

MOUNT HOLYOKE

ANNUAL AUDITED FINANCIAL STATEMENTS June 30, 2019 and 2018

Mount Holyoke College
South Hadley, Massachusetts

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KPMG LLP
One Financial Plaza
755 Main Street
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Independent Auditors' Report

The Board of Trustees
Mount Holyoke College:

We have audited the accompanying financial statements of Mount Holyoke College, which comprise the balance sheets as of June 30, 2019 and 2018, and 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 audits 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 organization'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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1(l) to the financial statements, during the year ended June 30, 2019, Mount Holyoke College adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

October 29, 2019

MOUNT HOLYOKE COLLEGE
Balance Sheets
June 30, 2019 and 2018
(in thousands)

	2019	2018
Assets		
Cash and cash equivalents	\$ 25,248	\$ 46,284
Accounts and notes receivable, net	2,351	2,351
Contributions receivable, net	17,663	19,333
Student loans, net	14,389	16,016
Funds held by bond trustee	1,669	5,346
Other assets	7,147	6,753
Investments	816,971	775,013
Land, buildings, equipment and collections, net	198,069	198,006
Total assets	\$ 1,083,507	\$ 1,069,102
Liabilities and net assets		
Accounts payable and accrued liabilities	8,252	10,440
Deposits and deferred revenue	1,710	1,891
Split-interest obligations	18,760	20,848
Bonds payable	122,784	125,405
Other liabilities	28,211	24,719
Refundable advances — government student loan funds	3,986	3,888
Total liabilities	183,703	187,191
Net assets		
Without donor restrictions	177,470	165,399
With donor restrictions	722,334	716,512
Total net assets	899,804	881,911
Total liabilities and net assets	\$ 1,083,507	\$ 1,069,102

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2019
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating:			
Revenues and other changes			
Tuition, room, and board, net of financial aid of \$53,741	\$ 87,010		\$ 87,010
Contributions	6,609	\$ 4,364	10,973
Grants and contracts	3,887	709	4,596
Other revenue	5,471	178	5,649
Endowment return distributed for operations	5,642	31,083	36,725
Amounts transferred (to)/from endowment funds	(674)	888	214
Other auxiliary income	6,304		6,304
Net assets released from program restrictions	37,105	(37,105)	
	<u>151,354</u>	<u>117</u>	<u>151,471</u>
Expenses			
Salaries and wages	71,788		71,788
Benefits	22,914		22,914
Depreciation and amortization	10,969		10,969
Interest	5,077		5,077
Supplies, materials, and other	40,737		40,737
	<u>151,485</u>		<u>151,485</u>
Changes in net assets from operating activities	<u>(131)</u>	<u>117</u>	<u>(14)</u>
Nonoperating activity:			
Contributions for long-term investment	3,490	5,454	8,944
Total endowment investment return	6,654	37,108	43,762
Endowment return distributed for operations	(5,642)	(31,083)	(36,725)
Transfers from/(to) operations	674	(888)	(214)
Change in split interest obligations	2,164	1,957	4,121
Change in value of interest rate swaps	(725)		(725)
Change in pension benefit obligation other than net periodic cost	(807)		(807)
Other changes/transfers	(17)	(432)	(449)
Net assets released from restrictions	6,411	(6,411)	
	<u>12,202</u>	<u>5,705</u>	<u>17,907</u>
Total change in net assets	<u>12,071</u>	<u>5,822</u>	<u>17,893</u>
Net assets, beginning of year	<u>165,399</u>	<u>716,512</u>	<u>881,911</u>
Net assets, end of year	<u>\$ 177,470</u>	<u>\$ 722,334</u>	<u>\$ 899,804</u>

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2018
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating:			
Revenues and other changes			
Tuition, room, and board, net of financial aid of \$52,336	\$ 79,620		\$ 79,620
Contributions	6,074	\$ 4,152	10,226
Grants and contracts	3,621	784	4,405
Other revenue	5,447	547	5,994
Endowment return distributed for operations	5,273	30,348	35,621
Amounts transferred (to)/from endowment funds	(258)	458	200
Other auxiliary income	6,769		6,769
Net assets released from restrictions	36,201	(36,201)	
	<u>142,747</u>	<u>88</u>	<u>142,835</u>
Expenses			
Salaries and wages	69,392		69,392
Benefits	22,347		22,347
Depreciation and amortization	11,000		11,000
Interest	5,270		5,270
Supplies, materials, and other	39,904		39,904
	<u>147,913</u>		<u>147,913</u>
Changes in net assets from operating activities	<u>(5,166)</u>	<u>88</u>	<u>(5,078)</u>
Nonoperating activity:			
Contributions for long-term investment	1,779	20,679	22,458
Total endowment investment return	10,083	53,142	63,225
Endowment return distributed for operations	(5,273)	(30,348)	(35,621)
Transfers from/(to) operations	258	(458)	(200)
Change in split interest obligations	(126)	130	4
Change in value of interest rate swaps	2,346		2,346
Change in pension benefit obligation other than net periodic cc	896		896
Other changes/transfers	(436)	132	(304)
Net assets released from restrictions	25,403	(25,403)	
	<u>34,930</u>	<u>17,874</u>	<u>52,804</u>
Total change in net assets	<u>29,764</u>	<u>17,962</u>	<u>47,726</u>
Net assets, beginning of year, as restated	<u>135,635</u>	<u>698,550</u>	<u>834,185</u>
Net assets, end of year, as restated	<u>\$ 165,399</u>	<u>\$ 716,512</u>	<u>\$ 881,911</u>

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

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Statement of Cash Flows
June 30, 2019 and 2018
(in thousands)

	2019	2018
Cash flow from operating activities		
Change in net assets	\$ 17,893	\$ 47,726
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	10,948	10,978
Change in value of interest rate swaps	725	(2,346)
Contributions restricted for long-term investment	(11,803)	(25,331)
Gifts in kind	(186)	(72)
Realized and unrealized loss on split-interest agreements	408	121
Realized and unrealized gain on investments	(42,682)	(58,705)
Gain on disposal of plant assets	(25)	(120)
Changes in operating assets and liabilities:		
Accounts and notes receivable, net		275
Contributions receivable, net	1,670	1,648
Other assets and liabilities	2,322	370
Accounts payable and accrued liabilities	(738)	(452)
Deposits and deferred revenue	(181)	(206)
Net cash used in operating activities	<u>(21,649)</u>	<u>(26,114)</u>
Cash flow from investing activities		
Purchases of plant and equipment	(12,205)	(31,737)
Proceeds from sale of plant assets	25	120
Change in student loans, net	1,627	1,173
Change in split-interest obligations	(2,088)	1,271
Purchases of investments	(75,487)	(67,688)
Sales and maturities of investments	75,803	76,329
Net cash used in investing activities	<u>(12,325)</u>	<u>(20,532)</u>
Cash flow from financing activities		
Proceeds from contributions for:		
Investment in endowment	8,780	20,837
Investment in planned giving	778	1,218
Plant and equipment	2,245	3,276
Change in federal student loan funds	98	(814)
Change in funds deposited with trustee	3,677	12,600
Payments on bonds payable	(2,640)	(1,860)
Net cash provided by financing activities	<u>12,938</u>	<u>35,257</u>
Net change in cash and cash equivalents	(21,036)	(11,389)
Cash and cash equivalents, beginning of year	46,284	57,673
Cash and cash equivalents, end of year	<u>\$ 25,248</u>	<u>\$ 46,284</u>
Supplemental disclosure:		
Interest paid	\$ 4,761	\$ 4,840
Change in plant and equipment purchases included in accounts payable	(1,450)	(3,212)
Change in short-term investments for non-cash contributions	(51)	(70)

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

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Notes to Financial Statements

June 30, 2019 and 2018

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 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 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.
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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 Board of Trustees or may otherwise be limited by contractual agreements with outside parties.
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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

MOUNT HOLYOKE COLLEGE

Notes to Financial Statements

June 30, 2019 and 2018

restrictions until appropriated by the College's Board of Trustees 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.

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 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 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. 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

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 long-term investment funds.

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.

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Notes to Financial Statements

June 30, 2019 and 2018

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. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 defines fair value and requires certain disclosures about 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.

At June 30, 2019 and 2018, the carrying values of the College's cash and cash equivalents, receivables, and accounts payable approximated their fair values.

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 Statement of Activities.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2019 and 2018

i. 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.

j. Subsequent Events

The College evaluated events subsequent to June 30, 2019 and through October 29, 2019 the date on which the financial statements were issued.

k. Reclassifications

Certain items in 2018 have been reclassified to conform to the current year presentation.

l. Recent Accounting Pronouncements

Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, was issued by the Financial Accounting Standards Board (FASB) in August 2016. The primary changes, which affect most not-for-profit financial statements, include revisions to simplify and enhance the presentation of net assets, a requirement to present functional and natural expenses in a single location, and expanded disclosures regarding liquidity and availability of resources. In fiscal 2019, the College retrospectively adopted this standard.

A summary of the net asset reclassifications resulting from the adoption of ASU 2016-14 is as follows (in thousands):

	ASU 2016-14 Classification		
	Without donor restrictions	With donor restrictions	Total net assets
2018 ending net assets, as previously presented:			
Unrestricted	\$ 165,395		\$ 165,395
Temporarily restricted		\$ 397,995	397,995
Permanently restricted		318,521	318,521
Reclassification to implement ASU 2016-14			
Underwater endowments	4	(4)	
2018 ending net assets, as restated	<u>\$ 165,399</u>	<u>\$ 716,512</u>	<u>\$ 881,911</u>

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Notes to Financial Statements
June 30, 2019 and 2018

ASU 2016-14 Classification			
	Without donor restrictions	With donor restrictions	Total net assets
2017 ending net assets, as previously presented:			
Unrestricted	\$ 135,500		\$ 135,500
Temporarily restricted		\$ 392,787	392,787
Permanently restricted		305,898	305,898
Reclassification to implement ASU 2016-14			
Underwater endowments	135	(135)	
2017 ending net assets, as restated	<u>\$ 135,635</u>	<u>\$ 698,550</u>	<u>\$ 834,185</u>

ASU 2014-09, *Revenue from Contracts with Customers*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU became effective for the College for the year ended June 30, 2019. The College's adoption of the ASU did not materially change the timing or amount of revenue recognized by the College. However, the ASU requires that tuition, fees and auxiliary student revenues be presented in the statement of activities at the transaction price, i.e., net of any institutional student aid. Previously, such revenues were presented gross, i.e., at published rates, followed by a reduction for institutional student aid. Accordingly, the College's 2018 Statement of Activities has been revised to conform to the 2019 presentation.

Revenue from student education, residence and dining services are recognized as the services are provided over the academic year, which generally aligns with our fiscal year. For the fiscal year 2019, student tuition and fee revenue was \$110,352,000, room and board revenues were \$30,399,000 and financial aid was \$53,741,000. For the fiscal year 2018, student tuition and fee revenue was \$103,665,000, room and board revenues were \$28,291,000 and financial aid was \$52,336,000.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the College for the year ended June 30, 2019. The College's adoption of the ASU on a modified prospective basis did not have a material effect on its financial statements.

ASU 2017-07, *Compensation-Retirement Benefits (Topic 715)*, was issued by the FASB in March 2017. The ASU attempts to improve the presentation of net periodic pension and postretirement benefit costs. The ASU does not prescribe where the amount of net benefit cost should be presented in an employer's Statement of Activities, but it does require that the service cost component be presented in the same line item(s) as other employee compensation costs and that the remaining components be presented separately from those line items and outside of operations. It also stipulates that only the service cost component is eligible for capitalization in assets, as applicable.

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Notes to Financial Statements

June 30, 2019 and 2018

The new standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. In fiscal 2019, the College retrospectively adopted the standard, which resulted in the reclassification of \$467,610 of net periodic benefit cost from operating to nonoperating activities for the year ended June 30, 2018.

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. Endowment investments held on its behalf are included in the College's long term investment pool and are reflected as part of the College's assets. The market value of the assets totaled \$7,396,608 and \$7,260,426 at June 30, 2019 and 2018, respectively, and are included within investments on the Balance Sheets.

2. Liquidity and Availability

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures were as follows (in thousands):

Financial assets:

Cash	\$ 25,248
Short-term investments	95
Accounts receivable, net	2,111
Contributions receivable available for operations due within one year	1,534
College-issued student loan repayments due within one year	1,447
Endowment appropriation for FY2020	<u>36,725</u>
Total financial assets available within one year	<u>\$ 67,160</u>

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, investments, and a line of credit. See note 11 for information on the College's line of credit.

Additionally, the College has board-designated endowment funds without donor restrictions of \$114.9 million as of June 30, 2019. 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 \$625,000 and \$785,000 at June 30, 2019 and 2018, respectively.

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Notes to Financial Statements
June 30, 2019 and 2018

4. Contributions Receivable

Contributions receivable at June 30, 2019 and 2018 are summarized as follows (in thousands):

Contributions to be collected:	<u>2019</u>	<u>2018</u>
Within one year	\$ 1,935	\$ 2,532
In one to five years	1,936	3,795
External trusts	<u>15,751</u>	<u>16,548</u>
	19,622	22,875
Less: discount to present value	<u>(1,765)</u>	<u>(2,398)</u>
	17,857	20,477
Less: allowance for uncollectible contributions	<u>(194)</u>	<u>(1,144)</u>
	<u>\$ 17,663</u>	<u>\$ 19,333</u>

Discount rates for contributions receivable range from 1.0% to 5.8%, depending upon the expected date of collection and the fiscal year in which the pledge was made.

5. Student Loans Receivable

Student loans are net of an allowance for doubtful accounts of \$4,000,000 and \$3,800,000 at June 30, 2019 and 2018, respectively.

6. Land, Buildings, Equipment and Collections

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

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 28,209	\$ 27,978
Buildings	296,335	287,746
Vehicles, equipment and furnishings	75,853	76,061
Art and library collections	<u>43,491</u>	<u>43,166</u>
	443,888	434,951
Less accumulated depreciation	<u>(247,622)</u>	<u>(238,742)</u>
	196,266	196,209
Construction in progress	<u>1,803</u>	<u>1,797</u>
	<u>\$ 198,069</u>	<u>\$ 198,006</u>

The College capitalized approximately \$0 and \$290,000 of interest on various construction projects during the years ended June 30, 2019 and 2018.

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Notes to Financial Statements

June 30, 2019 and 2018

Depreciation expense was \$10,929,125 and \$10,959,987 for the years ended June 30, 2019 and 2018, respectively.

Conditional asset retirement obligations of approximately \$12,249,000 and \$11,865,000 are included within other liabilities on the Balance Sheets for the years ended June 30, 2019 and 2018, 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 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.

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Notes to Financial Statements
June 30, 2019 and 2018

The College's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2019 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
Assets					
Investments:					
Fixed income	\$ 78,321			\$ 78,321	
Equity securities	59,832			284,099	343,931
Hedge funds:					
Equity long/short				81,319	81,319
Other strategies				102,164	102,164
Private equity:					
Buyout				59,557	59,557
Real assets			\$ 10,338	43,930	54,268
Venture capital				71,553	71,553
Other strategies				22,535	22,535
Faculty mortgages		\$ 3,323			3,323
Total investments	138,153	3,323	10,338	665,157	816,971
Other assets:					
Short-term investments	95				95
Funds held in trust by others			15,751		15,751
Funds held by bond trustee	1,669				1,669
Interest rate swap		3,161			3,161
Total other assets	1,764	3,161	15,751		20,676
Total assets	\$ 139,917	\$ 6,484	\$ 26,089	\$ 665,157	\$ 837,647
Liabilities					
Interest rate swaps		\$ (10,955)			\$ (10,955)
Total liabilities		\$ (10,955)			\$ (10,955)

Short-term investments consist of non-endowment short-term stock and bond holdings and gifts and checks pending disposition.

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 sheet.

Funds held by bond trustee consist of payments for the Series 2008 and 2011B debt issues that are initially made to a Trustee under the terms of the bond agreements.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2019 and 2018

The College's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2018 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
Assets					
Investments:					
Fixed income	\$ 74,618				\$ 74,618
Equity securities	60,441			\$ 269,926	330,367
Hedge funds:					
Equity long/short				68,031	68,031
Other strategies				105,685	105,685
Private equity:					
Buyout				57,611	57,611
Real assets			\$ 13,311	43,576	56,887
Venture capital				56,839	56,839
Other strategies				21,873	21,873
Faculty mortgages		\$ 3,102			3,102
Total investments	135,059	3,102	13,311	623,541	775,013
Other assets:					
Short-term investments	146				146
Funds held in trust by others			16,548		16,548
Funds held by bond trustee	5,346				5,346
Interest rate swap		1,795			1,795
Total other assets	5,492	1,795	16,548		23,835
Total assets	\$ 140,551	\$ 4,897	\$ 29,859	\$ 623,541	\$ 798,848
Liabilities					
Interest rate swaps		\$ (8,864)			\$ (8,864)
Total liabilities		\$ (8,864)			\$ (8,864)

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2019 and 2018

The following tables present the College's activity for the fiscal years ended June 30, 2019, and June 30, 2018, for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Fair Value Beginning of Year	Acquisitions	Dispositions	Realized Losses	Unrealized Gains/ (Losses)	Fair Value End of Year
2019						
Real Asset						
Investments	\$ 13,311	\$ 16	\$ (962)	\$ (72)	\$ (1,955)	\$ 10,338
Funds held in trust by others	16,548		(879)		82	15,751
	<u>\$ 29,859</u>	<u>\$ 16</u>	<u>\$ (1,841)</u>	<u>\$ (72)</u>	<u>\$ (1,873)</u>	<u>\$ 26,089</u>
2018				Realized Gains	Unrealized Gains/ (Losses)	Fair Value End of Year
Real Asset						
Investments	\$ 13,943		\$ (1,171)	\$ 1,106	\$ (567)	\$ 13,311
Funds held in trust by others	16,206				342	16,548
	<u>\$ 30,149</u>	<u>\$</u>	<u>\$ (1,171)</u>	<u>\$ 1,106</u>	<u>\$ (225)</u>	<u>\$ 29,859</u>

There were no changes in methodologies used at June 30, 2019 and 2018 and there were no transfers among levels during the years ended June 30, 2019 and 2018.

Detailed liquidity of the College's investments as of June 30, 2019 is as follows (in thousands):

	Daily	Weekly	Monthly	Quarterly	Semi- Annual	Annual	Rolling Lockup	Illiquid	Total
Assets									
Investments:									
Fixed income	\$ 24,317	\$ 54,004							\$ 78,321
Equity securities	7,079	66,392	\$ 166,219	\$ 87,890			\$ 16,351		343,931
Hedge funds:									
Equity long/short					\$ 12,893	\$ 25,558	42,868		81,319
Other strategies			8,449	15,554		10,611	67,550		102,164
Private equity:									
Buyout								\$ 59,557	59,557
Real assets								54,268	54,268
Venture capital								71,553	71,553
Other strategies								22,535	22,535
Faculty mortgages								3,323	3,323
Total investments	<u>\$ 31,396</u>	<u>\$ 120,396</u>	<u>\$ 174,668</u>	<u>\$ 103,444</u>	<u>\$ 12,893</u>	<u>\$ 36,169</u>	<u>\$ 126,769</u>	<u>\$ 211,236</u>	<u>\$ 816,971</u>

At June 30, 2019, the College's remaining outstanding commitments to private equity partnerships totaled approximately \$149,941,000 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.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2019 and 2018

Detailed liquidity of the College's investments as of June 30, 2018 is as follows (in thousands):

	<u>Daily</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Semi-Annual</u>	<u>Annual</u>	<u>Rolling Lockup</u>	<u>Illiquid</u>	<u>Total</u>
Assets									
Investments:									
Fixed income	\$ 42,453	\$ 32,165							\$ 74,618
Equity securities	7,431	67,342	\$ 158,605	\$ 81,544			\$ 15,445		330,367
Hedge funds:									
Equity long/short					\$ 11,969	\$ 26,499	29,563		68,031
Other strategies			8,310	14,876		23,937	58,562		105,685
Private equity:									
Buyout								\$ 57,611	57,611
Real assets								56,887	56,887
Venture capital								56,839	56,839
Other strategies								21,873	21,873
Faculty mortgages								3,102	3,102
Total investments	<u>\$ 49,884</u>	<u>\$ 99,507</u>	<u>\$ 166,915</u>	<u>\$ 96,420</u>	<u>\$ 11,969</u>	<u>\$ 50,436</u>	<u>\$ 103,570</u>	<u>\$ 196,312</u>	<u>\$ 775,013</u>

The private equity partnerships have terms of four to fifteen years, with extensions of two-to-five years. As of June 30, 2019, the weighted average remaining life of the private equity partnerships is approximately three and a half years. In addition, \$115,584,283 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 1,770 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. 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 2019 and 2018, the College elected to distribute 5.33% and 5.32% of the average of the prior twelve-quarter end market value, as of December 31, 2017 and December 31, 2016, respectively.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2019 and 2018

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, 2019 and 2018 (in thousands):

	Without donor restriction	2019 With donor restriction		Total	Total funds
		Original gift	Accumulated gains (losses)		
Board designated endowment funds	\$ 114,945	\$ 10,704		\$ 10,704	\$ 125,649
Donor restricted:					
Underwater		21	\$ (3)	18	18
Other		302,969	365,568	668,537	668,537
	<u>\$ 114,945</u>	<u>\$ 313,694</u>	<u>\$ 365,565</u>	<u>\$ 679,259</u>	<u>\$ 794,204</u>

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2019 and 2018

		2018			
		Without donor restriction	With donor restriction		
			Original gift	Accumulated gains (losses)	Total
					Total funds
Board designated endowment funds	\$	105,965	\$ 10,637		\$ 10,637 \$ 116,602
Donor restricted:					
Underwater			616	\$ (4)	612 612
Other			300,201	360,324	660,525 660,525
	\$	<u>105,965</u>	\$ <u>311,454</u>	\$ <u>360,320</u>	\$ <u>671,774</u> \$ <u>777,739</u>

Changes in endowment funds for the fiscal years ended June 30, 2019 and 2018 were as follows (in thousands):

	Without donor restriction	With donor restriction	Total
June 30, 2018 balance	\$ 105,965	\$ 671,774	\$ 777,739
Contributions	3,430	5,077	8,507
Investment return, net	6,072	37,108	43,180
Distributions	(5,642)	(31,083)	(36,725)
Transfers	1,069	434	1,503
Other changes	4,051	(4,051)	
June 30, 2019 balance	\$ <u>114,945</u>	\$ <u>679,259</u>	\$ <u>794,204</u>

	Without donor restriction	With donor restriction	Total
June 30, 2017 balance	\$ 96,938	\$ 632,500	\$ 729,438
Contributions	1,779	18,918	20,697
Investment return, net	9,661	53,142	62,803
Distributions	(5,273)	(30,348)	(35,621)
Transfers	140	353	493
Other changes	2,720	(2,791)	(71)
June 30, 2018 balance	\$ <u>105,965</u>	\$ <u>671,774</u>	\$ <u>777,739</u>

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2019 and 2018

9. Net Assets

Net assets at June 30, 2019 are as follows (in thousands):

	Without donor Restrictions	With donor Restrictions	Total 2019
Endowment:			
Scholarship	\$ 15,400	\$ 247,502	\$ 262,902
Instruction	23,714	196,257	219,971
General operating	63,792	148,862	212,654
Program support	12,039	86,638	98,677
Total	114,945	679,259	794,204
Split interest agreements	2,017	22,558	24,575
Plant funds	53,397	463	53,860
Loan funds	5,367	2,239	7,606
Other	1,744	17,815	19,559
	<u>\$ 177,470</u>	<u>\$ 722,334</u>	<u>\$ 899,804</u>

Net assets at June 30, 2018 are as follows (in thousands):

	Without donor Restrictions	With donor Restrictions	Total 2018
Endowment:			
Scholarship	\$ 15,352	\$ 243,149	\$ 258,501
Instruction	21,261	196,583	217,844
General operating	58,619	147,102	205,721
Program support	10,733	84,940	95,673
Total	105,965	671,774	777,739
Split interest agreements	188	21,710	21,898
Plant funds	52,804	719	53,523
Loan funds	5,217	2,165	7,382
Other	1,225	20,144	21,369
	<u>\$ 165,399</u>	<u>\$ 716,512</u>	<u>\$ 881,911</u>

Net assets with donor restrictions released to net assets without donor restrictions during the years ended June 30, 2019 and 2018 were as follows (in thousands):

	2019	2018
Endowment distribution	\$ 29,746	\$ 29,806
Program services	7,359	6,395
Operating	<u>\$ 37,105</u>	<u>\$ 36,201</u>
Capital funds released	2,503	22,603
Program services	3,908	2,800
Non-Operating	<u>\$ 6,411</u>	<u>\$ 25,403</u>

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2019 and 2018

10. Expenses by Functional and Natural Classification

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, 2019 were as follows:

	<u>Instruction & Research</u>	<u>Academic Support & Libraries</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Fundraising</u>	<u>Other Auxiliary</u>	<u>Operations & Maintenance</u>	<u>Total</u>
Salaries & wages	\$ 30,925	\$ 7,907	\$ 8,327	\$ 6,653	\$ 3,174	\$ 7,837	\$ 6,965	\$ 71,788
Benefits	9,816	2,509	2,399	2,342	1,070	2,409	2,369	22,914
Supplies, materials & other	5,581	4,826	7,456	5,885	2,751	5,036	9,202	40,737
Allocations								
Depreciation & amortization	3,294	1,429	700	148	230	5,168		10,969
Interest	1,568	492	333	71	109	2,504		5,077
Operations & maintenance	<u>8,778</u>	<u>3,648</u>	<u>1,851</u>	<u>400</u>	<u>610</u>	<u>3,249</u>	<u>(18,536)</u>	
Total operating expense	59,962	20,811	21,066	15,499	7,944	26,203		151,485
Net periodic post-retirement benefit cost other than service cost	<u>143</u>	<u>37</u>	<u>34</u>	<u>31</u>	<u>14</u>	<u>36</u>		<u>295</u>
Total expense by function	<u>\$ 60,105</u>	<u>\$ 20,848</u>	<u>\$ 21,100</u>	<u>\$ 15,530</u>	<u>\$ 7,958</u>	<u>\$ 26,239</u>	<u>\$</u>	<u>\$ 151,780</u>

Expenses by functional and natural classification for the year ended June 30, 2018 were as follows:

	<u>Instruction & Research</u>	<u>Academic Support & Libraries</u>	<u>Student Services</u>	<u>Institutional Support</u>	<u>Fundraising</u>	<u>Other Auxiliary</u>	<u>Operations & Maintenance</u>	<u>Total</u>
Salaries & wages	\$ 30,376	\$ 7,790	\$ 8,115	\$ 5,811	\$ 2,895	\$ 7,423	\$ 6,982	\$ 69,392
Benefits	9,627	2,456	2,355	2,229	973	2,339	2,368	22,347
Supplies, materials & other	5,527	4,957	7,621	5,104	2,675	4,656	9,364	39,904
Allocations								
Depreciation & amortization	3,265	1,531	688	150	232	5,134		11,000
Interest	1,623	518	342	75	115	2,597		5,270
Operations & maintenance	<u>8,770</u>	<u>3,582</u>	<u>1,859</u>	<u>402</u>	<u>622</u>	<u>3,479</u>	<u>(18,714)</u>	
Total operating expense	59,188	20,834	20,980	13,771	7,512	25,628		147,913
Net periodic post-retirement benefit cost other than service cost	<u>226</u>	<u>58</u>	<u>55</u>	<u>51</u>	<u>23</u>	<u>55</u>		<u>468</u>
Total expense by function	<u>\$ 59,414</u>	<u>\$ 20,892</u>	<u>\$ 21,035</u>	<u>\$ 13,822</u>	<u>\$ 7,535</u>	<u>\$ 25,683</u>	<u>\$</u>	<u>\$ 148,381</u>

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2019 and 2018

11. Line of Credit

The College has an uncollateralized demand line of credit available through December 2019, 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, 2019 and 2018.

12. Bonds Payable

The College's bonds payable as of June 30, 2019 and 2018 are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates	2019	2018
Massachusetts Development Finance Authority (MDFA):				
2008	2019	5.0%		\$ 1,050
2011A	2020-2042	Variable	\$ 38,005	38,705
2011B	2020-2042	4.0%-5.0%	25,985	26,625
2016A	2020-2047	2.44%	26,000	26,000
2016B	2020-2047	2.87%	33,130	33,380
	Total		\$ 123,120	\$ 125,760
	Unamortized issuance costs		(822)	(862)
	Unamortized premium		486	507
			\$ 122,784	\$ 125,405

During the year ended June 30, 2017, the College issued \$33,755,000 of Massachusetts Development Finance Authority bonds, Series 2016B in order to refund \$30,925,000 of the Massachusetts Development Financing Authority Series 2008 bonds. The proceeds, net of issue costs, from this bond totaled \$33,528,662, all of which was irrevocably placed with a trustee to meet principal and interest payments on the refunded bonds until the bonds were called in July, 2018. The refunding meets the legal requirements for defeasance of the bond liability. Therefore, neither the escrow nor the refunded bonds are included in the balance sheet as of June 30, 2018.

Amounts paid to the Trustees but not yet paid to bondholders are included in funds held by bond trustee on the Balance Sheets. Unexpended borrowings from the Series 2016A Massachusetts Development Finance Authority issue are also included in this line item as of June 30, 2018.

On March 1, 2016, U.S. Bank National Association amended its agreement with the College dated June 9, 2011 to purchase the 2011A bonds. The amended agreement expires on March 24, 2022 (mandatory tender date) and may be extended at the option of U. S. Bank National Association and the College. Under terms of the purchase agreement, in the event the mandatory tender date is not extended, the College may request U. S. Bank National Association to agree to convert the amount of the Bonds outstanding into a term loan, for a term of 180 days beginning on the date immediately following the mandatory tender date. If the agreement is not extended by

MOUNT HOLYOKE COLLEGE

Notes to Financial Statements

June 30, 2019 and 2018

U. S. Bank National Association, the College has the ability to remarket the outstanding bond per the bond purchase agreement.

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

2020	\$	1,765
2021		1,900
2022		2,035
2023		2,180
2024		2,335
Thereafter		<u>112,905</u>
Principal maturities	\$	<u><u>123,120</u></u>

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 at 4.38%. The fair value of the swap agreement was a liability of approximately \$6,329,000 and \$5,429,000 at June 30, 2019 and 2018, respectively. This is included in other liabilities on the Balance Sheets.

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 \$4,626,000 and \$3,435,000 at June 30, 2019 and 2018, 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 \$3,161,000 and \$1,795,000 at June 30, 2019 and 2018, respectively. 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.

MOUNT HOLYOKE COLLEGE
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June 30, 2019 and 2018

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 \$6,182,000 in 2019 and \$5,856,000 in 2018 to the plan.

14. 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):

	<u>2019</u>	<u>2018</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 19,069	\$ 19,150
Service cost	523	541
Interest cost	697	675
Actuarial loss/(gain)	725	(728)
Benefits paid	(790)	(569)
Benefit obligation at end of year	<u>\$ 20,224</u>	<u>\$ 19,069</u>
Change in value of plan assets:		
Fair value of plan assets at beginning of year	\$ 15,362	\$ 14,557
Actual return on plan assets net of expenses	320	374
Benefits paid	(790)	(569)
Employer contribution	500	1,000
Fair value of plan assets at end of year	<u>\$ 15,392</u>	<u>\$ 15,362</u>
Funded status	<u>\$ (4,832)</u>	<u>\$ (3,707)</u>

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

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Notes to Financial Statements
June 30, 2019 and 2018

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

	<u>2019</u>	<u>2018</u>
Discount rate used to measure benefit obligation	3.15 %	4.00 %
Discount rate used to determine periodic pension cost	4.00	3.60
Expected long-term rate of return	6.50	6.50
Estimated rate of salary increase	3.00	3.00

Components of Net Periodic Benefit Costs

Net periodic pension costs for the years ended June 30, 2019 and 2018 includes the following components (in thousands):

	<u>2019</u>	<u>2018</u>
Service cost earned during the period	\$ 523	\$ 541
Interest cost on projected benefit obligation	697	675
Amortization of prior service cost	(36)	(3)
Amortization of net loss	588	736
Expected return on assets	(953)	(940)
Net periodic pension cost	<u>\$ 819</u>	<u>\$ 1,009</u>
Increase/(decrease) in liability included in change in net assets	<u>\$ 807</u>	<u>\$ (896)</u>

Plan Assets

The plan's asset allocations at June 30, 2019 and 2018 by asset category are as follows:

<u>Asset Category</u>	<u>Plan Assets at June 30</u>		<u>Target Investment %</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Equity securities	58.5%	57.4%	58%	58%
Debt securities	26.0	26.3	26	26
Cash	4.0	4.9	5	5
Other	11.5	11.4	11	11
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100%</u>	<u>100%</u>

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.

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Notes to Financial Statements
June 30, 2019 and 2018

Cash Flows

The College has an estimated minimum required contribution of \$1,268,000 to the defined benefit pension plan for the year ending June 30, 2020.

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

2020	\$ 1,035
2021	2,058
2022	835
2023	1,102
2024	1,860
2025-2029	5,784

MOUNT HOLYOKE COLLEGE

Members of the Board of Trustees and Officers of the College 2018-2019

Elizabeth Barbeau '85 (2022)
Harvard School of Public Health
Boston, Massachusetts

Barbara Baumann '77 (2019)
Cross Creek Energy Corporation
Denver, Colorado

Jennie Berkson '76 (2022)
Writer and Information Consultant
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Los Angeles, California

Elizabeth Cochary Gross '79 (2022)
Friedman School at Tufts University
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Erin Ennis '92 (2022)
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U.S. Food and Drug Administration
Silver Spring, Maryland

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Vice Chairman of sf.citi
San Francisco, California

Rhynette Northcross Hurd '71 (2021)
Cecile C. Humphreys School of Law
Memphis, Tennessee

David Mahoney P'18 (2021)
Private Equity Investor
San Francisco, California

Camille Malonzo '16 (2021)
Microsoft
Seattle, Washington

KC Maurer '84 (2023)
The Andy Warhol Foundation for the
Visual Arts, Inc.
New York, New York

Anne McKenny '79 (2023)
General Motors Corporation
Howell, Michigan

Natasha Mohanty '03 (2019)
FEM, Inc.
San Francisco, California

Maria Mossaides '73 (2023)
Commonwealth of Massachusetts
Worcester, Massachusetts

Ellen Hyde Pace '81 (2019)
Red Fuse Communications
New York, New York

Elizabeth A. Palmer '76 (2019)
Lindsell Train
Wellesley Hills, Massachusetts

Jennifer Rochlis '94 (2020)
FLIR Systems, Inc.
Houston, Texas

Gareth Ross (2022)
MassMutual
Springfield, Massachusetts

Raj Seshadri '87 (2022)
U.S. Issuers of MasterCard
Worldwide
New York, New York

Sonya Stephens
President
Mount Holyoke College
South Hadley, Massachusetts

Karena Strella '90 (2021)
Egon Zehnder International
San Francisco, California

Mona Sutphen '89 (2020)
Macro Advisory Partners
New York, New York

Michelle Toh '85 (2020)
self-employed
Stanley, Hong Kong

Louise Wasso '75 (2019)
Angelo, Gordon and Company
New York, New York

Elizabeth Weatherman '82 (2021)
Warburg Pincus
New York, New York

Sarah Wells '10 (2023)
WP Engine
Austin, Texas

Elizabeth Wharff '75 (2020)
Boston Children's Hospital
Boston, Massachusetts

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