supplies, materials, and other	<u>42,340</u>	<u>—</u>	<u>42,340</u>
	<u>153,363</u>	<u>—</u>	<u>153,363</u>
Changes in net assets from operating activities	6,635	1,662	8,297
Nonoperating activity:			
Contributions for long-term investment	6,059	25,956	32,015
Total investment return	(8,071)	(53,364)	(61,435)
Endowment return distributed for operations	(6,895)	(33,662)	(40,557)
Transfers from/(to) operations	63	(441)	(378)
Change in split interest obligations	(2,075)	(2,569)	(4,644)
Change in value of interest rate swaps	(251)	—	(251)
Change in pension benefit obligation other than service cost	994	—	994
Other changes/transfers	(623)	1,794	1,171
Net assets released from restrictions	<u>229</u>	<u>(229)</u>	<u>—</u>
Changes in net assets from nonoperating activities	<u>(10,570)</u>	<u>(62,515)</u>	<u>(73,085)</u>
Total change in net assets	(3,935)	(60,853)	(64,788)
Net assets, beginning of year	<u>231,941</u>	<u>954,554</u>	<u>1,186,495</u>
Net assets, end of year	\$ <u><u>228,006</u></u>	<u><u>893,701</u></u>	<u><u>1,121,707</u></u>

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

# MOUNT HOLYOKE COLLEGE

## Statement of Activities

Year ended June 30, 2021

(In thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating:			
Revenues and other changes:			
Tuition, room, and board, net of financial aid of \$45,600	\$ 62,679	—	62,679
Contributions	6,967	4,510	11,477
Grants and contracts	5,466	236	5,702
Other revenue	3,298	43	3,341
Endowment return distributed for operations	6,187	32,453	38,640
Amounts transferred from endowment funds	185	7	192
Other auxiliary income	901	—	901
Net assets released from program restrictions	36,252	(36,252)	—
	<u>121,935</u>	<u>997</u>	<u>122,932</u>
Expenses:			
Salaries and wages	63,133	—	63,133
Benefits	19,488	—	19,488
Depreciation and amortization	10,784	—	10,784
Interest	4,741	—	4,741
Supplies, materials, and other	27,615	—	27,615
	<u>125,761</u>	<u>—</u>	<u>125,761</u>
Changes in net assets from operating activities	(3,826)	997	(2,829)
Nonoperating activity:			
Contributions for long-term investment	11,095	25,951	37,046
Total investment return	41,802	247,707	289,509
Endowment return distributed for operations	(6,187)	(32,453)	(38,640)
Transfers to operations	(185)	(7)	(192)
Change in split interest obligations	3,706	4,159	7,865
Change in value of interest rate swaps	333	—	333
Change in pension benefit obligation other than service cost	4,241	—	4,241
Other changes/transfers	7,861	(7,451)	410
Net assets released from restrictions	225	(225)	—
Changes in net assets from nonoperating activities	<u>62,891</u>	<u>237,681</u>	<u>300,572</u>
Total change in net assets	59,065	238,678	297,743
Net assets, beginning of year	<u>172,876</u>	<u>715,876</u>	<u>888,752</u>
Net assets, end of year	<u>\$ 231,941</u>	<u>954,554</u>	<u>1,186,495</u>

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

**MOUNT HOLYOKE COLLEGE**

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:		
Change in net assets	\$ (64,788)	297,743
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	11,349	10,784
Change in value of interest rate swaps	251	(333)
Contributions restricted for long-term investment	(35,197)	(28,149)
Gifts in kind	(37)	(84)
Realized and unrealized loss/(gain) on split-interest agreements	6,708	(4,889)
Realized and unrealized loss/(gain) on investments	53,484	(296,420)
(Gain)/loss on disposal of plant assets	317	(15)
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	481	172
Contributions receivable, net	4,951	(12,556)
Other assets and liabilities	503	(2,069)
Accounts payable and accrued liabilities	(599)	2,993
Deposits and deferred revenue	(233)	(822)
Net cash used in operating activities	<u>(22,810)</u>	<u>(33,645)</u>
Cash flow from investing activities:		
Purchases of plant and equipment	(20,311)	(25,307)
Change in student loans, net	1,031	2,222
Change in split-interest obligations	(1,858)	409
Purchases of investments	(395,818)	(145,191)
Sales and maturities of investments	398,658	172,465
Purchases of short-term investments	(2)	—
Net cash provided (used) by investing activities	<u>(18,300)</u>	<u>4,598</u>
Cash flow from financing activities:		
Proceeds from contributions for:		
Investment in endowment	34,571	26,867
Investment in planned giving	346	829
Plant and equipment	280	453
Change in federal student loan funds	(708)	(684)
Payments on bonds payable	(1,300)	(730)
Bond issuance costs	—	(43)
Net cash provided by financing activities	<u>33,189</u>	<u>26,692</u>
Net change in cash and cash equivalents	(7,921)	(2,355)
Cash and cash equivalents, beginning of year	<u>55,794</u>	<u>58,149</u>
Cash and cash equivalents, end of year	\$ <u>47,873</u>	\$ <u>55,794</u>
Supplemental disclosure:		
Interest paid	\$ 4,428	3,825
Change in plant and equipment purchases included in accounts payable	(1,472)	(81)
Change in short-term investments for non-cash contributions	(113)	84

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

# **MOUNT HOLYOKE COLLEGE**

## **Notes to Financial Statements**

June 30, 2022 and 2021

### **(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 and include the accounts of the College, as well as those of The Willits-Hallowell Center. The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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 certain investments, allowances for uncollectible contributions, 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 Financial Presentation**

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:

##### **With Donor Restrictions**

Net assets whose use by the College is subject to legal or donor-imposed stipulations that expire with the passage of time, can be fulfilled by actions of the College pursuant to the stipulations or which may be perpetual.

##### **Without Donor Restrictions**

Net assets that are not subject to donor-imposed stipulations. Net assets may be designated for specific purposes by action of the College's Board of Trustees (the "Board") 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 net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Unspent gains on donor-restricted endowments are included in net assets with donor restrictions until appropriated by the Board for spending. Expirations of 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.

(Continued)



## **MOUNT HOLYOKE COLLEGE**

### **Notes to Financial Statements**

June 30, 2022 and 2021

Amounts reflected as operating revenues and expenses on the Statements 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 the service cost component of net periodic cost, contributions to be used for facilities and equipment or to be invested by the College to provide future support for 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. 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 and are classified as with donor restrictions. 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. Contributions restricted for the acquisition of property and collections are reported as with donor restrictions and are reclassified to net assets without donor restrictions in the period in which the assets are acquired and/or placed in service.

#### **(e) Cash Equivalents**

The College considers investments acquired with an original maturity date of three months or less to be cash equivalents unless they are part of long-term investment funds. Cash equivalents included in endowment assets are not considered cash and cash equivalents.

#### **(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 or its equivalent (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 is 100% ownership interest in Center Redevelopment Corporation (CRC). The corporation was formed in 1986 to develop and lease retail, residential and office space at The Village Commons in South Hadley, Massachusetts.

(Continued)

## **MOUNT HOLYOKE COLLEGE**

### **Notes to Financial Statements**

June 30, 2022 and 2021

#### **(g) Fair Value Measurements**

Except for investments reported at NAV as a practical expedient to estimate fair value, the College uses 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.

Level 3: Unobservable inputs that are used when little or no market data is available.

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.

#### **(h) Land, Buildings, Equipment and Collections**

All plant assets are stated at cost except contributed assets, 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 collections (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 Statements of Activities.

#### **(i) Revenue Recognition**

Revenue from student education, residence and dining services is recognized as the services are provided over the academic year, which generally aligns with the College's fiscal year. For the fiscal year 2022, student tuition and fee revenue was \$124,793,000, room and board revenues were \$34,085,000 and financial aid was \$63,988,000. For the fiscal year 2021, student tuition and fee revenue was \$101,353,000, room and board revenues were \$6,926,000 and financial aid was \$45,600,000.

(Continued)

## **MOUNT HOLYOKE COLLEGE**

### **Notes to Financial Statements**

June 30, 2022 and 2021

In March 2020, the College closed the campus to most students and transitioned to remote learning due to the COVID-19 global pandemic. During the fall 2020 semester, instruction continued remotely with most students remaining off campus. In spring 2021, the College welcomed approximately 700 students in residence while instruction remained virtual. During the year ended June 30, 2022, enrollment and on-campus residency returned to normal pre-pandemic levels.

#### **(j) 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. In December 2017, the Tax Cuts and Jobs Act (the "Act") was enacted. The Act has several provisions which impact the College including new excise taxes on net investment income, changes to the net operating loss rules, and the reporting of unrelated business taxable income for each unrelated trade or business. For fiscal year 2022, the College was subject to the federal excise tax of 1.4% imposed on colleges and universities meeting certain criteria, including a non-exempt use asset per student ratio. The excise tax imposed is on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on assets subject to the tax. The current portion of the excise tax was approximately \$550,000 for the year ended June 30, 2022. The College assesses uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

#### **(k) Subsequent Events**

The College evaluated events subsequent to June 30, 2022 and through October 28, 2022, the date on which the financial statements were issued.

#### **(l) Recent Accounting Pronouncements**

ASU No. 2020-07, *Presentation and Disclosures for Contributed Nonfinancial Assets*, issued by the Financial Accounting Standards Board (FASB), requires contributed non-financial assets (gifts in kind) to be presented separately under other cash contributions on the statement of activities. Effective July 1, 2021, the College adopted this ASU. The adoption did not have a material effect on the College's financial statements.

#### **(m) Related Parties**

The Alumnae Association of Mount Holyoke College is a separate 501(c)(3) organization whose mission is to foster lifelong learning and empower alumnae to connect with each other and the College. Alumnae Association assets are included in investments and other assets on the College's Balance Sheets in accordance with Accounting Standards Codification 958. The fair value of the assets totaled \$9,802,318 and \$10,209,080 at June 30, 2022 and 2021, respectively.

#### **(n) Risks and Uncertainties**

In March 2020, the World Health Organization declared the spread of the novel coronavirus (COVID-19) a pandemic. As a result of the pandemic, during the year ended June 30, 2021, the College experienced disruption to its ability to provide in-person education to its students, with the most significant financial statement impact being associated with a decline in residence and dining revenues during the year ended June 30, 2021.

(Continued)

## MOUNT HOLYOKE COLLEGE

### Notes to Financial Statements

June 30, 2022 and 2021

As a result of the pandemic, the College was awarded funds from the Higher Education Emergency Relief Fund (HEERF) to provide emergency relief to students for expenses related to the COVID-19 pandemic. Of the total awarded for students, the College disbursed \$1,935,113 and \$1,054,804 in fiscal years 2022 and 2021, respectively. In addition, the College was awarded funds from HEERF to cover institutional pandemic related expenditures and revenue loss due to the pandemic. The College utilized \$2,108,911 and \$1,666,683 in fiscal years 2022 and 2021, respectively, to support safe campus operations and financial aid to students. As of June 30, 2022, all HEERF funds had been expended.

The College is committed to the health and safety of its students, faculty, staff and local community. As a result, it has committed significant resources to testing and providing a safe environment. The College continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health and safety of the community, promote the continuity of its academic mission, and ensure financial stability.

### (2) Liquidity and Availability

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures were as follows (in thousands):

	2022	2021
Financial assets:		
Cash	\$ 47,873	55,794
Other assets	95	206
Accounts receivable, net	1,762	887
Contributions receivable available for operations due within one year	596	643
College-issued student loan repayments due within one year	1,067	1,220
Endowment distribution for subsequent fiscal year	43,675	40,698
Total financial assets available within one year	\$ 95,068	99,448

The College's cash flows have seasonal variations during the year attributable to the timing of student billings and related collections and a concentration of contributions received at calendar and fiscal year end. The College regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, and investments.

Additionally, the College has board-designated endowment funds without donor restrictions of \$160,685,000 as of June 30, 2022. Although the College does not intend to spend from its Board-designated endowment funds other than amounts appropriated for operations, amounts could be made available if necessary, with Board approval. See notes 7, 8, and 9 for further information about the College's investment portfolio, endowment funds, and net assets.

### (3) Accounts and Notes Receivable

Accounts receivable, including student accounts and notes receivable, are net of an allowance for doubtful accounts of \$795,000 and \$740,000 at June 30, 2022 and 2021, respectively.

(Continued)



**MOUNT HOLYOKE COLLEGE**

## Notes to Financial Statements

June 30, 2022 and 2021

**(4) Contributions Receivable**

Contributions receivable are summarized as follows at June 30 (in thousands):

	<b>2022</b>	<b>2021</b>
Contributions to be collected:		
Within one year	\$ 3,670	7,268
In one to five years	6,293	5,763
After five years	—	100
External trusts	17,035	18,307
	26,998	31,438
Less: discount to present value	(2,000)	(1,331)
	24,998	30,107
Less: allowance for uncollectible contributions	(499)	(657)
	<u>\$ 24,499</u>	<u>29,450</u>

Discount rates for contributions receivable range from 0.3% to 3.0%, depending upon the expected date of collection and the fiscal year in which the contribution was made.

**(5) Student Loans Receivable**

Student loans are net of an allowance for doubtful accounts of approximately \$4,200,000 at June 30, 2022 and 2021.

**(6) Land, Buildings, Equipment and Collections**

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

	<b>2022</b>	<b>2021</b>
Land and land improvements	\$ 29,107	28,746
Buildings	339,023	316,990
Vehicles, equipment and furnishings	78,932	77,855
Art and library collections	44,491	44,216
	491,553	467,807
Less accumulated depreciation	(278,380)	(268,215)
	213,173	199,592
Construction in progress	5,792	12,016
	<u>\$ 218,965</u>	<u>211,608</u>

(Continued)

## **MOUNT HOLYOKE COLLEGE**

### **Notes to Financial Statements**

June 30, 2022 and 2021

The College capitalized approximately \$363,000 and \$376,000 of interest on various construction projects during the years ended June 30, 2022 and 2021, respectively.

Depreciation expense was approximately \$11,315,000 and \$10,752,000 for the years ended June 30, 2022 and 2021, respectively

Conditional asset retirement obligations of approximately \$13,306,000 and \$12,643,000 are included within other liabilities on the Balance Sheets for the years ended June 30, 2022 and 2021, respectively.

#### **(7) 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 Board's 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.

(Continued)

# MOUNT HOLYOKE COLLEGE

## Notes to Financial Statements

June 30, 2022 and 2021

The College's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2022 are as follows (in thousands):

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value or Equivalent	Total
<b>Assets</b>					
Investments:					
Fixed income	\$ 80,289	—	—	—	80,289
Equity securities	48,118	—	—	342,312	390,430
Hedge funds:					
Equity long/short	—	—	—	86,501	86,501
Other strategies	—	—	—	137,075	137,075
Private equity:					
Buyout	—	—	—	71,548	71,548
Real assets	—	—	8,483	51,655	60,138
Venture capital	—	—	—	177,482	177,482
Other strategies	—	—	—	20,775	20,775
Faculty mortgages	—	3,084	—	—	3,084
Total investments	128,407	3,084	8,483	887,348	1,027,322
Other assets:					
Short-term investments	95	—	—	—	95
Interest rate swap	—	654	—	—	654
Total other assets	95	654	—	—	749
Funds held in trust by others	—	—	17,035	—	17,035
Total assets	\$ 128,502	3,738	25,518	887,348	1,045,106
<b>Liabilities</b>					
Interest rate swaps		\$ (2,082)			\$ (2,082)
Total liabilities		\$ (2,082)			\$ (2,082)

(Continued)

# MOUNT HOLYOKE COLLEGE

## Notes to Financial Statements

June 30, 2022 and 2021

The College's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2021 are as follows (in thousands):

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value or Equivalent	Total
<b>Assets</b>					
Investments:					
Fixed income	\$ 90,216	—	—		90,216
Equity securities	37,814	—	—	378,203	416,017
Hedge funds:					
Equity long/short	—	—	—	105,641	105,641
Other strategies	—	—	—	108,720	108,720
Private equity:					
Buyout	—	—	—	112,710	112,710
Real assets	—	—	8,966	46,585	55,551
Venture capital	—	—	—	160,824	160,824
Other strategies	—	—	—	37,434	37,434
Faculty mortgages	—	3,241	—	—	3,241
Total investments	128,030	3,241	8,966	950,117	1,090,354
Other assets:					
Short-term investments	206	—	—	—	206
Interest rate swap	—	3,418	—	—	3,418
Total other assets	206	3,418	—	—	3,624
Funds held in trust by others	—	—	18,307	—	18,307
Total assets	\$ 128,236	6,659	27,273	950,117	1,112,285
<b>Liabilities</b>					
Interest rate swaps		\$ (4,595)			\$ (4,595)
Total liabilities		\$ (4,595)			\$ (4,595)

Short-term investments consist of non-endowment short-term stock and bond holdings and gifts and checks pending disposition and are included within other assets on the balance sheets.

Funds held in trust by others represent the College's interest in external and perpetual trusts and are included within contributions receivable on the balance sheets.

Included within Level 3 investments are real assets and funds held in trust by others. Real assets include direct and indirect investments in real estate property and energy interests, which utilize significant unobservable inputs in determining the estimated fair value. Real assets are valued utilizing a capitalization rate technique, while energy investments are valued utilizing a discounted cash flow model. Funds held in trust by others are determined on a net present value basis.

(Continued)



# **MOUNT HOLYOKE COLLEGE**

## Notes to Financial Statements

June 30, 2022 and 2021

The following tables present the College's activity for the fiscal years ended June 30, 2022 and 2021 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

<b>2022</b>	<b>Fair Value Beginning of Year</b>	<b>Acquisitions</b>	<b>Dispositions</b>	<b>Realized Gains/ (Losses)</b>	<b>Unrealized Gains/ (Losses)</b>	<b>Fair Value End of Year</b>
Real asset investments	\$ 8,966	—	(1,179)	498	198	8,483
Funds held in trust by others	18,307	—	(3)	(305)	(964)	17,035
	<u>\$ 27,273</u>	<u>—</u>	<u>(1,182)</u>	<u>193</u>	<u>(766)</u>	<u>25,518</u>

<b>2021</b>	<b>Fair Value Beginning of Year</b>	<b>Acquisitions</b>	<b>Dispositions</b>	<b>Realized Gains</b>	<b>Unrealized (Losses)/ Gains</b>	<b>Fair Value End of Year</b>
Real asset investments	\$ 9,181	—	(237)	120	(98)	8,966
Funds held in trust by others	14,879	—	(32)	—	3,460	18,307
	<u>\$ 24,060</u>	<u>—</u>	<u>(269)</u>	<u>120</u>	<u>3,362</u>	<u>27,273</u>

There were no changes in methodologies used at June 30, 2022 and 2021 and there were no transfers among levels during the years ended June 30, 2022 and 2021.

Detailed liquidity of the College's investments as of June 30, 2022 is as follows (in thousands):

	<b>Daily</b>	<b>Weekly</b>	<b>Monthly</b>	<b>Quarterly</b>	<b>Semi- Annual</b>	<b>Annual</b>	<b>Rolling Lockup</b>	<b>Illiquid</b>	<b>Total</b>
<b>Assets</b>									
Investments:									
Fixed income	\$ 80,289	—	—	—	—	—	—	—	80,289
Equity securities	32,576	50,709	32,250	144,695	—	38,466	11,333	80,401	390,430
Hedge funds:									
Equity long/short	—	—	16,113	15,889	7,805	20,086	26,608	—	86,501
Other strategies	—	—	17,561	17,796	—	9,881	72,310	19,527	137,075
Private equity:									
Buyout	—	—	—	—	—	—	—	71,548	71,548
Real assets	—	—	—	—	—	—	—	60,138	60,138
Venture capital	—	—	—	—	—	—	—	177,482	177,482
Other strategies	—	—	—	—	—	—	—	20,775	20,775
Faculty mortgages	—	—	—	—	—	—	—	3,084	3,084
Total investments	<u>\$ 112,865</u>	<u>50,709</u>	<u>65,924</u>	<u>178,380</u>	<u>7,805</u>	<u>68,433</u>	<u>110,251</u>	<u>432,955</u>	<u>1,027,322</u>

(Continued)

# MOUNT HOLYOKE COLLEGE

## Notes to Financial Statements

June 30, 2022 and 2021

Detailed liquidity of the College's investments as of June 30, 2021 is as follows (in thousands):

	Daily	Weekly	Monthly	Quarterly	Semi-Annual	Annual	Rolling Lockup	Illiquid	Total
<b>Assets</b>									
Investments:									
Fixed income	\$ 90,216	—	—	—	—	—	—	—	90,216
Equity securities	17,445	43,718	154,546	118,698	—	38,487	2,449	40,674	416,017
Hedge funds:									
Equity long/short	—	—	—	16,323	17,082	17,762	54,474	—	105,641
Other strategies	—	—	15,927	18,271	—	11,290	63,232	—	108,720
Private equity:									
Buyout	—	—	—	—	—	—	—	112,710	112,710
Real assets	—	—	—	—	—	—	—	55,551	55,551
Venture capital	—	—	—	—	—	—	—	160,824	160,824
Other strategies	—	—	—	—	—	—	—	37,434	37,434
Faculty mortgages	—	—	—	—	—	—	—	3,241	3,241
Total investments	\$ 107,661	43,718	170,473	153,292	17,082	67,539	120,155	410,434	1,090,354

At June 30, 2022, the College's remaining outstanding commitments to private equity partnerships totaled approximately \$118,285,000 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.

The private equity partnerships have terms of four to fifteen years, with extensions of two-to-five years. As of June 30, 2022, the weighted average remaining life of the private equity partnerships is approximately 3.75 years. In addition, approximately \$145,721,000 of the College's other investment funds are subject to liquidity of between one and three years.

### (8) Endowment Funds

The College's endowment consists of approximately 1,790 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 Board approves the annual spending distribution. 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. For fiscal years 2022 and 2021, the College elected to distribute 5.17% and 5.09% of the average of the prior twelve-quarter end market values as of December 31, 2020 and December 31, 2019, respectively.

(Continued)

# MOUNT HOLYOKE COLLEGE

## Notes to Financial Statements

June 30, 2022 and 2021

The College is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the Commonwealth of Massachusetts. 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. The College classifies net assets with donor restrictions as (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. 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

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

Endowment funds consisted of the following at June 30, 2022 and 2021 (in thousands):

		2022			
			With donor restriction		
		Without donor restriction	Original gift	Accumulated gains (losses)	Total funds
Board designated endowment funds	\$	160,685	11,221	—	171,906
Donor restricted:					
Underwater		—	29,972	(2,008)	27,964
Other		—	322,040	480,639	802,679
	\$	160,685	363,233	478,631	1,002,549

(Continued)

# **MOUNT HOLYOKE COLLEGE**

## **Notes to Financial Statements**

June 30, 2022 and 2021

		2021			
			With donor restriction		
	Without donor restriction	Original gift	Accumulated gains	Total	Total funds
Board designated endowment funds	\$ 169,798	11,007	—	11,007	180,805
Donor restricted:					
Other	—	322,945	564,300	887,245	887,245
	\$ 169,798	333,952	564,300	898,252	1,068,050

Changes in endowment funds for the fiscal years ended June 30, 2022 and 2021 were as follows (in thousands):

	Without donor restriction	With donor restriction	Total
June 30, 2021 balance	\$ 169,798	898,252	1,068,050
Contributions	5,876	28,350	34,226
Investment return, net	(9,006)	(53,364)	(62,370)
Distributions	(6,895)	(33,662)	(40,557)
Transfers	2,381	819	3,200
Other changes	(1,469)	1,469	—
June 30, 2022 balance	\$ <u>160,685</u>	<u>841,864</u>	<u>1,002,549</u>

	Without donor restriction	With donor restriction	Total
June 30, 2020 balance	\$ 115,459	673,577	789,036
Contributions	11,095	15,298	26,393
Investment return, net	41,441	247,707	289,148
Distributions	(6,187)	(32,453)	(38,640)
Transfers	55	1,146	1,201
Other changes	7,935	(7,023)	912
June 30, 2021 balance	\$ <u>169,798</u>	<u>898,252</u>	<u>1,068,050</u>

(Continued)



# **MOUNT HOLYOKE COLLEGE**

## **Notes to Financial Statements**

June 30, 2022 and 2021

### **(9) Net Assets**

Net assets at June 30, 2022 are as follows (in thousands):

	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Endowment:			
Scholarship	\$ 19,921	333,222	353,143
Instruction	28,183	227,662	255,845
General operating	98,204	174,219	272,423
Program support	14,377	106,761	121,138
Total	160,685	841,864	1,002,549
Split interest agreements	(488)	22,953	22,465
Plant funds	42,798	712	43,510
Loan funds	4,709	2,434	7,143
Other	20,302	25,738	46,040
	<u>\$ 228,006</u>	<u>893,701</u>	<u>1,121,707</u>

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

	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>
Endowment:			
Scholarship	\$ 22,230	339,200	361,430
Instruction	31,346	250,658	282,004
General operating	100,222	191,790	292,012
Program support	16,000	116,604	132,604
Total	169,798	898,252	1,068,050
Split interest agreements	3,721	26,620	30,341
Plant funds	44,248	723	44,971
Loan funds	4,770	2,373	7,143
Other	9,404	26,586	35,990
	<u>\$ 231,941</u>	<u>954,554</u>	<u>1,186,495</u>

(Continued)

# MOUNT HOLYOKE COLLEGE

## Notes to Financial Statements

June 30, 2022 and 2021

Net assets with donor restrictions released to net assets without donor restrictions during the years ended June 30, 2022 and 2021 were as follows (in thousands):

	<b>2022</b>	<b>2021</b>
Endowment distribution	\$ 30,940	30,551
Program services	5,441	5,701
Operating	<u>\$ 36,381</u>	<u>36,252</u>
Capital funds released	\$ 229	225
Non-Operating	<u>\$ 229</u>	<u>225</u>

### (10) Expenses by Functional and Natural Classification

The College's primary program services are undergraduate instruction and research. Expenses reported as academic support and libraries, student services, institutional support, and auxiliary are incurred in support of these primary program activities. Expenses are presented by natural classification on the Statements of Activities. Expenses are also summarized by functional classification in alignment with the overall mission of the College. Each functional classification displays all expenses related to the underlying operations by natural classification. Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Depreciation, interest, plant operations and maintenance expenses are allocated on a square footage basis.

Expenses by functional and natural classification for the year ended June 30, 2022 were as follows (in thousands):

	<b>Instruction &amp; Research</b>	<b>Academic Support &amp; Libraries</b>	<b>Student Services</b>	<b>Institutional Support</b>	<b>Fundraising</b>	<b>Auxiliary</b>	<b>Operations &amp; Maintenance</b>	<b>Total</b>
Salaries & wages	\$ 30,170	8,170	9,378	7,176	3,076	5,906	7,127	71,003
Benefits	10,306	2,805	2,871	1,957	1,142	2,018	2,573	23,672
Supplies, materials & other	4,598	4,120	10,159	7,569	2,210	5,206	8,478	42,340
Allocations:								
Depreciation & amortization	3,446	1,284	752	156	241	5,470	—	11,349
Interest	1,540	484	336	70	108	2,461	—	4,999
Operations & maintenance	8,906	3,235	1,894	402	622	3,119	(18,178)	—
Total operating expense	58,966	20,098	25,390	17,330	7,399	24,180	—	153,363
Net periodic post-retirement benefit cost other than service cost	36	10	10	6	4	7	—	73
Total expense by function	<u>\$ 59,002</u>	<u>20,108</u>	<u>25,400</u>	<u>17,336</u>	<u>7,403</u>	<u>24,187</u>	<u>—</u>	<u>153,436</u>

(Continued)

# MOUNT HOLYOKE COLLEGE

## Notes to Financial Statements

June 30, 2022 and 2021

Expenses by functional and natural classification for the year ended June 30, 2021 were as follows (in thousands):

	Instruction & Research	Academic Support & Libraries	Student Services	Institutional Support	Fundraising	Auxiliary	Operations & Maintenance	Total
Salaries & wages	\$ 28,419	7,183	7,648	6,463	3,004	3,871	6,545	63,133
Benefits	8,953	2,363	2,329	1,170	1,009	1,456	2,208	19,488
Supplies, materials & other	2,919	4,173	5,946	5,225	1,835	1,713	5,804	27,615
Allocations:								
Depreciation & amortization	3,272	1,284	710	147	228	5,143	—	10,784
Interest	1,468	459	319	66	102	2,327	—	4,741
Operations & maintenance	7,156	2,739	1,518	325	497	2,322	(14,557)	—
Total operating expense	52,187	18,201	18,470	13,396	6,675	16,832	—	125,761
Net periodic post-retirement benefit cost other than service cost	402	108	102	48	43	68	—	771
Total expense by function	\$ 52,589	18,309	18,572	13,444	6,718	16,900	—	126,532

### (11) Line of Credit

The College has an uncollateralized demand line of credit available through December 2022, 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, 2022 and 2021.

### (12) Bonds Payable

The College's bonds payable as of June 30, 2022 and 2021 are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates	2022	2021
Massachusetts Development Finance Authority (MDFA):				
2016A	2022-2047	2.44 %	\$ 26,000	26,000
2016B	2022-2047	2.87 %	32,250	32,550
2020B	2022-2042	1.96 %	35,560	36,560
Senior Unsecured Notes:				
2020A	2022-2050	3.01 %	67,000	67,000
		Total	160,810	162,110
		Unamortized issuance costs	(739)	(773)
			\$ 160,071	161,337

(Continued)

## MOUNT HOLYOKE COLLEGE

### Notes to Financial Statements

June 30, 2022 and 2021

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

2023	\$	1,405
2024		2,590
2025		3,200
2026		3,325
2027		3,450
Thereafter		<u>146,840</u>
Principal maturities	\$	<u><u>160,810</u></u>

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 \$2,082,000 and \$4,595,000 at June 30, 2022 and 2021, respectively. This is included in other liabilities on the Balance Sheets.

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 \$654,000 and \$3,418,000 at June 30, 2022 and 2021. This is included in other assets on the Balance Sheets.

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.

#### **(13) Defined Contribution Retirement Plan**

The College sponsors a defined contribution retirement plan covering all faculty and administrative employees. The College contributed approximately \$6,113,000 in 2022 and \$2,805,000 in 2021 to the plan. In response to challenging economic conditions, the plan was amended effective June 1, 2020 to June 30, 2021, to change the employer contribution from 10.5% to 5% of a participant's compensation.

#### **(14) Defined Benefit Pension Plan**

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

(Continued)

# MOUNT HOLYOKE COLLEGE

## Notes to Financial Statements

June 30, 2022 and 2021

### (a) *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):

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 21,669	22,239
Service cost	391	240
Interest cost	503	463
Actuarial gain	(2,795)	(411)
Settlements	(1,320)	—
Benefits paid	(358)	(862)
Benefit obligation at end of year	\$ <u>18,090</u>	<u>21,669</u>
	<u>2022</u>	<u>2021</u>
Change in value of plan assets:		
Fair value of plan assets at beginning of year	\$ 17,266	146,017
Gain/(loss) on plan assets net of expenses	(2,376)	3,521
Benefits paid	(358)	(862)
Settlements	(1,327)	—
Employer contribution	710	—
Fair value of plan assets at end of year	\$ <u>13,915</u>	<u>148,676</u>
Funded status	\$ (4,175)	(4,403)

The excess of the benefit obligation over the fair value of plan assets is included in other liabilities on the Balance Sheets.

To determine the benefit obligations and net periodic pension costs, the College used the following assumptions:

	<u>2022</u>	<u>2021</u>
Discount rate used to measure benefit obligation	4.30 %	2.40 %
Discount rate used to determine periodic pension cost	2.40	2.20
Expected long-term rate of return	6.25	6.50
Estimated rate of salary increase	2.50	2.00

(Continued)

# MOUNT HOLYOKE COLLEGE

## Notes to Financial Statements

June 30, 2022 and 2021

### (b) Components of Total Benefit Cost

Total benefit cost for the years ended June 30, 2022 and 2021 includes the following components (in thousands):

	2022	2021
Service cost earned during the period	\$ 391	240
Interest cost on projected benefit obligation	503	463
Amortization of prior service cost	51	139
Amortization of net loss	616	1,048
Expected return on assets	(1,097)	(879)
Net periodic pension cost	464	1,011
Settlement loss	506	—
Total benefit cost	\$ 970	1,011

### (c) Plan Assets

The plan's asset allocations at June 30, 2022 and 2021 by asset category are as follows:

Asset Category	Plan Assets at June 30		Target Investment%	
	2022	2021	2022	2021
Equity securities	62.3 %	63.6 %	58 %	58 %
Debt securities	25.3	22.8	26	26
Cash	0.9	1.0	5	5
Other	11.5	12.6	11	11
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. All of such investments are held in mutual funds, money market funds, or other funds, and have a readily determinable fair value and as such are classified as level 1 in the fair value hierarchy.

(Continued)



## MOUNT HOLYOKE COLLEGE

### Notes to Financial Statements

June 30, 2022 and 2021

#### **(d) Cash Flows**

The College has an estimated minimum required contribution of \$694,418 to the defined benefit pension plan for the year ending June 30, 2022.

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

2023	\$	2,368
2024		1,712
2025		844
2026		1,547
2027		625
2028-2032		6,755

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