

MOUNT HOLYOKESM



FINANCIAL REPORT
2004-2005

Mount Holyoke College
South Hadley, Massachusetts

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MOUNT HOLYOKE COLLEGE

Financial Report

2004-05

Narrative

The year ending June 30, 2005, was a strong year financially for Mount Holyoke. The College saw both solid operating performance and all time highs in endowment market value and net asset levels.

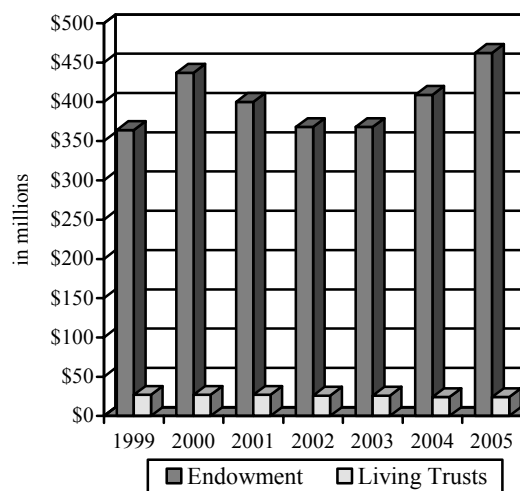
After several years of heightened fundraising and construction activity, FY2005 represented the return to a more moderate pace on campus. The focus this past year has been on consolidating the gains from the recent, successful fundraising campaign and on planning for the next round of facilities projects. Work continues on addressing the campus's maintenance and modernization needs through a number of smaller facilities projects.

Statement of Financial Position

The Statement of Financial Position reports the College's assets, liabilities and net assets for the year. Total assets grew 8.1%, increasing from \$620.9 million in 2003-04 to \$671.3 million in 2004-05. While most assets increased to some degree, the primary areas of growth were Investments, resulting from strong market returns, and Cash and Cash Equivalents, rebounding from the cash flow impact of supporting several large construction projects. The only asset class that declined significantly was Contributions Receivable, reflecting the paying down of outstanding pledges from the recently completed fundraising campaign.

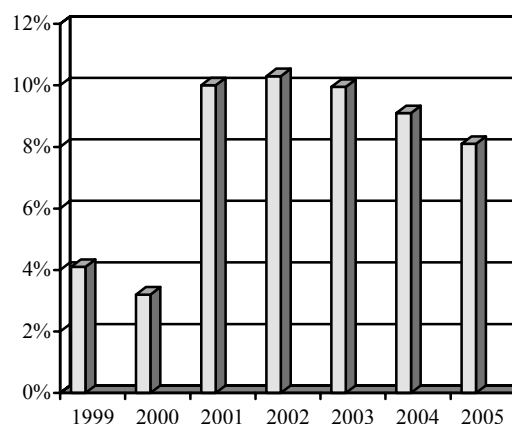
The market value of endowment rose to \$462.4 million in 2004-05, representing a total return of 12.8%. Life income funds remained at about \$24 million, reflecting the gradual maturing of existing funds and more institutional emphasis on outright gifts.

Market Value of Investments

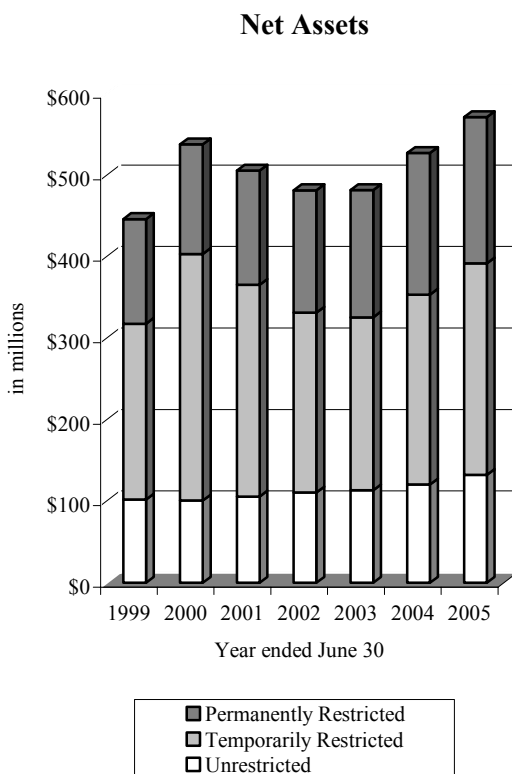


Total liabilities increased by \$6.4 million, reflecting small increases in several liability categories. As a result, the ratio of assets to liabilities remained steady at 6.7/1 in 2004-05. The ratio of debt as a percentage of total assets dropped, from 9.1 percent in 2003-04 to 8.1 percent in 2004-05.

Debt to Assets



Mount Holyoke's net assets increased by 8.3%, from \$527.4 million in 2003-04 to \$571.4 million in 2004-05.

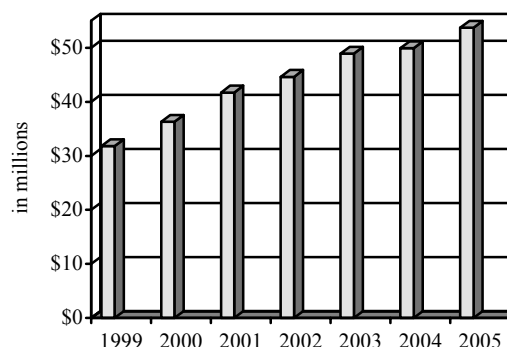


Unrestricted net assets, which provide the institution with the maximum flexibility, increased by 9.7 percent this past year, equaling \$132.3 million at June 30, 2005, and representing 23.2 percent of total net assets. Temporarily restricted net assets, a category which includes spendable invested funds whose restricted purposes have not yet been met and undistributed gains from endowment, represented 45.4 percent of total net assets and ended the year at \$259.5 million, up \$26.4 million from the June 30, 2004, level. Permanently restricted net assets, representing the original principal value of true endowment funds, were 31.4 percent of total net assets and ended the year at \$179.6 million, up \$5.8 million from the prior year.

Statement of Activities

The Statement of Activities presents the College's revenues and expenses for 2004-05 and reports the changes in net assets during the year. The overall results of operations for 2004-05 was an increase of \$2.4 million. \$3.4 million was transferred from operations to endowment. Operating revenues increased by \$8.0 million, primarily as a result of increases in net student charges and contributions. Contributions were up substantially, from \$17.4 million in 2003-04 to \$20.3 million in 2004-05, representing both a strong year in current giving and the payment of pledges from the recent fundraising campaign. Net student charges revenue increased by \$3.8 million, up 7.5 percent. The cost of financial aid increased to \$29.7 million, up from \$27.7 million in 2003-04.

Net Student Charges



Expenses were up 4.6 percent during 2004-05. 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 increased in 2004-05 by \$2.1 million.

Statement of Cash Flows

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

Operating activities contributed \$6.0 million in 2004-05, a substantial reversal of the \$8.1 million used in 2003-04. Cash flow from investing activities represented a net use of \$11.4 million, up from \$1.9 million the previous year, due primarily to the using of the remainder of bond proceeds in the construction fund. Cash from financing activities provided a \$7.3 million net addition to cash.

Overall, cash and cash equivalents at the end of 2004-05 were \$13.7 million, compared with \$6.4 million at June 30, 2004.

Report of Independent Auditors

To the Board of Trustees of Mount Holyoke College
South Hadley, Massachusetts

In our opinion, the accompanying statements 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, 2005 and 2004, and the changes in its net assets and its cash flows for the years 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 audits. We conducted our audits of these statements 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 of material misstatement. 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 audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 17, 2005

MOUNT HOLYOKE COLLEGE
Statement of Financial Position
June 30, 2005 and 2004 (in thousands)

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 13,732	\$ 6,417
Short-term investments	151	452
Accounts receivable, net	2,942	2,534
Contributions receivable, net	22,697	30,758
Inventory	749	726
Prepaid expenses	895	862
Notes receivable, net	307	276
Student loans, net	15,064	14,449
Deferred charges	506	541
Funds held by trustee under bond indenture	3,554	3,499
Land, buildings, equipment and collections, net	137,017	136,130
Investments	469,498	421,828
Other assets	4,148	2,384
Total assets	<u><u>\$ 671,260</u></u>	<u><u>\$ 620,856</u></u>
 Liabilities and net assets		
Accounts payable	\$ 3,299	\$ 2,525
Accrued liabilities	5,904	3,934
Deferred revenue	2,688	2,781
Deposits	600	141
Split-interest obligations	21,134	21,125
Bonds payable	54,411	56,488
Other liabilities	7,267	2,002
Refundable advances — government student loan funds	4,575	4,490
Total liabilities	<u>99,878</u>	<u>93,486</u>
 Net assets		
Unrestricted	132,286	120,552
Temporarily restricted	259,463	233,028
Permanently restricted	179,633	173,790
Total net assets	<u>571,382</u>	<u>527,370</u>
Total liabilities and net assets	<u><u>\$ 671,260</u></u>	<u><u>\$ 620,856</u></u>

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

MOUNT HOLYOKE COLLEGE

Statement of Activities

For the year ended June 30, 2005 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Student tuition, room, board and other fees	\$ 83,364			\$ 83,364
Less student aid	(29,665)			(29,665)
	<u>53,699</u>			<u>53,699</u>
Contributions	14,925	\$ 3,845	\$ 1,507	20,277
Grants and contracts	2,011	873		2,884
Other revenue	2,405		44	2,449
Change in value of split-interest agreements		(437)	183	(254)
Endowment return distributed for operations	2,213	13,648		15,861
Net assets released from program restrictions	22,369	(22,369)		
Other changes		1,769		1,769
	<u>97,622</u>	<u>(2,671)</u>	<u>1,734</u>	<u>96,685</u>
Expenses				
Instruction and research	43,639			43,639
Academic support and libraries	11,028			11,028
Student services, residence halls and food service	27,289			27,289
Fund raising and alumnae relations	5,528			5,528
Institutional support	6,797			6,797
	<u>94,281</u>			<u>94,281</u>
Transfers from/(to) endowment	<u>(2,517)</u>	<u>(916)</u>		<u>(3,433)</u>
	824	(3,587)	1,734	(1,029)
Endowment and similar net assets				
Contributions		21	3,759	3,780
Total endowment investment return	7,601	44,572		52,173
Endowment return distributed for operations	(2,213)	(13,648)		(15,861)
Transfers from/(to) operations	2,517	916		3,433
Other changes	4,218	(1,839)	350	2,729
	<u>12,123</u>	<u>30,022</u>	<u>4,109</u>	<u>46,254</u>
Total change in net assets before pension adjustment	<u>12,947</u>	<u>26,435</u>	<u>5,843</u>	<u>45,225</u>
Additional minimum pension liability adjustment	(1,213)			(1,213)
Total change in net assets	<u>11,734</u>	<u>26,435</u>	<u>5,843</u>	<u>44,012</u>
Net assets, beginning of year	120,552	233,028	173,790	527,370
Net assets, end of year	<u>\$ 132,286</u>	<u>\$ 259,463</u>	<u>\$ 179,633</u>	<u>\$ 571,382</u>

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

MOUNT HOLYOKE COLLEGE

Statement of Activities

For the year ended June 30, 2004 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Student tuition, room, board and other fees	\$ 77,612			\$ 77,612
Less student aid	(27,681)			(27,681)
	<u>49,931</u>			<u>49,931</u>
Contributions	10,436	\$ 6,454	\$ 506	17,396
Grants and contracts	919	889		1,808
Other revenue	302		42	344
Change in value of split-interest agreements		(688)	1,958	1,270
Endowment return distributed for operations	2,497	15,004		17,501
Net assets released from program restrictions	26,104	(26,104)		
Other changes		404		404
	<u>90,189</u>	<u>(4,041)</u>	<u>2,506</u>	<u>88,654</u>
Expenses				
Instruction and research	37,233			37,233
Academic support and libraries	11,934			11,934
Student services, residence halls and food service	29,059			29,059
Fund raising and alumnae relations	5,458			5,458
Institutional support	6,422			6,422
	<u>90,106</u>			<u>90,106</u>
Transfers from/(to) endowment	<u>1,954</u>			<u>1,954</u>
	2,037	(4,041)	2,506	502
Endowment and similar net assets				
Contributions		177	13,383	13,560
Total endowment investment return	6,542	40,254	111	46,907
Endowment return distributed for operations	(2,497)	(15,004)		(17,501)
Transfers from/(to) operations	(1,954)			(1,954)
Other changes	2,009	(561)	1,722	3,170
	<u>4,100</u>	<u>24,866</u>	<u>15,216</u>	<u>44,182</u>
Total change in net assets before pension adjustment	<u>6,137</u>	<u>20,825</u>	<u>17,722</u>	<u>44,684</u>
Additional minimum pension liability adjustment	911			911
Total change in net assets	<u>7,048</u>	<u>20,825</u>	<u>17,722</u>	<u>45,595</u>
Net assets, beginning of year	113,504	212,203	156,068	481,775
Net assets, end of year	<u>\$ 120,552</u>	<u>\$ 233,028</u>	<u>\$ 173,790</u>	<u>\$ 527,370</u>

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

MOUNT HOLYOKE COLLEGE

Statement of Cash Flows

For the years ended June 30, 2005 and 2004 (in thousands)

	2005	2004
Cash flow from operating activities		
Increase in net assets	\$ 44,012	\$ 45,595
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation and amortization	9,606	8,804
Additional minimum pension liability	1,213	(911)
Change in interest rate swap liability	4,051	237
Contributions restricted for investments	(14,421)	(15,585)
Gifts in kind	(226)	(452)
Change in value of split interest agreements	(318)	(372)
Realized and unrealized gains on investments	(45,962)	(41,245)
Gain on disposal of plant assets	(547)	(197)
Changes in operating assets and liabilities		
Accounts receivable	(408)	63
Contributions receivable	8,061	(891)
Inventory and prepaid expenses	(56)	225
Deferred charges	(8)	(7)
Other assets and liabilities	(576)	(176)
Accounts payable and accrued liabilities	1,191	(1,676)
Deferred revenue and deposits	366	257
Change in split income obligations	9	(1,767)
Net cash provided by (used in) operating activities	<u>5,987</u>	<u>(8,098)</u>
Cash flow from investing activities		
Purchase of plant and equipment	(10,266)	(17,874)
Proceeds from sale of plant assets	938	1,349
Net change in loans and notes receivable	(646)	(656)
Purchases of investments	(224,002)	(433,337)
Proceeds from sales and maturities of investments	222,294	436,973
Net change in short term investments	301	(257)
Change in construction funds deposited with trustee	(55)	11,929
Net cash used in investing activities	<u>(11,436)</u>	<u>(1,873)</u>
Cash flow from financing activities		
Proceeds from contributions for		
Investment in endowment	9,251	9,192
Investment in planned giving	1,343	1,602
Plant and equipment	3,827	4,791
Change in value of split interest agreements	318	372
Increase in federal student loan funds	85	109
Proceeds from line of credit	0	2,000
Payments on bonds payable and line of credit	(2,060)	(8,965)
Net cash provided by financing activities	<u>12,764</u>	<u>9,101</u>
Net change in cash and cash equivalents	7,315	(870)
Cash and cash equivalents, beginning of year	<u>6,417</u>	<u>7,287</u>
Cash and cash equivalents, end of year	<u>\$ 13,732</u>	<u>\$ 6,417</u>
Supplemental disclosure		
Interest paid	\$ 2,700	\$ 2,650
Fixed asset purchases included in accounts payable	734	369

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

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

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 allowance for uncollectible contributions, student loans and accounts receivable, the useful lives of buildings, equipment and collections, the assumptions related to its pension benefit obligations and its liability for split-interest agreements.

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 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.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

Following is a summary (in thousands) of the College's net asset balances in the accompanying statement of financial position.

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
June 30, 2005			
Current unrestricted	\$ (902)		
Current restricted		\$ 14,484	
Permanent/term endowment		210,875	\$ 153,563
Quasi-endowment	58,377	23,393	
Living trust funds	4,100	5,939	6,745
Unexpended plant			
Unrestricted	(495)		
Restricted		211	
Investment in plant	67,612		
Student loan funds	3,594		1,189
	<u>132,286</u>	<u>254,902</u>	<u>161,497</u>
Contributions receivable		3,577	18,136
Grants receivable		984	
	<u>\$ 132,286</u>	<u>\$ 259,463</u>	<u>\$ 179,633</u>

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
June 30, 2004			
Current unrestricted	\$ 170		
Current restricted		\$ 13,836	
Permanent/term endowment		181,486	\$ 143,899
Quasi-endowment	47,762	22,611	
Living trust funds	2,592	6,526	6,350
Unexpended plant			
Unrestricted	144		
Restricted		208	
Investment in plant	66,533		
Student loan funds	3,351		1,144
	<u>120,552</u>	<u>224,667</u>	<u>151,393</u>
Contributions receivable		7,117	22,397
Grants receivable		1,244	
	<u>\$ 120,552</u>	<u>\$ 233,028</u>	<u>\$ 173,790</u>

Accumulated net realized and unrealized gains of endowment and similar funds included in temporarily restricted net assets were approximately \$222,106,000 and \$192,132,000 as of June 30, 2005 and 2004, respectively.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

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 \$174,112 at June 30, 2005, and \$858,755 at June 30, 2004. 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 net assets released from program 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 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 assets 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, 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.

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. Direct investments in real estate are valued on the basis of periodic independent appraisals. Investments in units of non-publicly traded pooled funds are valued by management using the unit value determined by the fund's administrator based upon quoted market prices of the underlying securities. Private equities and certain other non-marketable securities held through limited partnerships are valued by management 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, 2005 and 2004, approximately 30% and 31%, respectively, of the College's endowment and similar assets were held in the form of investments stated at estimated fair value.

The College believes that the carrying amount of its alternative instruments is a reasonable estimate of fair value as of June 30, 2005 and 2004. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

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.

The College's investments at June 30, 2005 include amounts due from brokers of approximately \$1,431,000 and amounts due to brokers of approximately \$1,735,000. At June 30, 2004 the amounts due from and due to brokers were approximately \$1,417,000 and \$1,221,000, respectively.

Included in the College's investments are 100% ownership interests in Center Redevelopment Corporation (CRC) and Center Business Corporation (CBC).

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 twelve quarter average market value. For fiscal years 2005 and 2004, the College elected to distribute 5.0% of the average of the prior twelve quarter-end market values, as of December 31, 2003 and December 31, 2002, respectively, less outstanding debt.

The total investment return earned on the endowment and annuity investment pool for the years ended June 30, 2005 and 2004 are as follows (in thousands):

	2005	2004
Investment income	\$ 5,682	\$ 4,214
Realized and unrealized gains	46,491	42,693
Total endowment investment return	52,173	46,907
Annuity investment return	2,115	2,281
Total investment return	<u>\$ 54,288</u>	<u>\$ 49,188</u>

g. Land, Buildings, Equipment and Collections

The College has a policy of capitalizing land, buildings, improvements, equipment, art collections acquired after June 30, 1989 and library acquisitions at cost. Donations of capital assets are recorded at the fair value at the date of gift. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (50 years), improvements (20 years), equipment (5 years), art collections (50 years) and library collections (10 years).

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

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 of when purchased.

2. Accounts Receivable

Accounts receivable, including student accounts, are net of an allowance for doubtful accounts of \$450,000 and \$400,000 at June 30, 2005 and 2004, respectively.

3. Contributions Receivable

Contributions receivable, at June 30, 2005 and 2004, are summarized as follows (in thousands):

Contributions to be collected:

	<u>2005</u>	<u>2004</u>
Within one year	\$ 4,576	\$ 14,846
In one to five years	10,340	11,075
After five years	<u>18,448</u>	<u>17,775</u>
	33,364	43,696
Less: discount to present value	<u>(9,527)</u>	<u>(11,388)</u>
	23,837	32,308
Less: allowance for uncollectible contributions	<u>(1,140)</u>	<u>(1,550)</u>
	<u><u>\$ 22,697</u></u>	<u><u>\$ 30,758</u></u>

4. Notes and Loans Receivable

Student loans are net of an allowance for doubtful accounts of \$2,250,000 and \$2,175,000 at June 30, 2005 and 2004, respectively.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

5. Land, Buildings, Equipment and Collections

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

	<u>2005</u>	<u>2004</u>
Land and land improvements	\$ 11,855	\$ 8,987
Buildings	158,947	156,495
Vehicles, equipment and furnishings	54,904	52,578
Art and library collections	25,358	23,748
	<u>251,064</u>	<u>241,808</u>
Less accumulated depreciation	<u>(116,401)</u>	<u>(107,257)</u>
	134,663	134,551
Construction in progress	2,354	1,579
	<u><u>\$ 137,017</u></u>	<u><u>\$ 136,130</u></u>

The College capitalized approximately \$126,000 and \$326,000 of interest on various construction projects during the years ended June 30, 2005 and 2004, respectively.

Depreciation expense for the College was \$9,578,257 and \$8,711,788 for the years ended June 30, 2005 and 2004, respectively.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

6. Investments

Investments held by the endowment and living trust funds at June 30, 2005 and 2004 are as follows (in thousands):

June 30, 2005							
	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	\$ 65,467	\$ 114	\$ 3,790	\$ 8,748	\$ 2,036	\$ 80,155	17.1%
Domestic equities	151,292		2,682		5,000	158,974	33.9%
International equities	69,808		301		540	70,649	15.0%
Absolute return	66,919					66,919	14.2%
Private equities	27,048					27,048	5.8%
Venture capital	14,843					14,843	3.1%
Distressed securities	14,392					14,392	3.1%
Natural resources	18,959					18,959	4.0%
Real estate	9,727					9,727	2.1%
Other	7,179	653				7,832	1.7%
	<u>\$445,634</u>	<u>\$767</u>	<u>\$6,773</u>	<u>\$8,748</u>	<u>\$7,576</u>	<u>\$469,498</u>	<u>100.0%</u>

Total holdings in the endowment and living trust funds are as follows (in thousands):

Investments	\$ 445,634	\$ 767	\$ 6,773	\$ 8,748	\$ 7,576	\$ 469,498
Cash and other holdings	16,765	7,395	160	294	249	24,863
	<u>\$ 462,399</u>	<u>\$ 8,162</u>	<u>\$ 6,933</u>	<u>\$ 9,042</u>	<u>\$ 7,825</u>	<u>\$ 494,361</u>

Pooled funds statistics

Units (in thousands)	101,938	1,828	7,178
Market value per unit	\$4.536	\$3.792	\$1.260
Income per unit	\$0.059	\$0.112	\$0.057
Total return	12.75%	6.78%	6.55%

June 30, 2004

	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	\$ 62,517	\$ 114	\$ 3,588	\$ 8,904	\$ 2,006	\$ 77,129	18.3%
Domestic equities	123,772		3,228		6,207	133,207	31.6%
International equities	60,335					60,335	14.3%
Absolute return	65,632					65,632	15.6%
Private equities	23,262					23,262	5.5%
Venture capital	13,701					13,701	3.2%
Distressed securities	17,092					17,092	4.1%
Natural resources	11,107					11,107	2.6%
Real estate	12,963					12,963	3.1%
Other	6,774	626				7,400	1.7%
	<u>\$397,155</u>	<u>\$740</u>	<u>\$6,816</u>	<u>\$8,904</u>	<u>\$8,213</u>	<u>\$421,828</u>	<u>100.0%</u>

Total holdings in the endowment and living trust funds are as follows (in thousands):

Investments	\$ 397,155	\$ 740	\$ 6,816	\$ 8,904	\$ 8,213	\$ 421,828
Cash and other holdings	11,994	12,189	46	54	132	24,415
	<u>\$ 409,149</u>	<u>\$ 12,929</u>	<u>\$ 6,862</u>	<u>\$ 8,958</u>	<u>\$ 8,345</u>	<u>\$ 446,243</u>

Pooled investment statistics

Units (in thousands)	98,264	1,877	7,246
Market value per unit	\$4.164	\$3.656	\$1.236
Income per unit	\$0.041	\$0.106	\$0.061
Total return	12.77%	6.94%	0.00%

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

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 \$73.9 million as of June 30, 2005. These commitments are scheduled to be funded over a number of years.

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 16% 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 was exercised by the buyer during a one-week period in February, 2005. The buyer did not exercise the swaption during the year. As such, the College recorded a gain of approximately \$237,000, which is included in total investment return on the statement of activities. The notational amount of the swaption was \$30,000,000 and the termination date followed a maturity schedule ending on July 1, 2031. On June 30, 2004, the swaption's fair value was a liability of approximately \$237,000.

On July 1, 2004, in connection with the Massachusetts Development Finance Authority bonds, the College entered into an interest rate swap agreement on 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 of 4.38%. At June 30, 2005, the fair value of the swap agreement was a liability of approximately \$3,432,000, which is included in other liabilities on the statement of financial position. The change in fair value of approximately \$3,432,000 is included in total investment return on the statement of activities.

On May 10, 2005, in connection with the Massachusetts Development Finance Authority bonds, the College entered into an interest rate swap agreement on a notional amount of \$51,810,000. Under the terms of the agreement, every six months from January 1, 2006 through July 1, 2031, the College will pay an amount equal to 68% of LIBOR, and the College will receive an amount equal to the Bond Market Association Municipal Swap Index rate. At June 30, 2005, the fair value of the swap agreement was a liability of approximately \$857,000, which is included in other liabilities on the statement of financial position. The change in fair value of approximately \$857,000 is included in total investment return on the statement of activities.

7. Promissory Notes

The College has an uncollateralized demand line of credit available in the amount of \$5,000,000 through February 17, 2006, at an interest rate equal to LIBOR plus 150 basis points, or the prime rate less 150 basis points. No amounts were outstanding at either year-end.

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

8. Bonds Payable

The College's bonds payable as of June 30, 2005 and 2004, are summarized as follows (in thousands):

Series	Year of Maturity	Interest Rates	<u>2005</u>	<u>2004</u>
Massachusetts Development Finance Authority (MDFA):				
2001	2006-2032	4.00% - 5.50%	\$ 53,975	\$ 56,035
Unamortized premium			436	453
			<u>\$ 54,411</u>	<u>\$ 56,488</u>

Debt service payments are made to a Trustee under terms of the bond agreement and are represented in the line "Funds held by trustee under bond indenture".

The fair value of the bonds payable at June 30, 2005 approximates \$62,914,000.

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

2006	\$ 2,165
2007	2,265
2008	1,040
2009	1,085
2010	1,125
Thereafter	46,295
	<u>\$ 53,975</u>

9. Defined Contribution Pension Plan

The College sponsors a defined contribution pension plan covering all faculty and administrative employees. Pension benefits are administered by Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Fidelity Tax-Exempt Services Company. The College contributed approximately \$3,930,000 in 2005 and \$3,865,000 in 2004 to the plan.

10. Defined Benefit Pension Plan

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

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

Obligations and Funded Status

The following table sets forth the plan's change in benefit obligation and plan assets for the years ended June 30, 2005 and 2004 (in thousands):

	<u>2005</u>	<u>2004</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 8,159	\$ 7,769
Service cost	469	464
Interest cost	484	458
Actuarial (gain)/loss	1,409	(233)
Benefits paid	(382)	(299)
Benefit obligation at end of year	<u>\$ 10,139</u>	<u>\$ 8,159</u>
Change in value of plan assets		
Fair value of plan assets at beginning of year	\$ 7,799	\$ 7,000
Actual return on plan assets	654	1,098
Benefits paid	(382)	(299)
Fair value of plan assets at end of year	<u>\$ 8,071</u>	<u>\$ 7,799</u>
Funded status	<u>\$ (2,068)</u>	<u>\$ (360)</u>

To determine the benefit obligations, the College used a discount rate, which is the estimated rate at which the obligation for pension benefits could effectively be settled, of 5.25% at June 30, 2005 and 6.25% at June 30, 2004 and a salary projection rate, which is the estimated rate at which salaries will increase, of 4.0% for the years ended June 30, 2005 and 2004.

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, 2005 and 2004 measurement dates, the ABO exceeded plan assets by \$1,889,719 and \$295,120, respectively. These amounts have been recorded as liabilities, with intangible assets equal to the unrecognized prior service cost of \$158,954 and \$184,935 at June 30, 2005 and 2004, respectively. The cumulative minimum pension liability adjustment at June 30, 2005 of \$3,839,239 has been recorded as a reduction of unrestricted net assets.

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, 2005 and 2004 (in thousands):

	<u>2005</u>	<u>2004</u>
Funded status	\$ (2,068)	\$ (360)
Unrecognized prior service cost	159	185
Unrecognized net loss	4,017	2,691
Deferred pension cost	<u>\$ 2,108</u>	<u>\$ 2,516</u>
Intangible asset	(159)	(185)
Cumulative minimum pension liability adjustment	(3,839)	(2,626)
Accrued pension liability	<u>\$ (1,890)</u>	<u>\$ (295)</u>

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

The following table sets forth the plan's accumulated benefit obligation and fair value of plan assets (in thousands):

	<u>2005</u>	<u>2004</u>
Projected benefit obligation	\$ 10,139	\$ 8,159
Accumulated benefit obligation	9,961	8,094
Fair value of plan assets	8,071	7,799

Components of Net Periodic Benefit Cost

To determine net periodic pension costs, the College used a discount rate, which is the estimated rate at which the obligation for pension benefits could effectively be settled, of 6.25% for the year ended June 30, 2005 and 6.00% for the year ended June 30, 2004; a salary projection rate, which is the estimated rate at which salaries will increase, of 4.0% for the years ended June 30, 2005 and June 30, 2004; 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 9.0% for the year ended June 30, 2005 and 10.0% for the year ended June 30, 2004.

Net pension cost for the years ended June 30, 2005 and 2004 includes the following components (in thousands):

	<u>2005</u>	<u>2004</u>
Service cost earned during the period	\$ 469	\$ 464
Interest cost on projected benefit obligation	484	458
Amortization of prior service cost	26	29
Amortization of net loss	113	184
Expected return on assets	(685)	(681)
Net pension cost	<u>\$ 407</u>	<u>\$ 454</u>
 Increase/(decrease) in minimum liability included in change in net assets	 <u>\$ 1,213</u>	 <u>\$ (911)</u>

Plan Assets

The plan's asset allocations at June 30, 2005 and 2004 by asset category are as follows:

	Plan Assets at June 30	
<u>Asset Category</u>	<u>2005</u>	<u>2004</u>
Equity securities	67.9%	66.8%
Debt securities	13.8	13.1
Cash	0.3	0.7
Other	18.0	19.4
Total	<u>100.0%</u>	<u>100.0%</u>

MOUNT HOLYOKE COLLEGE
Notes to Financial Statements
June 30, 2005 and 2004

Cash Flows

The College has a minimum required contribution of \$17,407 to the defined benefit pension plan for the year ending June 30, 2006.

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

2006	\$	407
2007		386
2008		376
2009		326
2010		817
2011-2015		2,719

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. For eligible employees there is a full retirement option from ages 60 to 64 and a phased retirement option for a four-year period anytime between the ages of 58 and 72. The present value of future obligations under the plan is accrued as of the date of early retirement for employees choosing the full retirement option. Expense under this program was approximately \$255,000 and \$0 for the years ended June 30, 2005 and June 30, 2004, respectively.

12. Reclassifications

In 2005, the College redefined its definition of endowment and similar funds to include unconditional promises to give for permanent endowment. As a result, 2004 amounts have been reclassified to conform to this position. Other items in 2004 have been reclassified to conform to the current year presentation.

MOUNT HOLYOKE COLLEGE

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Statistics

	2005	2000	1995
Unit value of endowment pool	\$4,536	\$4,892	\$2,984
Tuition	\$30,770	\$24,200	\$19,300
Room and board	\$9,060	\$7,110	\$5,700
Student enrollment (FTE)	2,125	1,930	1,852
Faculty (FTE)	197	185	186
Student/faculty ratio	10.8	10.4	10.0
Percent of students receiving Mount Holyoke financial aid	68%	68%	63%
Library collection in volumes	721,223	693,932	633,850
Insured value of physical plant	\$789,000,000	\$411,000,000	\$228,000,000

10 Year Comparison

