FINANCIAL REPORT

2002 - 2003

MOUNT HOLYOKE COLLEGE
South Hadley, Massachusetts

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MOUNT HOLYOKE COLLEGE
Financial Report
2002-2003

Narrative

The year ending June 30, 2003, continued the challenging environment that began in the prior year. The weak economy and erratic performance in the financial markets resulted in a virtually flat total assets level. Operating performance was affected by the same trends but the College was able to end the year in the black.

Despite the difficult environment, the momentum of the College's fundraising campaign continued. As of June 30, 2003, Mount Holyoke has raised $238.8 million toward its goal of $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. Several significant facilities projects are at or near completion at the end of the current year:

- The Science complex work is virtually complete, with the opening of the new Kendade Hall in September of 2002 and of the renovated Carr Laboratory in January 2003. Renovations to Shattuck and Cleveland Halls are virtually complete and both buildings will be open for fall 2003. The projects 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 submitted for certification by the U.S. Green Building Council.

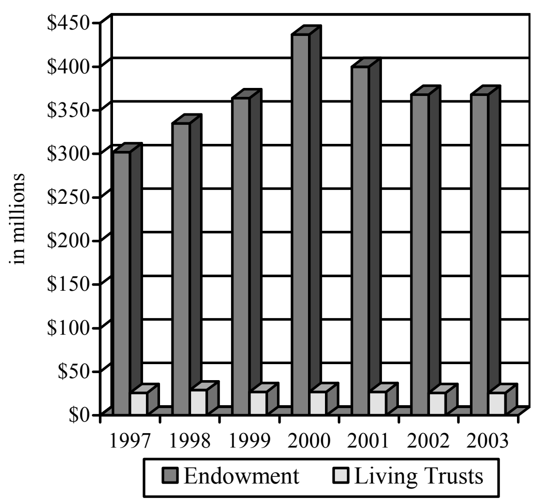
- The renovation and expansion of the Blanchard Campus Center, begun in June of 2002, will be completed for September 2003. Within the building, the project doubles the size of the dining space, concentrates the retail and social space on the main floor, expands the space available for student activities and separates 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 is being re-contoured and landscaped, with a new meandering path along the lake and a skating rink just east of Blanchard. Like the science complex, the Blanchard addition and renovation is a "green" project, and will be submitted for certification by the U.S. Green Building Council.

These and a number of smaller facilities projects resulted in an increase of $16.8 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.

<u>Statement of Financial Position</u>

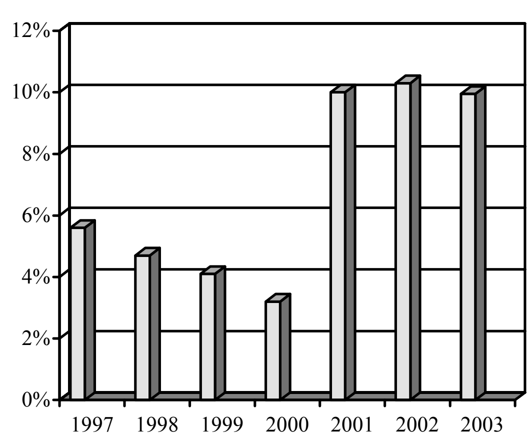
The Statement of Financial Position reports the College's assets, liabilities and net assets for the year. Total assets were virtually flat, increasing from $586.2 million in 2001-02 to $587.9 million in 2002-03. The primary areas of decline included: Cash and Cash Equivalents and Short-term Investments, both resulting from changes in asset allocation in the endowment and the temporary funding of construction activities; Contributions Receivable, showing the effects of the difficult economic environment; Prepaid Expenses, resulting from a re-valuation of the College's defined benefit pension plan obligation; and Funds Held in Trust Under Bond Indenture, representing the spending down of the current bond proceeds. Offsetting this decline were increases in Land, Buildings and Equipment and Investments.

Market Value of Investments



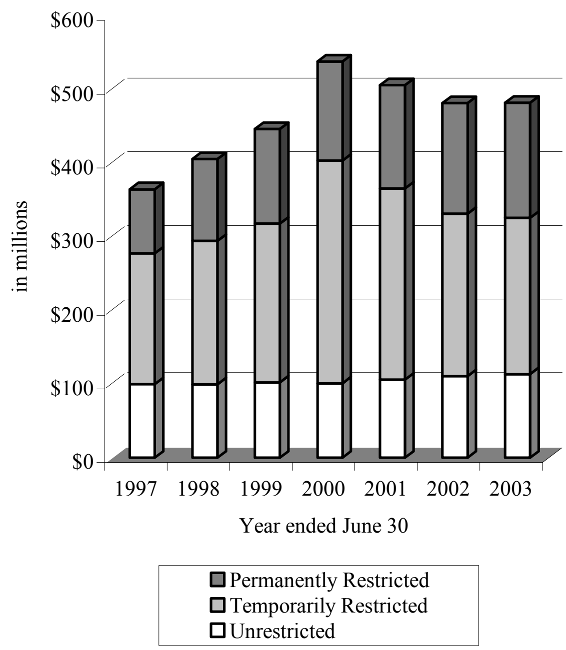
Total liabilities increased by $1.5 million. Reductions in Accounts Payable and Bonds Payable were offset by the use of the College's line of credit to provide temporary financing of facilities projects as fundraising is being completed. The slight increases in both assets and liabilities resulted in virtually no change in the ratio of assets to liabilities from 5.6/1 in 2001-02 to 5.5/1 in 2002-03. The ratio of debt as a percentage of total assets dropped slightly from 10.3 percent in 2001-02 to 9.95% in 2002-03.

Debt to Assets



As a result, Mount Holyoke's net assets were virtually even with last year, increasing by $169,000 to $481.8 million as of June 30, 2003.

Net Assets

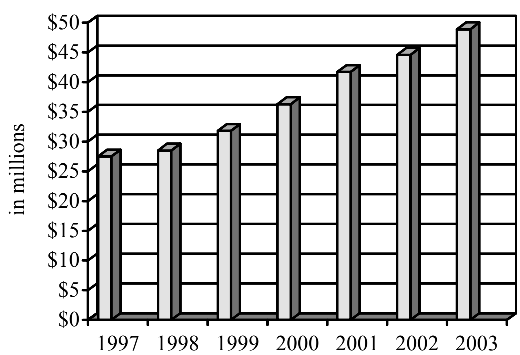


Unrestricted net assets, which provide the institution with the maximum flexibility, increased slightly this past year, equaling $113.5 million at June 30, 2003, and representing 23.6 percent of total net assets. Temporarily restricted net assets, a category which includes spendable invested funds whose restricted purposes have not yet been met and undistributed gains from endowment, represented 44.1 percent of total net assets and ended the year at $212.2 million, down $8.5 million from the June 30, 2002 level. Permanently restricted net assets, representing the original principal value of true endowment funds, were 32.4 percent of total net assets and ended the year at $156.1 million, up $5.8 million from the prior year.

Statement of Activities

The Statement of Activities presents the College's revenues and expenses for 2002-03 and reports the changes in net assets during the year. The overall results of operations for 2002-03 was an increase of $3.9 million. Operating revenues increased by $5.7 million, primarily as a result of increases in net student charges. Net student charges revenue increased by $4.2 million, up 9.5 percent. After several years of stability, the cost of financial aid also increased significantly to $26.8 million, up from $22.2 million in 2001-02, another reflection of the difficult economic environment.

Net Student Charges



Expenses were up 10.2 percent during 2002-03, 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 and research, academic support and 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. Endowment and Similar Net Assets declined in 2002-03 by $170,000.

The significant drop in interest rates combined with the decline in the market value of the investment portfolio required an adjustment to the College's liability for its deferred benefit pension plan. This resulted in an additional minimum pension liability adjustment of $3.5 million. As a result the overall change in net assets for the year was an increase of $169,000.

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 $765,000 in 2002-03, down from $10.3 million from 2001-02. Cash flow from investing activities represented a net use of $36.0 million, up $23.9 million from the previous year, due to increased investment in plant and equipment and the drawing down of bond proceeds. Cash from financing activities showed a $19.1 million net addition to cash.

Overall, cash and cash equivalents at the end of 2002-03 were $7.3 million, compared with $24.9 million at June 30, 2002.

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Report of Independent Auditors

To the Board of Trustees of Mount Holyoke College:

In our opinion, the accompanying statement of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Mount Holyoke College (the "College") at June 30, 2003 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's 2002 financial statements, and in our report dated September 26, 2002, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.[1] An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 6, 2003

MOUNT HOLYOKE COLLEGE
Statement of Financial Position
June 30, 2003 and 2002 (in thousands)

	2003	2002
Assets		
Cash and cash equivalents	$ 7,287	$ 24,935
Short-term investments	195	6,095
Accounts receivable, net	2,385	2,439
Contributions receivable, net	29,867	33,436
Inventory	717	669
Prepaid expenses	641	3,640
Notes receivable, net	252	233
Student loans, net	13,817	12,987
Deferred charges	643	757
Funds held by trustee under bond indenture	15,428	28,457
Land, buildings, equipment and collections, net	130,623	103,445
Investments	384,194	367,352
Other assets	1,807	1,720
Total assets	$ 587,856	$ 586,165
Liabilities and net assets		
Accounts payable	7,013	9,067
Accrued liabilities	4,325	4,563
Deferred revenue	2,330	2,073
Deposits	335	313
Line of credit	5,000	0
Split-interest obligations	22,892	22,652
Bonds payable	58,470	60,376
Other liabilities	1,335	1,250
Refundable advances — government student loan funds	4,381	4,265
Total liabilities	106,081	104,559
Net assets		
Unrestricted	113,504	110,718
Temporarily restricted	212,203	220,660
Permanently restricted	156,068	150,228
Total net assets	481,775	481,606
Total liabilities and net assets	$ 587,856	$ 586,165

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2003
With comparative totals for 2002 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2003 Total	2002 Total
Revenues					
Student tuition, room, board and other fees	$ 75,700			$ 75,700	$ 66,844
Less student aid	(26,842)			(26,842)	(22,207)
	48,858			48,858	44,637
Contributions	11,782	$ 6,980	$ (1,544)	17,218	16,325
Grants and contracts	217	3,458		3,675	3,249
Other revenue	1,574		50	1,624	1,563
Change in value of split-interest agreements		(222)	136	(86)	(783)
Use of endowment	8,747	16,021		24,768	25,024
Net assets released from program restrictions	28,502	(28,502)			
Other changes		(127)		(127)	238
	99,680	(2,392)	(1,358)	95,930	90,253
Expenses					
Instruction and research	37,116			37,116	34,302
Academic support and libraries	10,942			10,942	9,831
Student services, residence halls and food service	27,023			27,023	26,776
Fund raising and alumnae relations	5,471			5,471	5,362
Institutional support	6,585			6,585	5,854
Other deductions	4,917			4,917	1,399
	92,054			92,054	83,524
	7,626	(2,392)	(1,358)	3,876	6,729
Endowment and similar net assets					
Contributions		15	5,882	5,897	6,833
Total investment return	2,332	8,443		10,775	(15,704)
Endowment utilized for operations	(8,747)	(16,021)		(24,768)	(25,024)
Other changes	5,112	1,498	1,316	7,926	3,107
	(1,303)	(6,065)	7,198	(170)	(30,788)
Total change in net assets before pension adjustment	6,323	(8,457)	5,840	3,706	(24,059)
Additional minimum pension liability adjustment	(3,537)			(3,537)	
Total change in net assets	2,786	(8,457)	5,840	169	(24,059)
Net assets, beginning of year	110,718	220,660	150,228	481,606	505,665
Net assets, end of year	$ 113,504	$ 212,203	$ 156,068	$ 481,775	$ 481,606

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

MOUNT HOLYOKE COLLEGE
Statement of Cash Flows
For the years ended June 30, 2003 and 2002 (in thousands)

	2003	2002
Cash flow from operating activities		
Change in net assets	$ 169	$ (24,059)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	7,722	7,191
Additional minimum pension liability	3,537	0
Contributions restricted for investments	(13,330)	(11,595)
Gifts in kind	(873)	(22)
Change in value of split interest obligations	(2,561)	21
Realized and unrealized losses on investments	(4,537)	25,310
Gain on disposal of plant assets	(467)	(70)
Changes in operating assets and liabilities		
Short term investments	5,900	(5,504)
Accounts receivable	54	(257)
Contributions receivable	3,569	(1,899)
Inventory and prepaid expenses	(19)	(121)
Deferred charges	(3)	(296)
Other assets and liabilities	212	(189)
Accounts payable and accrued liabilities	(657)	3,507
Deferred revenue and deposits	279	286
Change in split interest obligations	240	(2,564)
Net cash used in operating activities	(765)	(10,261)
Cash flow from investing activities		
Purchase of plant and equipment	(36,969)	(28,654)
Proceeds from sale of plant assets	1,094	92
Change in funds held by trustee under bond indenture	13,029	3,333
Net change in loans and notes receivable	(849)	(1,455)
Purchases of investments	(210,767)	(255,269)
Proceeds from sales and maturities of investments	198,462	269,825
Net cash used in investing activities	(36,000)	(12,128)
Cash flow from financing activities		
Proceeds from contributions for		
Investment in endowment	5,841	6,824
Investment in planned giving	1,384	1,227
Plant and equipment	6,105	3,544
Change in value of split interest obligations	2,561	(21)
Increase in federal student loan funds	116	110
Borrowings on line of credit	14,000	0
Payments on line of credit	(9,000)	0
Payments on bonds payable	(1,890)	0
Net cash provided by financing activities	19,117	11,684
Net change in cash and cash equivalents	(17,648)	(10,705)
Cash and cash equivalents, beginning of year	24,935	35,640
Cash and cash equivalents, end of year	$ 7,287	$ 24,935
Supplemental disclosure		
Interest paid	$ 2,297	$ 1,661
Fixed asset purchases included in accounts payable	3,326	5,742

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 and expenses during the reporting period. Actual results could differ from those estimates. The College's significant estimates include the valuation of its investments, the assumptions related to its pension benefit obligations and its liability for split-interest agreements.

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, 2002, 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, 2003 and June 30, 2002 and the College's net asset balances in the accompanying statement of financial position.

Institutional Equity		**Net Assets**			
	Fund Balances	Liability	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
June 30, 2003					
Current unrestricted	$ 751	781	$ (30)		
Current restricted	13,184			$ 13,184	
Permanent/term endowment	290,689			157,750	$ 132,939
Quasi-endowment	67,015	$ 1,335	44,021	21,659	
Living trust funds	36,364	22,892	2,232	7,027	4,213
Unexpended plant					
Unrestricted	756		756		
Restricted	531			531	
Investment in Plant	63,440		63,440		
Student Loan Funds	8,567	4,381	3,085		1,101
	$ 481,297	29,389	113,504	200,151	138,253
Contributions receivable				9,611	17,815
Grants receivable				2,441	
		$ 29,389	$ 113,504	$ 212,203	$ 156,068

Institutional Equity		**Net Assets**			
	Fund Balances	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	8,121	4,265	2,804		1,052
	$ 477,152	28,982	110,718	206,595	130,857
Contributions receivable				11,608	19,371
Grants receivable				2,457	
		$ 28,982	$ 110,718	$ 220,660	$ 150,228

Accumulated net realized and unrealized gains of endowment and similar funds included in temporarily restricted net assets were approximately $166,240,000 and $175,615,000 as of June 30, 2003 and 2002, respectively.

As a result of market declines, the fair market value of certain donor-restricted endowments is less than the historical cost value of such funds by $2,326,861 at June 30, 2003, and $1,924,739 at June 30, 2002. These unrealized losses have been recorded as reductions in unrestricted net assets. Future market gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases temporarily restricted net assets.

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 risk-free 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.

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

	2003	2002
Educational program services	$ 75,081	$ 70,909
Administrative and general	12,056	11,216
Other	4,917	1,399
	$ 92,054	$ 83,524

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, 2003 include amounts due from brokers of approximately $2,060,000 and amounts due to brokers of approximately $2,385,000.

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, 2003 and 2002, approximately 32% of the College's endowment assets were held in the form of investments stated at estimated fair value.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such changes could materially affect investment balances and activity included in the financial statements.

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 2003 and 2002, the College elected to distribute 5.0% and 5.2% 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, 2003 consisted of $4,292,000 of investment income and $7,509,000 of net market value appreciation resulting in a total return of $11,801,000.

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 $400,000 and $375,000 at June 30, 2003 and 2002, respectively.

3. Contributions Receivable

Contributions receivable, as of June 30, 2003 and 2002, are summarized as follows (in thousands):

Contributions to be collected:	2003	2002
Within one year	$ 13,147	$ 14,162
In one to five years	12,236	12,804
After five years	17,699	21,653
	43,082	48,619
Less: discount to present value	(11,865)	(13,573)
	31,217	35,046
Less: allowance for uncollectible contributions	(1,350)	(1,610)
	$ 29,867	$ 33,436

4. Notes and Loans Receivable

Student loans are net of an allowance for doubtful accounts of $2,144,500 and $2,125,000 at June 30, 2003 and 2002, respectively.

5. Land, Buildings, Equipment and Collections

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

	2003	2002
Land and land improvements	$ 8,311	$ 7,448
Buildings	131,635	96,667
Real estate held for temporary investment	444	3
Vehicles, equipment and furnishings	45,861	43,457
Art and library collections	22,143	19,583
	208,394	167,158
Less accumulated depreciation	(98,689)	(91,662)
	109,705	75,496
Construction in progress	20,918	27,949
	$ 130,623	$ 103,445

The College capitalized approximately $700,000 and $339,000 of interest on various construction projects during the years ended June 30, 2003 and 2002, respectively.

Depreciation expense for the College for the year ended June 30, 2003 was $7,620,825.

6. Investments

Endowment and similar funds at June 30, 2003 and 2002 are invested as follows (in thousands):

June 30, 2003

	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	$ 59,717	$ 117	$ 3,760	$ 9,384	$ 2,950	$ 75,928	19.3%
Domestic equities	123,957		2,795		5,774	132,526	33.6%
International equities	46,634					46,634	11.8%
Absolute return	49,218					49,218	12.5%
Private equities	26,897					26,897	6.8%
Venture capital	11,861					11,861	3.0%
Distressed securities	17,643					17,643	4.5%
Real estate	17,087					17,087	4.3%
Other	5,829	$ 571				6,400	1.6%
	358,843	688	6,555	9,384	8,724	384,194	97.4%
Cash and cash equivalents	8,728	21	127	177	821	9,874	2.6%
	$ 367,571	$ 709	$ 6,682	$ 9,561	$ 9,545	$ 394,068	100.0%
Pooled investment statistics							
Units (in thousands)	95,389		1,899	7,374			
Market value per unit	$3.853		$3.518	$1.297			
Income per unit	$0.042		$0.147	$0.073			
Total return	2.74%		9.08%	11.84%			

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%			

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 $47.6 million as of June 30, 2003. 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).

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, 2003 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 15% 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, 2003, the swaption’s fair value (a liability of approximately $636,000) has been recorded with the College’s investments.

7. Promissory Notes

The College has an uncollateralized demand line of credit available in the amount of $5,000,000 through February 20, 2004, at an interest rate equal to LIBOR plus 150 basis points, or the prime rate less 150 basis points. At June 30, 2003, $5,000,000 was outstanding (no amount was outstanding at June 30, 2002).

8. Bonds Payable

The College's bonds payable as of June 30, 2003 and 2002, are summarized as follows (in thousands):

Series	Year of Maturity	Interest Rates	2003	2002
Massachusetts Development Finance Authority (MDFA):				
2001	2004-2032	4.00% - 5.50%	$ 58,000	$ 59,890
Unamortized premium			470	486
			$ 58,470	$ 60,376

The MDFA bond 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, 2003 and 2002 are not reflected in the College's financial statements and are summarized as follows (in thousands):

Series	**2003**	**2002**
Series 1996	$ 0	$ 5,780

The fair value of the bonds payable at June 30, 2003 approximates $65,805,000.

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

2004	$ 1,965
2005	2,060
2006	2,165
2007	2,265
2008	1,040
Thereafter	48,505
	$ 58,000

9. Defined Contribution Pension Plan

The College sponsors a defined contribution pension plan covering all faculty and administrative employees. The College contributed approximately $3,765,000 in 2003 and $3,488,000 in 2002 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 pension costs (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 6.00% at June 30, 2003 and 7.25% at June 30, 2002; a salary projection rate, which is the estimated rate at which salaries will increase, of 4.0% for the year ended June 30, 2003 and 4.5% for the year ended June 30, 2002; 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, 2003 and 2002.

A minimum pension liability adjustment is required when the actuarial present value of a plan's accumulated benefit obligation (ABO) exceeds plan assets and accrued pension liabilities. As of the June 30, 2003 measurement date, the ABO exceeded plan assets by $780,548. This amount has been recorded as a liability, with an intangible asset equal to the unrecognized prior service cost of $214,221. The net minimum pension liability adjustment of $3,536,501 has been recorded as a reduction of unrestricted net assets. The reduction of net assets is equal to the minimum pension liability and the reversal of the deferred pension cost, less the intangible asset.

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, 2003 and 2002 (in thousands):

	2003	2002
Plan assets at fair value	$ 7,000	$ 7,526
Projected benefit obligation	7,769	6,022
Funded status	(769)	1,504
Unrecognized prior service cost	214	169
Unrecognized net loss	3,525	1,416
Deferred pension cost	$ 2,970	$ 3,089
Intangible asset recorded	(214)	
Minimum pension liability adjustment	(3,537)	
Accrued pension liability	$ (781)	

Net pension cost (income) for the years ended June 30, 2003 and 2002 includes the following components:

	2003	2002
Service cost earned during the period	$ 333	$ 296
Interest cost on projected benefit obligation	441	405
Net amortization	81	24
Expected return on assets	(737)	(884)
Net pension cost (income)	$ 118	$ (159)

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, 2003 and 2002 (in thousands):

	Pension Benefits	
	2003	**2002**
Change in benefit obligation		
Benefit obligation at beginning of year	$ 6,022	$ 5,700
Service cost	333	296
Interest cost	441	405
Actuarial gain	1,235	28
Plan amendments	75	
Benefits paid	(337)	(407)
Benefit obligation at end of year	$ 7,769	$ 6,022
Change in value of plan assets		
Fair value of plan assets at beginning of year	$ 7,526	$ 8,995
Actual return on plan assets	(189)	(1,062)
Benefits paid	(337)	(407)
Fair value of plan assets at end of year	$ 7,000	$ 7,526

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. There was no expense under this program for the years ended June 30, 2003 and June 30, 2002.

Mount Holyoke College

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MOUNT HOLYOKE COLLEGE

Statistics

	2003	1998	1993
Unit value of endowment pool	$3.853	$3.945	$2.881
Tuition	$27,540	$22,200	$16,870
Room and board	$8,100	$6,525	$5,180
Student enrollment (FTE)	2,160	1,825	1,894
Faculty (FTE)	195	183	185
Student/faculty ratio	11.1	10.0	10.2
Percent of students receiving Mount Holyoke financial aid	68%	68%	68%
Library collection in volumes	709,600	672,000	614,500
Insured value of physical plant	$468,000,000	$357,000,000	$212,000,000

10 Year Comparison