MOUNT HOLYOKE[SM]

FINANCIAL REPORT

2001 - 2002

MOUNT HOLYOKE COLLEGE
South Hadley, Massachusetts

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MOUNT HOLYOKE COLLEGE
Financial Report
2001-2002

Narrative

The year ending June 30, 2002, was a more challenging one for Mount Holyoke College than recent prior years. The continuing declines in the financial markets and the economy in general resulted in a modest decline in total assets, the first in a number of years. Although affected by the same negative economic trends, operating performance remained strong, ending the year with an operating surplus of $722,000.

Gift and grant activity proceeded at a slower pace, but momentum continued. As of June 30, 2002, the College has raised $211.6 million in its fundraising campaign, exceeding the goal of $200 million. The campaign goal was increased to $250 million, to be raised by December 31, 2003.

Facilities planning and renewal activity continued to be an area of considerable focus for the College. The campus master plan was completed and work proceeded on studies of parking and circulation and utilities planning. In parallel with these planning efforts, several significant facilities projects are being undertaken:

- An addition to the College's art museum and a partial renovation of the museum and art department facilities was completed, providing expanded gallery space and improved storage, teaching and office space.

- The first phase of the work on the science center is largely complete with the addition of the new Kendade Hall, open for fall semester 2002. Still in process are renovations to Carr Laboratory, due to reopen in January 2003, and Shattuck Hall, to be completed for fall semester 2003. Cleveland Hall, which connects the three buildings, will also receive substantial renovation during the summer of 2003. The projects will expand the space available to the sciences, support the greater interconnectedness of the various scientific disciplines and improve teaching, research and office spaces. The project will be built with a focus on environmental stewardship and will be certified by the U.S. Green Building Council.

- The renovation and expansion of the Blanchard Campus Center began in June 2002. Within the building, the project will double the size of the dining space, concentrate the retail and social space on the main floor, expand the space available for student activities and separate the dining and performance spaces. Outside, the tennis courts between Pratt Hall and Blanchard Campus Center have been removed and Lower Lake Road has been moved. The area between Blanchard and Lower Lake will be re-contoured and landscaped. Like the science complex, the Blanchard addition/renovation will be a "green" project, certified by the U.S. Green Building Council. The project will be completed by September 2003.

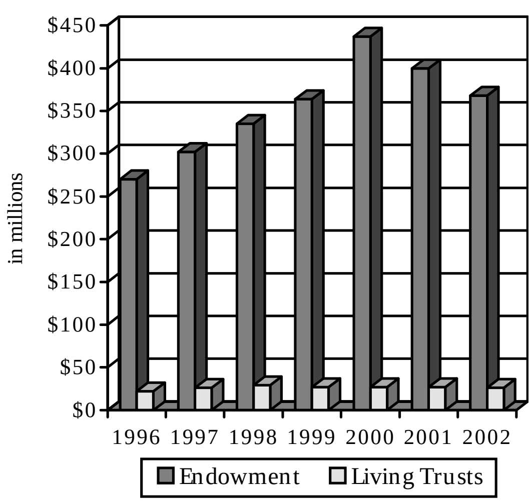
These and a number of smaller facilities projects resulted in an increase of $25.6 million in Land, Buildings and Equipment. All of these efforts represent a focused, long-term effort to reinvest in the College's physical assets and to enhance a campus of extraordinary beauty.

Statement of Financial Position

The Statement of Financial Position reports the College's assets, liabilities and net assets for the year. Total assets diminished modestly, by about 3.0 percent, from $604.8 million in 2000-

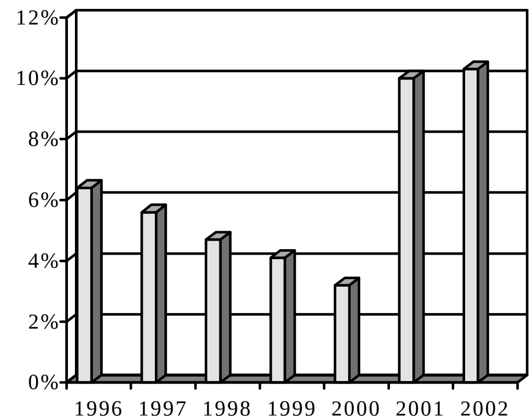
01 to $586.2 million in 2001-02. The primary areas of decline were Cash and Cash Equivalents and Investments, both resulting from the downturn in the financial markets. Partially offsetting this decline were increases in Land, Buildings and Equipment and Short-term Investments.

Market Value of Investments



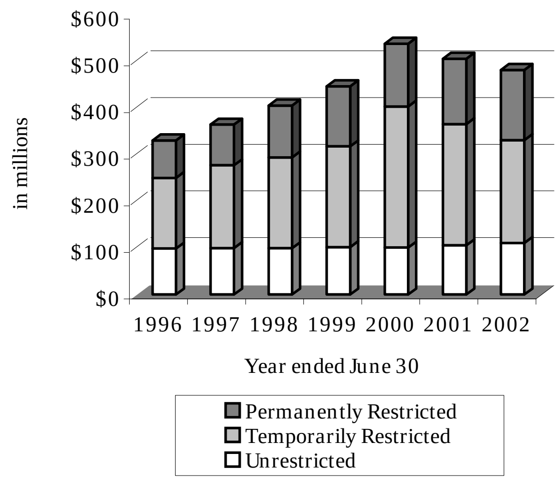
Total liabilities increased by $5.4 million as a result of increased accounts payable caused by the higher level of construction activity on campus. The primary source of liability is bonds payable. This increase coupled with the reduction in total assets has lowered the ratio of assets to liabilities from 6.1/1 in 2000-01 to 5.6/1 in 2001-02. The ratio of debt as a percentage of total assets increased slightly, from 10.0 percent in 2000-01 to 10.3 percent in 2001-02, as a result of the decline in total assets.

Debt to Assets



As a result, Mount Holyoke's net assets decreased by $24.1 million, to $481.6 million as of June 30, 2002.

Net Assets

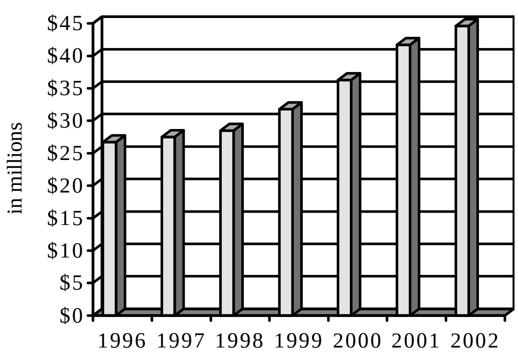


Unrestricted net assets, which provide the institution with the maximum flexibility, increased slightly this past year, equaling $110.7 million at June 30, 2002, and represented 23.0 percent of total net assets. Temporarily restricted net assets, a category which includes spendable invested funds whose restricted purposes have not yet been met and undistributed gains from endowment, represented 45.8 percent of total net assets and ended the year at $220.7 million, down $39.0 million from the June 30, 2001, level. Permanently restricted net assets, representing the original principal value of true endowment funds, were 31.2 percent of total net assets and ended the year at $150.2 million, up $10.1 million from the prior year.

Statement of Activities

The Statement of Activities presents the College's revenues and expenses for 2001-02 and reports the changes in net assets during the year. Operating revenues increased by $7.4 million as a result of increases in net student charges and in distributions from endowment. The increase in distributions from endowment represents the netting of a lower spending rate, increased average market value and additional debt service. Net student charges revenue increased by $2.0 million, up 4.7 percent. The cost of financial aid declined slightly to $22.2 million.

Net Student Charges



Expenses were up 8.6 percent during 2001-02, reflecting the College's stronger financial position and thus the ability to increase its investment in the education of its students. The pattern of expenditures continues to shift toward the College's core priorities - - - instruction, academic support, libraries and student services---reducing the percentage of costs devoted to institutional overhead. The cost of physical facilities, including utilities, maintenance, depreciation and interest on facilities debt, was allocated to each functional area based on square footage occupied.

Mount Holyoke has chosen to separate the activities affecting the endowment from the rest of the College's activities and to report them in a second section of the Statement of Activities. This makes it possible to see both the College's operating activities and investment activities each year. The endowment section of the Statement of Activities displays the total investment return for the year and identifies amounts distributed for operating purposes, which also appear in the operating section of the schedule. Reflecting the decline in endowment market value, total net assets decreased by $24.1 million in 2001-02.

Statement of Cash Flows

The Statement of Cash Flows provides information on the sources and uses of cash during the year. Mount Holyoke uses the indirect method of presenting the cash flow statement to make the financial statements more comparable to those of other colleges and universities.

Operating activities used $10.3 million in 2001-02, up from $0.3 million from 2000-01. Cash flow from investing activities represented a net use of $15.5 million, up $4.2 million from the previous year, due to increased investment in plant and equipment. Cash from financing activities showed a $15.0 million net addition to cash.

Overall, cash and cash equivalents at the end of 2001-02 were $24.9 million, compared with $35.6 million at June 30, 2001.

MOUNT HOLYOKE COLLEGE
Statement of Financial Position
June 30, 2002 and 2001 (in thousands)

	2002	2001
Assets		
Cash and cash equivalents	$ 24,935	$ 35,640
Short-term investments	6,095	591
Accounts receivable, net	2,439	2,182
Contributions receivable, net	33,436	31,537
Inventory	669	687
Prepaid expenses	3,640	3,501
Notes receivable, net	233	182
Student loans, net	12,987	11,583
Deferred charges	757	561
Funds held by trustee under bond indenture	28,457	31,790
Land, buildings, equipment and collections, net	103,445	77,799
Investments	367,352	407,218
Other assets	1,720	1,481
Total assets	$ 586,165	$ 604,752
Liabilities and net assets		
Accounts payable	9,067	3,400
Accrued liabilities	4,563	2,623
Deferred revenue	2,073	1,809
Deposits	313	291
Split-interest obligations	22,652	25,216
Bonds payable	60,376	60,393
Other liabilities	1,250	1,200
Refundable advances — government student loan funds	4,265	4,155
Total liabilities	104,559	99,087
Net assets		
Unrestricted	110,718	105,798
Temporarily restricted	220,660	259,696
Permanently restricted	150,228	140,171
Total net assets	481,606	505,665
Total liabilities and net assets	$ 586,165	$ 604,752

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2002
With comparative totals for 2001 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2002 Total	2001 Total
Revenues					
Student tuition, room, board and other fees	$ 66,844			$ 66,844	$ 65,000
Less student aid	(22,207)			(22,207)	(22,345)
	44,637			44,637	42,655
Contributions	7,436	$ 8,108	$ 781	16,325	18,138
Grants and contracts	245	3,004		3,249	3,344
Other revenue	1,292	220	51	1,563	1,772
Change in value of split-interest agreements		(668)	(115)	(783)	(917)
Use of endowment	8,768	16,256		25,024	18,152
Net assets released from program restrictions	34,552	(34,552)			
Other changes		238		238	(266)
	96,930	(7,394)	717	90,253	82,878
Expenses					
Instruction and research	34,302			34,302	31,863
Academic support and libraries	9,831			9,831	9,837
Student services, residence halls and food service	26,776			26,776	21,968
Fund raising and alumnae relations	5,362			5,362	5,138
Institutional support	5,854			5,854	4,502
Other deductions	1,399			1,399	3,584
	83,524			83,524	76,892
	13,406	(7,394)	717	6,729	5,986
Endowment and similar net assets					
Contributions		9	6,824	6,833	7,052
Total investment return	(1,342)	(14,330)	(32)	(15,704)	(31,339)
Endowment utilized for operations	(8,768)	(16,256)		(25,024)	(18,152)
Other changes	1,624	(1,065)	2,548	3,107	4,710
	(8,486)	(31,642)	9,340	(30,788)	(37,729)
Total change in net assets before extraordinary item	4,920	(39,036)	10,057	(24,059)	(31,743)
Extraordinary loss on debt refinancing					(757)
Total change in net assets	4,920	(39,036)	10,057	(24,059)	(32,500)
Net assets, beginning of year	105,798	259,696	140,171	505,665	538,165
Net assets, end of year	$ 110,718	$ 220,660	$ 150,228	$ 481,606	$ 505,665

MOUNT HOLYOKE COLLEGE
Statement of Cash Flows
For the years ended June 30, 2002 and 2001 (in thousands)

	2002	2001
Cash flow from operating activities		
Decrease in net assets	$ (24,059)	$ (32,500)
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation and amortization	7,191	6,702
Contributions restricted for investments	(11,595)	(17,126)
Gifts in kind	(22)	(340)
Change in value of split interest obligations	21	(593)
Realized and unrealized losses on investments	25,310	39,887
Gain on disposal of plant assets	(70)	(383)
Extraordinary loss	0	757
Changes in operating assets and liabilities		
Short term investments	(5,504)	30
Accounts receivable	(257)	(888)
Contributions receivable	(1,899)	2,818
Inventory and prepaid expenses	(121)	(149)
Deferred charges	(296)	(551)
Other assets and liabilities	(189)	0
Accounts payable and accrued liabilities	3,507	(135)
Deferred revenue and deposits	286	1,105
Change in split interest obligations	(2,564)	1,036
Net cash used in operating activities	(10,261)	(330)
Cash flow from investing activities		
Purchase of plant and equipment	(28,654)	(19,316)
Proceeds from sale of plant assets	92	725
Net change in loans and notes receivable	(1,455)	(932)
Purchases of investments	(255,269)	(312,055)
Proceeds from sales and maturities of investments	269,825	320,273
Net cash used in investing activities	(15,461)	(11,305)
Cash flow from financing activities		
Proceeds from contributions for		
Investment in endowment	6,824	6,837
Investment in planned giving	1,227	3,345
Plant and equipment	3,544	6,944
Student loans	0	1
Change in value of split interest obligations	(21)	593
Increase in federal student loan funds	110	134
Bonds, retirements and new issues	0	43566
Payments on bonds payable and line of credit	0	(2245)
Change in funds held by trustee under bond indenture	3333	(31790)
Net cash provided by financing activities	15017	27385
Net change in cash and cash equivalents	(10705)	15750
Cash and cash equivalents, beginning of year	35,640	19,890
Cash and cash equivalents, end of year	$ 24,935	$ 35,640
Supplemental disclosure		
Interest paid	$ 1,661	$ 1,553
Fixed asset purchases included in accounts payable	5,742	1,642

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. The College qualifies as a tax-exempt not-for-profit organization under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made.

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 accounting principles generally accepted in the United States of America 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 or expenses during the reporting period. Actual results could differ from those estimates.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not present the College's complete prior year financial condition and results, and accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2001, from which the summarized information was derived.

c. Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined as follows:

Permanently Restricted — Net assets subject to donor-imposed stipulations that they be maintained permanently by the College.

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

Following is a reconciliation (in thousands) between institutional equity by fund as of June 30, 2002 and June 30, 2001 and the College's net asset balances in the accompanying statement of financial position.

Institutional Equity	Fund Balances	**Net Assets** Liability	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
June 30, 2002					
Current unrestricted	$ 2,635		$ 2,635		
Current restricted	13,693			$ 13,693	
Permanent/term endowment	288,852			163,135	$ 125,717
Quasi-endowment	69,128	$ 2,065	44,711	22,352	
Living trust funds	36,447	22,652	2,846	6,861	4,088
Unexpended plant					
Unrestricted	2,541		2,541		
Restricted	554			554	
Investment in Plant	55,181		55,181		
Student Loan Funds	8,120	4,265	2,804		1,051
	$ 477,151	28,982	110,718	206,595	130,856
Contributions receivable				11,608	19,372
Grants receivable				2,457	
		$ 28,982	$ 110,718	$ 220,660	$ 150,228

Institutional Equity	Fund Balances	**Net Assets** Liability	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
June 30, 2001					
Current unrestricted	$ 6,014		$ 6,014		
Current restricted	12,118			$ 12,118	
Permanent/term endowment	309,292			192,998	$ 116,294
Quasi-endowment	79,180	$ 1,200	53,861	24,119	
Living trust funds	38,924	25,216	2,182	7,396	4,130
Unexpended plant					
Unrestricted	2,191		2,191		
Restricted	10,277			10,277	
Investment in Plant	39,002		39,002		
Student Loan Funds	7,703	4,155	2,548		999
	$ 504,701	30,571	105,798	246,908	121,423
Contributions receivable				11,224	18,748
Grants receivable				1,565	
		$ 30,571	$ 105,798	$ 259,696	$ 140,171

Accumulated net realized and unrealized gains of endowment and similar funds included in temporarily restricted net assets were approximately $175,615,000 and $206,483,000 as of June 30, 2002 and 2001, respectively.

d. Classification of Revenues, Expenses, Gains and Losses

Revenues from sources other than contributions are reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. 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 revenues and expenses on the statement of activities include activities that relate to ongoing operations of the College, as well as the accrual of promises to give made by donors during the reporting period. Endowment and similar net assets include cash and securities received that have been designated by donors or the trustees for investment to provide future revenue to the College for its programs and activities.

Contributions, including unconditional promises to give and grant awards, 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 rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. 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.

Expenses listed in the statement of activities represent the following functional classifications (in thousands):

	2002	2001
Educational program services	$ 70,909	$ 63,668
Administrative and general	11,216	9,640
Other	1,399	3,584
	$ 83,524	$ 76,892

e. Investments

Investments are stated at fair value. Publicly traded securities are valued at closing sale prices, or in the absence of a recorded sale, at closing bid prices. The College's investments at June 30, 2002 include amounts due from brokers of approximately $803,000 and amounts due to brokers of approximately $706,000.

Direct investments in real estate are valued on the basis of periodic independent appraisals. Private equities and certain other non-marketable securities held through limited partnerships are valued using current estimates of fair value obtained from the general partner or external investment manager for the respective funds. For the years ended June 30, 2002 and 2001, approximately 32% and 36%, respectively, of the College's endowment assets were held in the form of investments stated at estimated fair value.

Short-term investments are stated at cost which approximates fair value.

Securities received as gifts are recorded at fair value on the date of the gift.

f. Endowment Return Spending Policy

Endowment and annuity 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.

Investment return is distributed for operations on a unit share basis. The College has an endowment total return spending policy limiting the annual distribution of return within a range of 4% to 6% of a three-year average market value. For fiscal years 2002 and 2001, the College elected to distribute 5.2% and 5.4% of the average of the prior three calendar year-end market values, respectively, less outstanding debt.

The total investment return earned on the endowment and annuity investment pool for the year ended June 30, 2002 consisted of $4,356,000 of investment income with $20,119,000 of net market value depreciation resulting in a total return of ($15,763,000).

g. Land, Buildings, Equipment and Collections

The College has a policy of capitalizing land, buildings, improvements, equipment and library acquisitions at cost. Donations of capital assets are recorded at the fair value at the date of gift. No value has been assigned to art collections acquired prior to July 1, 1989.

h. Fair Value of Financial Instruments

Fair value approximates carrying value for cash and cash equivalents, notes, loans and accounts receivable.

The fair value of bonds payable is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements.

i. Statement of Cash Flows

For the purpose of the statement of cash flows, the College considers cash and cash equivalents to be cash in banks and money market funds generally due within three months.

2. Accounts Receivable

Accounts receivable, including student accounts, are net of an allowance for doubtful accounts of $375,000 and $400,000 at June 30, 2002 and 2001, respectively.

3. Contributions Receivable

Contributions receivable, as of June 30, 2002 and 2001, are summarized as follows (in thousands):

Contributions to be collected:	2002	2001
Within one year	$ 14,162	$ 3,832
In one to five years	12,804	22,981
After five years	21,653	20,641
	48,619	47,454
Less: allowance for uncollectible contributions	(1,610)	(1,570)
Less: discount to present value	(13,573)	(14,347)
	$ 33,436	$ 31,537

4. Notes and Loans Receivable

Notes receivable are net of an allowance for doubtful accounts of $3,000 and $270,000 for the years ended June 30, 2002 and 2001, respectively.

Student loans are net of an allowance for doubtful accounts of $2,125,000 for the years ended June 30, 2002 and 2001.

5. Land, Buildings, Equipment and Collections

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

	2002	2001
Land and land improvements	$ 7,448	$ 6,163
Buildings	96,667	87,114
Real estate held for temporary investment	3	349
Vehicles, equipment and furnishings	43,457	40,747
Art and library collections	19,583	18,192
	167,158	152,565
Less accumulated depreciation	(91,662)	(84,621)
	75,496	67,944
Construction in progress	27,949	9,855
	$ 103,445	$ 77,799

The College capitalized approximately $339,000 and $157,000 of interest on various construction projects during the years ended June 30, 2002 and 2001, respectively.

Depreciation expense for the College for the year ended June 30, 2002 was $7,108,000.

6. Investments

Endowment and similar funds at June 30, 2002 and 2001 are invested as follows (in thousands):

June 30, 2002

	General Endowment and Annuity Pool	Unpooled Endowment Funds	Mead Life Income Pool	Woolley Life Income Pool	Unitrusts and Similar Funds	Total Fair Value	Percent
Investments							
Fixed income securities	$ 67,124		$ 5,202	$ 9,296	$ 2,985	$ 84,607	21.5%
Domestic equities	98,327		2,167		5,040	105,534	26.8%
International equities	47,860					47,860	12.1%
Absolute return	56,158					56,158	14.2%
Private equities	19,347					19,347	4.9%
Venture capital	13,193					13,193	3.3%
Distressed securities	17,001					17,001	4.3%
Real estate	18,379					18,379	4.7%
Other	4,706	$ 567				5,273	1.3%
	342,095	567	7,369	9,296	8,025	367,352	93.1%
Cash and cash equivalents	25,762	425	304	324	261	27,076	6.9%
	$ 367,857	$ 992	$ 7,673	$ 9,620	$ 8,286	$ 394,428	100.0%
Pooled investment statistics							
Units (in thousands)	93,257		2,284	7,855			
Market value per unit	$3.945		$3.360	$1.225			
Income per unit	$0.043		$0.178	$0.081			
Total return	(4.15%)		1.29%	9.75%			

June 30, 2001

	General Endowment and Annuity Pool	Unpooled Endowment Funds	Mead Life Income Pool	Woolley Life Income Pool	Unitrusts and Similar Funds	Total Fair Value	Percent
Investments							
Fixed income securities	$ 72,338		$ 5,080	$ 9,039	$ 3,292	$ 89,749	21.0%
Domestic equities	107,077		2,166		6,188	115,431	27.0%
International equities	41,397					41,397	9.7%
Absolute return	76,594					76,594	17.9%
Private equities	23,325					23,325	5.5%
Venture capital	22,965					22,965	5.4%
Distressed securities	15,254					15,254	3.6%
Real estate	18,014				11	18,025	4.2%
Other	3,881	$ 597				4,478	1.0%
	380,845	597	7,246	9,039	9,491	407,218	95.3%
Cash and cash equivalents	18,859	50	374	627	267	20,177	4.7%
	$ 399,704	$ 647	$ 7,620	$ 9,666	$ 9,758	$ 427,395	100.0%
Pooled investment statistics							
Units (in thousands)	92,230		2,182	8,124			
Market value per unit	$4.334		$3.493	$1.190			
Income per unit	$0.080		$0.171	$0.072			
Total return	(7.42%)		8.66%	9.08%			

Under the terms of certain limited partnership agreements for private equity, venture capital, distressed security and real estate investments, the College has commitments to remit additional funding of approximately $49.4 million as of June 30, 2002. These commitments are scheduled to be funded over a number of years. Included in the College's investments are 100% ownership interests in Center Redevelopment Corporation (CRC) and Center Business Corporation (CBC). In fiscal year 2001 the College reduced its note receivable investment in CRC by an amount of $1,570,000. This note receivable was included as part of the College’s endowment fund.

The College's investment portfolio utilizes derivative financial instruments to manage currency exchange risks arising from investments in nonderivative foreign assets in proportion to the assets at risk. Such instruments consist of forward exchange contracts entered into as part of the investments of the endowment funds of the College. Unrealized gains and losses at June 30, 2002 are not significant and are included on a net basis in the statement of financial position.

Additionally, the College has investments in certain limited partnerships and other investment funds which participate directly, or have the option to participate, in derivative financial instruments. These partnerships represent approximately 17% of the College's total long-term investments for endowment and similar funds. Derivatives held by the limited partnerships in which the College invests pose no off-balance sheet risk to the College due to the limited liability structure of the investments.

In connection with the Massachusetts Development Finance Authority bonds, the College entered into an interest rate swaption agreement that would effectively change the interest rate exposure on a portion of this debt from a fixed rate to a variable rate if the swaption is exercised by the buyer during a one-week period in February, 2005. The notational amount of the swaption is $30,000,000 and the termination date follows a maturity schedule ending on July 1, 2031. On June 30, 2002, the swaption’s fair value (a liability of approximately $1,710,000) has been recorded in the College’s statement of financial position.

7. Promissory Notes

The College has an uncollateralized demand line of credit available through February 21, 2003, at an interest rate equal to LIBOR plus 150 basis points, or the prime rate less 75 basis points, in the amount of $5,000,000 at June 30, 2002, and 2001. No amounts were outstanding at either year-end.

8. Bonds Payable

The College's bonds payable as of June 30, 2002 and 2001, are summarized as follows:

Series	Year of Maturity	Interest Rates	2002	2001
Massachusetts Development Finance Authority:				
2001	2003-2032	4.00% - 5.50%	$ 59,890,000	$ 59,890,000
Unamortized premium			486,485	503,260
			$ 60,376,485	$ 60,393,260

During the year ended June 30, 2001, the College issued the Massachusetts Development Finance Authority bonds. The proceeds were used to refund bonds outstanding as of June 30, 2000, as well as provide funding for various construction projects. The outstanding principal of the defeased Series 1992A and Series 1996 bonds as of June 30, 2002 and 2001 are not reflected in the College's financial statements and are summarized as follows:

Series	2002	2001
Series 1992A		$ 9,340,000
Series 1996	$ 5,780,000	$ 7,050,000

The refunding of the bonds outstanding as of June 30, 2000 resulted in an extraordinary loss of $757,000 for the year ended June 30, 2001 (see Note 12).

The fair value of the bonds payable at June 30, 2002 approximates $59,080,000.

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

2003	$ 1,890,000
2004	1,965,000
2005	2,060,000
2006	2,165,000
2007	2,265,000
Thereafter	49,545,000
	$ 59,890,000

9. Defined Contribution Pension Plan

The College sponsors a defined contribution pension plan covering all faculty and administrative employees. The College contributed approximately $3,488,000 in 2002 and $3,007,000 in 2001 to the plan.

10. Defined Benefit Pension Plan

The College maintains a defined benefit pension plan for bargaining unit employees. As of July 1, 1998, the plan was noncontributory.

In accounting for net pension income, the College has used a discount rate, which is the estimated rate at which the obligation for pension benefits could effectively be settled, of 7.25% for the year ended June 30, 2002 and 7.5% for the year ended June 30, 2001; a salary projection rate, which is the estimated rate at which salaries will increase, of 4.5% for the years ended June 30, 2002 and 2001; and an expected long-term rate of return on plan assets, which is the estimated rate of earnings generated on the assets of the plan, of 10% for the years ended June 30, 2002 and 2001.

The following table sets forth the plan's funded status and amounts recognized in the College's statement of financial position as of June 30, 2002 and 2001 (in thousands):

	2002	**2001**
Plan assets at fair market value	$ 7,526	$ 8,995
Projected benefit obligation including Vested benefits of $5,829,000 ($5,382,000 in 2001) and Accumulated benefits of $5,900,0000 ($5,432,000 in 2001)	6,022	5,700
Plan assets in excess of projected benefit obligation	1,504	3,295
Unrecognized prior service cost	169	193
Unrecognized net loss (gain)	1,416	(558)
Prepaid pension cost	$ 3,089	$ 2,930

Pension income for the years ended June 30, 2002 and 2001 includes the following components:

	2002	**2001**
Service cost earned during the period	$ 296	$ 293
Interest cost on projected benefit obligation	405	384
Net amortization	24	(117)
Expected return on assets	(884)	(1,056)
Net pension income	($ 159)	($ 496)

The College's investments in the plan are held in a group annuity contract account through which the funds are invested in a regular investment account and a pooled separate investment account.

The following table sets forth the plan's change in benefit obligation and plan assets for the years ended June 30, 2002 and 2001 (in thousands):

	Pension Benefits	
	2002	**2001**
Change in benefit obligation		
Benefit obligation at beginning of year	$ 5,700	$ 5,242
Service cost	296	293
Interest cost	405	384
Actuarial gain	28	134
Benefits paid	(407)	(353)
Benefit obligation at end of year	$ 6,022	$ 5,700
Change in value of plan assets		
Fair value of plan assets at beginning of year	$ 8,995	$ 10,700
Actual return on plan assets	(1,062)	(1,352)
Benefits paid	(407)	(353)
Fair value of plan assets at end of year	$ 7,526	$ 8,995

11. Early Retirement

The College has in place an early retirement program for certain members of the faculty and staff subject to the approval of the College. The plan allows full or phased retirement for eligible employees from ages 60 through 64 and phased retirement for eligible employees from ages 55 through 59. The present value of future obligations under the plan is accrued as of the date of early retirement. Expense under this program was approximately $0 and $100,000 for the years ended June 30, 2002 and June 30, 2001, respectively.

12. Extraordinary Loss on the Extinguishment of Debt

During 2001, the College refunded its outstanding Massachusetts Industrial Finance Authority bonds through the issuance of new debt at a lower interest rate. This resulted in an extraordinary loss of approximately $757,000 for the year ended June 30, 2001. The loss consisted of unamortized issuance costs and a refunding premium.

13. Reclassifications

Certain items in 2001 have been reclassified to conform to the current year presentation.

MOUNT HOLYOKE COLLEGE

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Statistics

	2002	1997	1992
Unit value of endowment pool	$3.945	$3.680	$2.583
Tuition	$26,250	$21,250	$15,950
Room and board	$7,720	$6,250	$4,900
Student enrollment (FTE)	2,001	1,856	1,883
Faculty (FTE)	195	186	192
Student/faculty ratio	10.3	10.0	9.8
Percent of students receiving Mount Holyoke financial aid	68%	70%	58%
Library collection in volumes	718,000	662,000	599,000
Insured value of physical plant	$459,000,000	$245,000,000	$239,000,000

10 Year Comparison