MOUNT HOLYOKE

ANNUAL FINANCIAL REPORT
June 30, 2018 and 2017

Mount Holyoke College
South Hadley, Massachusetts

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

Independent Auditors' Report

The Board of Trustees
Mount Holyoke College:

We have audited the accompanying financial statements of Mount Holyoke College, which comprise the balance sheets as of June 30, 2018 and 2017, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Holyoke College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 25, 2018

MOUNT HOLYOKE COLLEGE
Balance Sheets
June 30, 2018 and 2017
(in thousands)

	2018	2017
Assets		
Cash and cash equivalents	$ 46,284	$ 57,673
Short-term investments	146	216
Accounts and notes receivable, net	2,351	2,626
Contributions receivable, net	19,333	20,981
Student loans, net	16,016	17,189
Funds held by bond trustee	5,346	17,946
Land, buildings, equipment and collections, net	198,006	180,300
Investments	775,013	725,070
Other assets	6,607	8,452
Total assets	$ 1,069,102	$ 1,030,453
Liabilities and net assets		
Accounts payable and accrued liabilities	10,440	14,104
Deposits and deferred revenue	1,891	2,097
Split-interest obligations	20,848	19,577
Bonds payable	125,405	127,248
Other liabilities	24,719	28,540
Refundable advances — government student loan funds	3,888	4,702
Total liabilities	187,191	196,268
Net assets		
Unrestricted	165,395	135,500
Temporarily restricted	397,995	392,787
Permanently restricted	318,521	305,898
Total net assets	881,911	834,185
Total liabilities and net assets	$ 1,069,102	$ 1,030,453

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)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:				
Revenues and other changes				
Tuition and fees	$ 103,665			$ 103,665
Residence and dining	28,291			28,291
Less student aid	(52,336)			(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	30,275	$ 73	35,621
Amounts transferred (to)/from endowment funds	(508)	458		(50)
Other auxiliary income	6,769			6,769
Net assets released from restrictions	36,201	(36,201)		
	142,497	15	73	142,585
Expenses				
Instruction and research	59,419			59,419
Academic support and libraries	20,892			20,892
Student services, residence halls and food service	38,865			38,865
Fund raising and alumnae relations	7,535			7,535
Institutional support	13,400			13,400
Other auxiliary expense	7,846			7,846
	147,957			147,957
	(5,460)	15	73	(5,372)
Nonoperating activity:				
Contributions for long-term investment	1,779	8,464	12,215	22,458
Total endowment investment return	9,661	53,142		62,803
Endowment return distributed for operations	(5,273)	(30,348)		(35,621)
Transfers from/(to) operations	508	(458)		50
Change in split interest obligations	(126)	(366)	496	4
Change in value of interest rate swaps	2,346			2,346
Change in pension benefit obligation other than net periodic cost	896			896
Other changes/transfers	161	162	(161)	162
Net assets released from restrictions	25,403	(25,403)		
	35,355	5,193	12,550	53,098
Total change in net assets	29,895	5,208	12,623	47,726
Net assets, beginning of year	135,500	392,787	305,898	834,185
Net assets, end of year	$ 165,395	$ 397,995	$ 318,521	$ 881,911

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2017
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:				
Revenues and other changes				
Tuition and fees	$ 100,264			$ 100,264
Residence and dining	27,270			27,270
Less student aid	(49,759)			(49,759)
	77,775			77,775
Contributions	9,896	$ 5,547		15,443
Grants and contracts	4,322	190		4,512
Other revenue	5,276	243		5,519
Endowment return distributed for operations	5,132	29,885	$ 73	35,090
Amounts transferred (to)/from endowment funds	(7,628)	1,105		(6,523)
Other auxiliary income	6,429			6,429
Net assets released from restrictions	38,287	(38,287)		
	139,489	(1,317)	73	138,245
Expenses				
Instruction and research	57,451			57,451
Academic support and libraries	20,302			20,302
Student services, residence halls and food service	37,795			37,795
Fund raising and alumnae relations	7,594			7,594
Institutional support	13,437			13,437
Other auxiliary expense	7,517			7,517
	144,096			144,096
	(4,607)	(1,317)	73	(5,851)
Nonoperating activity:				
Contributions for long-term investment		3,028	4,917	7,945
Total endowment investment return	12,946	71,984		84,930
Endowment return distributed for operations	(5,132)	(29,958)		(35,090)
Transfers from/(to) operations	7,628	(1,105)		6,523
Change in split interest obligations	575	700	670	1,945
Change in value of interest rate swaps	3,215			3,215
Change in pension benefit obligation other than net periodic cost	1,648			1,648
Loss on refinanced debt	(1,931)			(1,931)
Other changes/transfers	1,790	(3,666)	1,891	15
	20,739	40,983	7,478	69,200
Total change in net assets	16,132	39,666	7,551	63,349
Net assets, beginning of year	119,368	353,121	298,347	770,836
Net assets, end of year	$ 135,500	$ 392,787	$ 305,898	$ 834,185

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

MOUNT HOLYOKE COLLEGE
Statement of Cash Flows
June 30, 2018 and 2017
(in thousands)

	2018	2017
Cash flow from operating activities		
Change in net assets	$ 47,726	$ 63,349
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	10,978	10,379
Loss on bond payable defeasance	-	1,931
Change in value of interest rate swaps	(2,346)	(3,215)
Contributions restricted for long-term investment	(25,331)	(8,780)
Gifts in kind	(72)	(186)
Realized and unrealized loss (gain) on split-interest agreements	121	(1,527)
Realized and unrealized gain on investments	(58,705)	(78,193)
Gain on disposal of plant assets	(120)	(1)
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	275	(231)
Contributions receivable, net	1,648	4,897
Other assets and liabilities	370	(2,237)
Accounts payable and accrued liabilities	(452)	(1,314)
Deposits and deferred revenue	(206)	777
Net cash used in operating activities	(26,114)	(14,351)
Cash flow from investing activities		
Purchase of plant and equipment	(31,737)	(17,193)
Proceeds from sale of plant assets	120	1
Change in student loans, net	1,173	1,048
Change in split-interest obligations	1,271	(472)
Purchases of investments	(67,688)	(72,468)
Sales and maturities of investments	76,329	110,536
Net cash (used) provided by investing activities	(20,532)	21,452
Cash flow from financing activities		
Proceeds from contributions for:		
Investment in endowment	20,837	5,998
Investment in planned giving	1,218	257
Plant and equipment	3,276	2,525
Change in federal student loan funds	(814)	40
Change in funds deposited with trustee	12,600	10,876
Proceeds from bond issuance	-	33,755
Payments on bonds payable	(1,860)	(2,270)
Payments to trustee on bond payable defeasance	-	(32,864)
Bond issue costs incurred	-	97
Net cash provided by financing activities	35,257	18,414
Net change in cash and cash equivalents	(11,389)	25,515
Cash and cash equivalents, beginning of year	57,673	32,158
Cash and cash equivalents, end of year	$ 46,284	$ 57,673
Supplemental disclosure:		
Interest paid	$ 4,521	$ 5,798
Change in plant and equipment purchases included in accounts payable	(3,212)	4,652
Change in short-term investments for non-cash contributions	(70)	(315)

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

1. Accounting Policies

a. Description of Organization

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

b. Basis of Financial Presentation

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

c. Classification of 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:

Permanently Restricted	-	Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the College.
Temporarily Restricted	-	Net assets whose use by the College is subject to legal or donor-imposed stipulations that can be fulfilled by actions of the College or that expire by the passage of time.
Unrestricted	-	Net assets that are not subject to donor-imposed stipulations. Net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

d. Classification of Revenues, Expenses, Gains and Losses

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Unspent gains on donor-restricted endowments are included in temporarily restricted net assets until appropriated by the College's

Board of Trustees for spending. Expirations of temporary restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

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

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions received with donor-imposed restrictions are reported as permanently or temporarily restricted revenues depending upon the specific restriction. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at a risk-adjusted rate appropriate for the expected payment term. Amortization of the discount is recorded as contribution revenue in the appropriate net asset category. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant information.

e. Cash Equivalents

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

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 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 the June 30, 2018 and 2017, 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 gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets under the following guidelines: buildings (50 years), building improvements (20 years), land improvements and infrastructure (20 years), furniture, equipment and vehicles (5 years), and library 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.

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.

On December 22, 2017, the President signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law (Public Law No. 115-97) includes substantial changes to the taxation of individuals, businesses, multinational enterprises and others. In addition to many generally applicable provisions, the law contains several specific provisions that result in changes to the tax treatment of tax-exempt organizations and their donors. The College has reviewed these provisions and the potential impact and concluded the enactment of H.R.1 will not have a material effect on the operations of the College.

j. Subsequent Events

The College evaluated events subsequent to June 30, 2018 and through October 25, 2018 the date on which the financial statements were issued.

k. Reclassifications

Certain items in 2017 have been reclassified to conform to the current year presentation.

2. Accounts and Notes Receivable

Accounts receivable, including student accounts and notes receivable, are net of an allowance for doubtful accounts of $785,000 and $750,000 at June 30, 2018 and 2017, respectively.

3. Contributions Receivable

Contributions receivable at June 30, 2018 and 2017 are summarized as follows (in thousands):

Contributions to be collected:	2018	2017
Within one year	$ 2,532	$ 2,954
In one to five years	3,795	5,285
External trusts	16,548	16,207
	22,875	24,446
Less: discount to present value	(2,398)	(2,243)
	20,477	22,203
Less: allowance for uncollectible contributions	(1,144)	(1,222)
	$ 19,333	$ 20,981

Discount rates for contributions receivable range from 0.7% to 5.8%, depending upon the expected date of collection and the fiscal year in which the pledge was made.

4. Student Loans Receivable

Student loans are net of an allowance for doubtful accounts of $3,800,000 and $3,525,000 at June 30, 2018 and 2017, respectively.

5. Land, Buildings, Equipment and Collections

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

	2018	2017
Land and land improvements	$ 27,978	$ 27,609
Buildings	287,746	242,818
Vehicles, equipment and furnishings	76,061	73,861
Art and library collections	43,166	42,846
	434,951	387,134
Less accumulated depreciation	(238,742)	(228,380)
	196,209	158,754
Construction in progress	1,797	21,546
	$ 198,006	$ 180,300

The College capitalized approximately $290,000 and $40,000 of interest on various construction projects during the years ended June 30, 2018 and 2017, respectively.

Depreciation expense was $10,959,987 and $10,699,613 for the years ended June 30, 2018 and 2017, respectively.

Conditional asset retirement obligations of approximately $11,865,000 and $11,441,000 are included within other liabilities on the Balance Sheets for the years ended June 30, 2018 and 2017, respectively.

6. Investments and Fair Value

The College's investment objective is to invest its assets in a prudent manner in order to achieve a long-term rate-of-return sufficient to fund a portion of its spending and to increase investment value equal to or above inflation. The College uses a diversified investment approach incorporating multiple asset classes, strategies, and managers. The College's Board of Trustees' Investment Committee oversees the College's investments and authorizes major investment decisions.

In addition to equity and fixed income investments, the College may also hold shares or units in institutional funds and alternative investment funds involving hedged and private equity strategies.

Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments.

Private equity funds generally employ buyout, venture capital, and debt related strategies, often requiring the estimation of fair values by the fund managers in the absence of readily determinable market values.

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)

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. Amount is 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 as well as unexpended borrowings from the Series 2016A debt issue, each of which is held in a money market account.

The College's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2017 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	$ 67,067				$ 67,067
Equity securities	56,954			$ 248,773	305,727
Hedge funds:					
Equity long/short				64,501	64,501
Other strategies				111,701	111,701
Private equity:					
Buyout				49,373	49,373
Real assets			$ 13,943	44,146	58,089
Venture capital				45,443	45,443
Other strategies				20,196	20,196
Faculty mortgages		$ 2,973			2,973
Total investments	124,021	2,973	13,943	584,133	725,070
Other assets:					
Short-term investments	216				216
Funds held in trust by others			16,207		16,207
Funds held by bond trustee	17,946				17,946
Interest rate swap		2,840			2,840
Total other assets	18,162	2,840	16,207		37,209
Total assets	$ 142,183	$ 5,813	$ 30,150	$ 584,133	$ 762,279
Liabilities					
Interest rate swaps		$ (12,255)			$ (12,255)
Total liabilities		$ (12,255)			$ (12,255)

The following tables present the College's activity for the fiscal years ended June 30, 2018, and June 30, 2017, for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

2018	Fair Value Beginning of Year	Acquisitions	Dispositions	Realized Gains	Unrealized Losses	Fair Value End of Year
Real Asset Investments	$ 13,943	$ 0	$ (1,171)	$ 1,106	$ (567)	$ 13,311
	$ 13,943	$ 0	$ (1,171)	$ 1,106	$ (567)	$ 13,311

2017	Fair Value Beginning of Year	Acquisitions	Dispositions	Realized Gains	Unrealized Gains	Fair Value End of Year
Real Asset Investments	$ 13,755	$ 26	$ (1,484)	$ 252	$ 1,394	$ 13,943
	$ 13,755	$ 26	$ (1,484)	$ 252	$ 1,394	$ 13,943

There were no changes in methodologies used at June 30, 2018 and 2017 and there were no transfers among levels during the years ended June 30, 2018 and 2017.

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

	Daily	Weekly	Monthly	Quarterly	Semi-Annual	Annual	Rolling Lockup	Illiquid	Total
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	16,179	$ 13,384	68,031
Other strategies			8,310	14,876		23,937	22,563	35,999	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	$ 49,884	$ 99,507	$ 166,915	$ 96,420	$ 11,969	$ 50,436	$ 54,187	$ 245,695	$ 775,013

At June 30, 2018, the College's remaining outstanding commitments to private equity partnerships totaled approximately $134,019,000 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. There can be no assurance that the timing or amounts of the capital calls will materialize as expected. The projected capital call amounts for the next five fiscal years and thereafter are summarized in the following table (in thousands):

Fiscal Year	Capital Calls
2019	$ 36,372
2020	24,687
2021	20,659
2022	14,258
2023	13,303
Thereafter	24,740
Total	$ 134,019

The private equity partnerships have terms of four to fifteen years, with extensions of two to five years. As of June 30, 2018, the weighted average remaining life of the private equity partnerships is approximately three years. In addition, $122,514,010 of the College's other investment funds are subject to redemption lockup periods. The expirations of these lockup periods are between one and three years.

Net return on the College's investments are summarized in the table below (in thousands):

	2018	2017
Interest and dividends	$ 12,012	$ 14,076
Realized and unrealized gains	58,584	79,720
Fees	(5,609)	(6,160)
Total	$ 64,987	$ 87,636

7. Endowment Funds

The College's endowment consists of approximately 1,750 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 2018 and 2017, the College elected to distribute 5.3% and 5.2% of the average of the prior twelve quarter-end market value, as of December 31, 2016 and December 31, 2015, respectively.

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. As a result, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the

College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in determining appropriate spending levels from donor-restricted endowment funds:

a) Duration and preservation of the endowment fund
b) Purposes of the College and the endowed fund
c) General economic conditions
d) Possible effects of inflation or deflation
e) Expected total return from income and the appreciation of investments
f) Other resources of the College
g) Investment policy of the College

As a result of market declines, the fair value of certain donor-restricted endowments may fall below original contributed value. At June 30, 2018, this dollar amount was approximately $4,000 ($135,000 as of June 30, 2017). These unrealized losses have been recorded as reductions of unrestricted net assets. Future market gains will be used to restore this reduction in unrestricted net assets before any net appreciation above the historic cost of such funds increases temporarily restricted net assets.

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

Endowment funds consisted of the following at June 30, 2018 and 2017 (in thousands):

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (4)	$ 364,061	$ 297,080	$ 661,137
Board designated (quasi)	105,965	10,637		116,602
Total	$ 105,961	$ 374,698	$ 297,080	$ 777,739

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (135)	$ 337,801	$ 284,532	$ 622,198
Board designated (quasi)	96,938	10,302		107,240
Total	$ 96,803	$ 348,103	$ 284,532	$ 729,438

Changes in endowment funds for the fiscal years ended June 30, 2018 and 2017 were as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017 balance	$ 96,803	$ 348,103	$ 284,532	$ 729,438
Contributions	1,779	6,375	12,543	20,697
Investment return	9,661	53,142		62,803
Distributions	(5,273)	(30,424)	76	(35,621)
Transfers	140	353		493
Other changes	2,851	(2,851)	(71)	(71)
June 30, 2018 balance	$ 105,961	$ 374,698	$ 297,080	$ 777,739

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2016 balance	$ 80,608	$ 309,441	$ 275,903	$ 665,952
Contributions			5,999	5,999
Investment return	12,946	71,984		84,930
Distributions	(5,132)	(30,044)	86	(35,090)
Transfers	6,603	605	324	7,532
Other changes	1,778	(3,883)	2,220	115
June 30, 2017 balance	$ 96,803	$ 348,103	$ 284,532	$ 729,438

8. Net Assets

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	$ 105,961	$ 374,698	$ 297,080	$ 777,739
Split interest agreements	188	3,200	18,510	21,898
Plant Funds	52,804	719		53,523
Loan Funds	5,217		2,165	7,382
Other	1,225	19,378	766	21,369
	$ 165,395	$ 397,995	$ 318,521	$ 881,911

Net assets at June 30, 2017 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment	$ 96,803	$ 348,103	$ 284,532	$ 729,438
Split interest agreements	196	3,997	18,181	22,374
Plant Funds	35,899	19,943		55,842
Loan Funds	5,198		2,091	7,289
Other	(2,596)	20,744	1,094	19,242
	$ 135,500	$ 392,787	$ 305,898	$ 834,185

Temporarily restricted net assets released to unrestricted net assets during the years ended June 30, 2018 and 2017 were as follows (in thousands):

		2018		2017
Endowment distribution	$	29,806	$	28,307
Program services		6,395		9,980
Operating	$	36,201	$	38,287
Capital funds released		22,603		
Program services		2,800		
Non-Operating	$	25,403		

9. Line of Credit

The College has an uncollateralized demand line of credit available through December 2018, 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, 2018 and 2017.

10. Bonds Payable

The College's bonds payable as of June 30, 2018 and 2017 are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates		2018		2017
Massachusetts Development Finance Authority (MDFA):						
2008	2019-2019	4.75%-5.0%	$	1,050	$	2,050
2011A	2019-2042	Variable		38,705		38,705
2011B	2019-2042	4.0%-5.0%		26,625		27,235
2016A	2019-2047	2.44%		26,000		26,000
2016B	2019-2047	2.87%		33,380		33,630
		Total	$	125,760	$	127,620
		Unamortized issuance costs		(862)		(902)
		Unamortized premium		507		530
			$	125,405	$	127,248

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 such time when the bonds may be called. 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 and 2017.

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 and 2017.

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 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):

2019	$ 2,640
2020	1,765
2021	1,900
2022	2,035
2023	2,180
Thereafter	115,240
Principal maturities	$ 125,760

In 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 $5,429,000 and $7,451,000 at June 30, 2018 and 2017, 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 $3,435,000 and $4,804,000 at June 30, 2018 and 2017, 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

$1,795,000 and $2,840,000 at June 30, 2018 and 2017, 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.

To date, the College has not been required to post collateral with respect to these swap agreements.

11. Defined Contribution Retirement Plan

The College sponsors a defined contribution retirement plan covering all faculty and administrative employees. The College contributed approximately $5,856,000 in 2018 and $5,635,000 in 2017 to the plan.

12. 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):

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 19,150	$ 19,880
Service cost	541	544
Interest cost	675	623
Actuarial gain	(728)	(933)
Benefits paid	(569)	(964)
Benefit obligation at end of year	$ 19,069	$ 19,150
Change in value of plan assets:		
Fair value of plan assets at beginning of year	$ 14,557	$ 12,193
Actual return on plan assets net of expenses	374	848
Benefits paid	(569)	(964)
Employer contribution	1,000	2,480
Fair value of plan assets at end of year	$ 15,362	$ 14,557
Funded status	$ (3,707)	$ (4,593)

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:

	2018	2017
Discount rate used to measure benefit obligation	4.00 %	3.60 %
Discount rate used to determine periodic pension cost	3.60	3.25
Expected long-term rate of return	6.50	7.50
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, 2018 and 2017 includes the following components (in thousands):

	2017	2016
Service cost earned during the period	$ 541	$ 544
Interest cost on projected benefit obligation	675	623
Amortization of prior service cost	(3)	(1)
Amortization of net loss	736	818
Expected return on assets	(940)	(950)
Net periodic pension cost	$ 1,009	$ 1,034
Decrease in liability included in change in net assets	$ (896)	$ (1,648)

Plan Assets

The plan's asset allocations at June 30, 2018 and 2017 by asset category are as follows:

	Plan Assets at June 30		Target Investment %	
Asset Category	2018	2017	2018	2017
Equity securities	57.4%	59.5%	58%	58%
Debt securities	26.3	18.5	26	19
Cash	4.9	10.3	5	12
Other	11.4	11.7	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.

Cash Flows

The College has an estimated minimum required contribution of $1,036,000 to the defined benefit pension plan for the year ending June 30, 2019.

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

2019	$ 762
2020	1,033
2021	1,882
2022	854
2023	988
2024-2028	5,998

Mount Holyoke College

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