MOUNT HOLYOKE

FINANCIAL REPORT 2005-2006

Mount Holyoke College
South Hadley, Massachusetts

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MOUNT HOLYOKE COLLEGE
Financial Report
2005-06

Narrative

Overall, the year ending June 30, 2006, was a strong year financially for Mount Holyoke. While the College experienced a small budget deficit of $1.2 million, due to larger than budgeted increases in energy and insurance costs, it also saw significant increases in endowment market value and net asset levels.

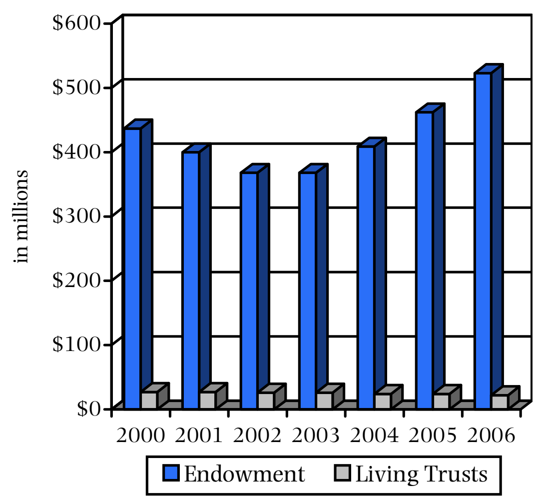
The past year has focused on planning in two major areas. First, preparing for a fundraising campaign, with a goal of $300 million and a kickoff planned for October 2006. And second, continuing the design for the first new residence hall to be constructed at Mount Holyoke in 30 years. This new facility will provide an additional 176 beds, allowing the College to ease a very overcrowded residential program and providing the swing space needed to begin significant renovations to the existing residence halls. Construction is scheduled to begin in the fall of 2006 and to be completed in the summer of 2008.

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 percent, increasing from $671.3 million in 2004-05 to $725.5 million in 2005-06. The primary area of asset growth was investments, resulting from strong market returns. Cash and cash equivalents were lower than the previous year due to an accumulation of spending for construction projects, which will be reimbursed upon completion of the tax-exempt bond issue due to close on August 1, 2006. Contributions receivable also declined, reflecting the paying down of outstanding pledges from the previous fundraising campaign.

The market value of endowment rose to $523.2 million in 2005-06, representing a total return of 14.7 percent. Life income funds declined to about $22 million, reflecting the gradual maturing of existing funds and more institutional emphasis on outright gifts.

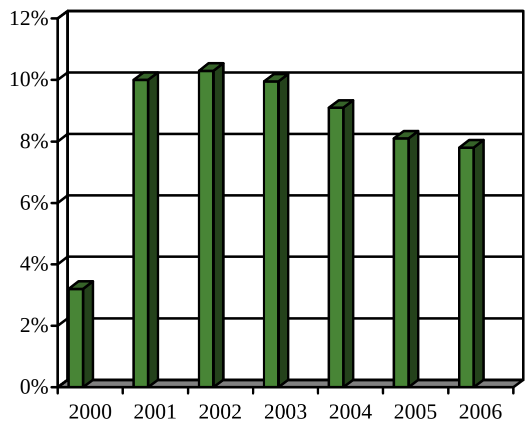
Market Value of Investments



Total liabilities increased by $5.2 million as decreases in split-interest obligations and bonds payable were more than offset by increases in notes payable (which will be reimbursed by the upcoming borrowing) and other liabilities. The other liabilities change is primarily the result of the College's adoption of FIN 47, which requires the recording of the estimated liability for any legal obligation associated with the future retirement of assets. For Mount Holyoke, this relates primarily to the future disposal of asbestos, and these financial statements reflect the initial liability of $7.4 million plus the increment for 2005-06.

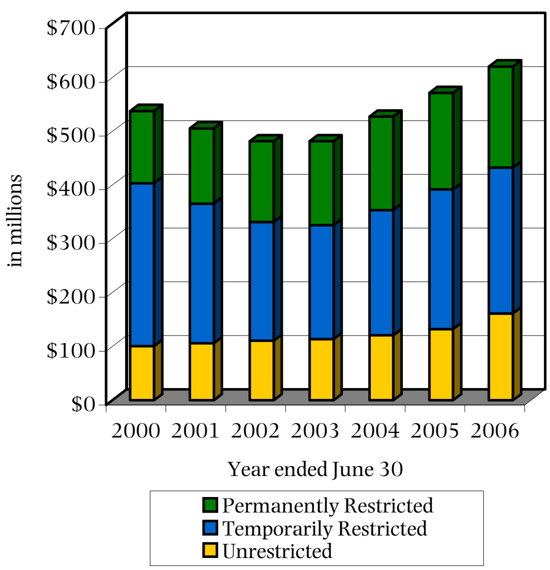
The ratio of assets to liabilities improved slightly to 6.9/1 in 2005-06. The ratio of debt as a percentage of total assets dropped, from 8.1 percent in 2004-05 to 7.8 percent in 2005-06.

Debt to Assets



Mount Holyoke's net assets increased by 8.6 percent, from $571.4 million in 2004-05 to $620.5 million in 2005-06.

Net Assets

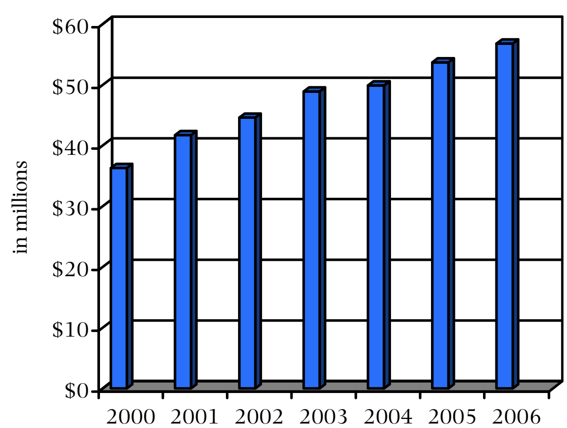


Unrestricted net assets, which provide the institution with the maximum flexibility, increased by 22.2 percent this past year, equaling $161.6 million at June 30, 2006, and representing 26.0 percent of total net assets. Temporarily restricted net assets, a category that includes spendable invested funds whose restricted purposes have not yet been met and undistributed gains from endowment, represented 43.7 percent of total net assets and ended the year at $270.9 million, up $11.4 million from the June 30, 2005 level. Permanently restricted net assets, representing the original principal value of true endowment funds, were 30.3 percent of total net assets and ended the year at $188.0 million, up $8.3 million from the prior year.

Statement of Activities

The Statement of Activities presents the College's revenues and expenses for 2005-06 and reports the changes in net assets during the year. The overall results of operations for 2005-06 was a decrease of $6.8 million. This figure combines the College's budget deficit of $1.2 million with a $1.5 million decrease in the value of split-interest agreements, a $600,000 decrease in the value of the College's outstanding interest rate swaps and $3.5 million of unrestricted bequests transferred to the endowment. Operating revenues decreased by $6.3 million, primarily as a result of decreases in contribution levels during this interval between fundraising campaigns. Revenue from net student charges (tuition, room and board less financial aid) increased by $3.1 million, up 5.8 percent. The cost of financial aid increased to $31.0 million, up from $29.7 million in 2004-05.

Net Student Charges



Expenses were up 6.6 percent during 2005-06. The pattern of expenditures emphasizes the College's core priorities—instruction and research, academic support and libraries, and student services—with only 13.7 percent of the expenditures supporting fundraising, alumnae relations and institutional support. 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 2005-06 by $14.6 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 used $17.7 million in 2005-06, with the largest change being the realized and unrealized gains on investments. Cash flow from investing activities represented a net use of $8.9 million, down from $11.4 million the previous year, again reflecting the flows of investment purchases and sales. Cash from financing activities provided an $18.6 million net addition to cash.

Overall, cash and cash equivalents at the end of 2005-06 were $5.7 million, compared with $13.7 million at June 30, 2005.

KPMG LLP
One Financial Plaza
Hartford, CT 06103-4103

Independent Auditors' Report

The Board of Trustees
Mount Holyoke College:

We have audited the accompanying statement of financial position of Mount Holyoke College as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Mount Holyoke College. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Mount Holyoke College as of June 30, 2005 were audited by other auditors whose report dated October 17, 2005 expressed an unqualified opinion on those statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mount Holyoke College's internal control over financial reporting. Accordingly, we express no such opinion. 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Holyoke College as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 2, 2006

MOUNT HOLYOKE COLLEGE
Statements of Financial Position
June 30, 2006 and 2005 (in thousands)

	2006	2005
Assets		
Cash and cash equivalents	$ 5,684	$ 13,732
Short-term investments	447	151
Accounts and notes receivable, net	3,648	3,249
Contributions receivable, net	19,132	22,697
Inventory, prepaid expenses and deferred charges	2,015	2,150
Student loans, net	15,452	15,064
Funds held by bond trustee	3,598	3,554
Land, buildings, equipment and collections, net	140,657	137,017
Investments	530,238	469,498
Other assets	4,633	4,148
Total assets	$ 725,504	$ 671,260
Liabilities and net assets		
Accounts payable and accrued liabilities	9,003	9,203
Notes payable	4,000	0
Deposits and deferred revenue	3,780	3,288
Split-interest obligations	18,890	21,134
Bonds payable	52,229	54,411
Other liabilities	12,564	7,267
Refundable advances — government student loan funds	4,567	4,575
Total liabilities	105,033	99,878
Net assets		
Unrestricted	161,605	132,286
Temporarily restricted	270,908	259,463
Permanently restricted	187,958	179,633
Total net assets	620,471	571,382
Total liabilities and net assets	$ 725,504	$ 671,260

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2006 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Student tuition, room, board and other fees	$ 87,772			$ 87,772
Less student aid	(30,965)			(30,965)
	56,807			56,807
Contributions	10,245	$ 4,054	$ (867)	13,432
Grants and contracts	2,370	870		3,240
Other revenue	2,590		62	2,652
Change in value of split-interest agreements		(1,390)	(108)	(1,498)
Endowment return distributed for operations	3,264	12,651		15,915
Net assets released from program restrictions	23,874	(23,874)		
Other changes		(122)		(122)
	99,150	(7,811)	(913)	90,426
Expenses				
Instruction and research	45,687			45,687
Academic support and libraries	11,781			11,781
Student services, residence halls and food service	28,710			28,710
Fund raising and alumnae relations	6,032			6,032
Institutional support	7,712			7,712
Other deductions	598			598
	100,520			100,520
Transfers from/(to) endowment	3,612	(321)	(24)	3,267
	2,242	(8,132)	(937)	(6,827)
Endowment and similar net assets				
Contributions	6	60	7,745	7,811
Total endowment investment return	15,433	54,340		69,773
Endowment return distributed for operations	(3,264)	(12,651)		(15,915)
Transfers from/(to) operations	(3,612)	321	24	(3,267)
Net assets released from restrictions	23,393	(23,201)	(192)	-
Other changes	48	708	1,685	2,441
	32,004	19,577	9,262	60,843
Total change in net assets before pension adjustment and cumulative effect of accounting change	34,246	11,445	8,325	54,016
Additional minimum pension liability adjustment	1,748			1,748
Cumulative effect of change in accounting principle	(6,675)			(6,675)
Total change in net assets	29,319	11,445	8,325	49,089
Net assets, beginning of year	132,286	259,463	179,633	571,382
Net assets, end of year	$ 161,605	$ 270,908	$ 187,958	$ 620,471

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)
	53,699			53,699
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
	97,622	(2,671)	1,734	96,685
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
	94,281			94,281
Transfers to endowment	(2,517)	(916)		(3,433)
	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 operations	2,517	916		3,433
Other changes	4,218	(1,839)	350	2,729
	12,123	30,022	4,109	46,254
Total change in net assets before pension adjustment	12,947	26,435	5,843	45,225
Additional minimum pension liability adjustment	(1,213)			(1,213)
Total change in net assets	11,734	26,435	5,843	44,012
Net assets, beginning of year	120,552	233,028	173,790	527,370
Net assets, end of year	$ 132,286	$ 259,463	$ 179,633	$ 571,382

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

MOUNT HOLYOKE COLLEGE
Statements of Cash Flows
For the years ended June 30, 2006 and 2005 (in thousands)

	2006	2005
Cash flow from operating activities		
Increase in net assets	$ 49,089	$ 44,012
Adjustments to reconcile increase in net assets		
to net cash used in operating activities		
Depreciation and amortization	9,622	9,606
Cumulative change of effect in accounting principle	6,675	0
Additional minimum pension liability	(1,748)	1,213
Change in interest rate swap liability	(3,690)	4,051
Contributions restricted for investments	(15,323)	(14,421)
Gifts in kind	(160)	(226)
Change in value of split interest agreements	(1,447)	(318)
Realized and unrealized gains on investments	(63,742)	(45,962)
Gain on disposal of plant assets	(105)	(547)
Changes in operating assets and liabilities		
Accounts and notes receivable	(399)	(439)
Contributions receivable	3,565	8,061
Inventory , prepaid expenses and deferred charges	117	(64)
Other assets and liabilities	1,811	(576)
Accounts payable and accrued liabilities	(247)	1,191
Deposits and deferred revenue	492	366
Change in split income obligations	(2,244)	9
Net cash (used in) provided by operating activities	(17,734)	5,956
Cash flow from investing activities		
Purchase of plant and equipment	(11,638)	(10,266)
Proceeds from sale of plant assets	454	938
Net change in loans	(388)	(615)
Purchases of investments	(216,214)	(224,002)
Proceeds from sales and maturities of investments	219,215	222,294
Net change in short term investments	(296)	301
Change in construction funds deposited with trustee	(44)	(55)
Net cash used in investing activities	(8,911)	(11,405)
Cash flow from financing activities		
Proceeds from contributions for		
Investment in endowment	11,623	9,251
Investment in planned giving	1,746	1,343
Plant and equipment	1,954	3,827
Change in value of split interest agreements	1,447	318
Change in federal student loan funds	(8)	85
Proceeds from line of credit	6,000	0
Payments on bonds payable and line of credit	(4,165)	(2,060)
Net cash provided by financing activities	18,597	12,764
Net change in cash and cash equivalents	(8,048)	7,315
Cash and cash equivalents, beginning of year	13,732	6,417
Cash and cash equivalents, end of year	$ 5,684	$ 13,732
Supplemental disclosure		
Interest paid	$ 2,579	$ 2,700
Fixed asset purchases included in accounts payable	2,528	734

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 is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Code.

b. Basis of Financial Presentation

The financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The College's significant estimates include the valuation of its investments, 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.

Following is a summary (in thousands) of the College's net asset balances in the accompanying Statements of Financial Position.

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
June 30, 2006			
Current unrestricted	$ 4,983		
Current restricted		$ 8,960	
Permanent/term endowment		252,621	$ 162,984
Quasi-endowment	91,049		
Living trust funds	3,432	5,774	7,771
Unexpended plant			
Unrestricted	(562)		
Restricted		396	
Investment in plant	59,055		
Student loan funds	3,648		1,228
	161,605	267,751	171,983
Contributions and grants receivable		3,157	15,975
	$ 161,605	$ 270,908	$ 187,958

	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
	132,286	254,902	161,497
Contributions and grants receivable		4,561	18,136
	$ 132,286	$ 259,463	$ 179,633

Accumulated net realized and unrealized gains of endowment and similar funds included in temporarily restricted net assets were approximately $252,515,000 and $222,106,000 as of June 30, 2006 and 2005, respectively.

As a result of market declines, the fair market value of certain donor-restricted endowments at June 30, 2005 was less than the historical cost value of such funds by $174,112. These unrealized losses have been recorded as reductions in unrestricted net assets. Market gains during FY2005-06 were used to fully restore this deficiency in unrestricted 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 Statements 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.

The College believes that the carrying amount of its alternative instruments is a reasonable estimate of fair value as of June 30, 2006 and 2005. 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.

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, 2006 include amounts due from brokers of approximately $2,266,000 and amounts due to brokers of approximately $1,889,000. At June 30, 2005 the amounts due from and due to brokers were approximately $1,431,000 and $1,735,000, 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 2006 and 2005, the College elected to distribute 4.9% and 5.0% respectively of the average of the prior twelve quarter-end market values, as of December 31, 2004 and December 31, 2003, respectively, less outstanding debt.

The total investment return earned on the endowment and annuity investment pool for the years ended June 30, 2006 and 2005 are as follows (in thousands):

	2006	2005
Investment income	$ 5,713	$ 5,682
Realized and unrealized gains	64,060	46,491
Total endowment investment return	69,773	52,173
Annuity investment return	(194)	2,115
Total investment return	$ 69,579	$ 54,288

g. Land, Buildings, Equipment and Collections

All plant assets are stated at cost except gifts in kind, which are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Construction in progress is not depreciated until placed in service. When plant assets are retired or disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in the Statements of Activities.

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with Statement of Financial Accounting Standards (SFAS) No. 143 and Interpretation No. 47 (FIN 47), if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the College capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Statements of Activities.

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 Statements 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 and Notes Receivable

Accounts, including student accounts, and notes receivable are net of an allowance for doubtful accounts of $450,000 at June 30, 2006 and 2005.

3. Contributions Receivable

Contributions receivable, at June 30, 2006 and 2005, are summarized as follows (in thousands):

Contributions to be collected:

	2006	2005
Within one year	$ 3,312	$ 4,576
In one to five years	9,574	10,340
After five years	17,889	18,448
	30,775	33,364
Less: discount to present value	(10,663)	(9,527)
	20,112	23,837
Less: allowance for uncollectible contributions	(980)	(1,140)
	$ 19,132	$ 22,697

Discount rates for contributions receivable range from 3.6% to 6.0%, depending upon the fiscal year in which the pledge was made.

4. Student Loans

Student loans are net of an allowance for doubtful accounts of $2,350,000 and $2,250,000 at June 30, 2006 and 2005, respectively.

5. Land, Buildings, Equipment and Collections

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

	2006	2005
Land and land improvements	$ 12,105	$ 11,855
Buildings	165,113	158,947
Vehicles, equipment and furnishings	56,575	54,904
Art and library collections	27,418	25,358
	261,211	251,064
Less accumulated depreciation	(126,891)	(116,401)
	134,320	134,663
Construction in progress	6,337	2,354
	$ 140,657	$ 137,017

The College capitalized approximately $165,000 and $126,000 of interest on various construction projects during the years ended June 30, 2006 and 2005, respectively.

Depreciation expense for the College was $9,603,241 and $9,578,257 for the years ended June 30, 2006 and 2005, respectively.

As of July 1, 2005, the College adopted the provisions of FASB Interpretation No. 47 (FIN 47) to account for conditional asset retirement obligations. Based on the guidance of FIN 47, the College determined that it had conditional asset retirement obligations at that date. Accordingly, the College has recognized $6,675,226 as the cumulative effect of change in accounting principle in the Statement of Activities. As of June 30, 2006, $7,684,972 of conditional asset retirement obligations is included within other liabilities on the Statements of Financial Position.

6. Investments

Investments held by the endowment and living trust funds at June 30, 2006 and 2005 are as follows (in thousands):

June 30, 2006

	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	$ 61,624	$ 119	$ 3,740	$ 7,898	$ 1,697	$ 75,078	14.2%
Domestic equities	169,827	5	2,493		4,091	176,416	33.3%
International equities	85,156		409		672	86,237	16.3%
Absolute return	73,177					73,177	13.8%
Private equities	36,910					36,910	7.0%
Venture capital	16,464					16,464	3.0%
Distressed securities	9,549					9,549	1.8%
Inflation hedging	55,722					55,722	10.5%
Other		685				685	0.1%
	$508,429	$ 809	$ 6,642	$ 7,898	$ 6,460	$ 530,238	100.0%

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

	General Endowment and Annuity Pool	Unpooled Endowment Funds	Mead Life Income Pool	Woolley Life Income Pool	Unitrusts and Similar Funds	Total Fair Value
Investments	$ 508,429	$ 809	$ 6,642	$ 7,898	$ 6,460	$ 530,238
Cash and other holdings	14,798	6,179	162	362	276	21,777
	$ 523,227	$ 6,988	$ 6,804	$ 8,260	$ 6,736	$ 552,015

Pooled funds statistics	General Endowment and Annuity Pool	Mead Life Income Pool	Woolley Life Income Pool
Units (in thousands)	103,676	1,781	6,991
Market value per unit	$5.047	$3.803	$1.181
Income per unit	$0.054	$0.114	$0.058
Total return	14.67%	3.29%	(1.63%)

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	$ 72,646	$ 114	$ 3,790	$ 8,748	$ 2,036	$ 87,334	18.6%
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	3.2%
Distressed securities	14,392					14,392	3.1%
Inflation hedging	28,686					28,686	6.1%
Other		653				653	0.1%
	$445,634	$ 767	$ 6,773	$ 8,748	$ 7,576	$ 469,498	100.0%

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

	General Endowment and Annuity Pool	Unpooled Endowment Funds	Mead Life Income Pool	Woolley Life Income Pool	Unitrusts and Similar Funds	Total Fair Value
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
	$ 462,399	$ 8,162	$ 6,933	$ 9,042	$ 7,825	$ 494,361

Pooled funds statistics	General Endowment and Annuity Pool	Mead Life Income Pool	Woolley Life Income Pool
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%

Included in the above table of investments are approximately $210,301,000 of investments whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based upon information provided by the fund managers or the general partners.

Under the terms of certain limited partnership agreements for private equity, venture capital and distressed securities, the College has commitments to remit additional funding of approximately $57.1 million as of June 30, 2006. 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 13% 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.

7. Promissory Notes

The College has an uncollateralized demand line of credit available in the amount of $10,000,000 through December 27, 2007, at an interest rate equal to LIBOR plus 120 basis points, or the prime rate less 150 basis points. At June 30, 2006, $4,000,000 was outstanding (no amount was outstanding at June 30, 2005).

8. Bonds Payable

The College's bonds payable as of June 30, 2006 and 2005, are summarized as follows (in thousands):

Series	Years of Maturity	Interest Rates	2006	2005
Massachusetts Development Finance Authority (MDFA):				
2001	2007-2032	4.00% - 5.50%	$ 51,810	$ 53,975
Unamortized premium			419	436
			$ 52,229	$ 54,411

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

The fair value of the bonds payable at June 30, 2006 approximates $54,413,000.

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

2007	$ 2,265
2008	1,040
2009	1,085
2010	1,125
2011	1,175
Thereafter	45,120
	$ 51,810

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%. The fair value of the swap agreement was a liability of approximately $1,282,000 and $3,432,000 at June 30, 2006 and 2005, respectively. This is included in other liabilities on the Statements of Financial Position.

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, 2006, the fair value of the swap agreement was approximately $173,000, which is included in other assets on the Statements of Financial Position. 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 Statements of Financial Position.

On November 4, 2005, in anticipation of a future borrowing, the College entered into a forward starting fixed payer swap agreement on a notional amount of $29,650,000. Under the terms of the agreement, every six months from January 1, 2007 through July 1, 2036, the College will pay a fixed rate of interest of 3.785%, and the College will receive a variable rate of interest equal to 68% of LIBOR. At June 30, 2006, the fair value of the swap agreement was approximately $510,846, which is included in other assets on the Statements of Financial Position.

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 $4,081,000 in 2006 and $3,930,000 in 2005 to the plan.

10. Defined Benefit Pension Plan

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

Obligations and Funded Status

The following table sets forth the plan's change in benefit obligation and plan assets for the years ended June 30, 2006 and 2005 (in thousands):

	2006	2005
Change in benefit obligation		
Benefit obligation at beginning of year	$ 10,139	$ 8,159
Service cost	674	469
Interest cost	520	484
Actuarial (gain)/loss	(1,389)	1,409
Benefits paid	(335)	(382)
Benefit obligation at end of year	$ 9,609	$ 10,139

	2006	2005
Change in value of plan assets		
Fair value of plan assets at beginning of year	$ 8,071	$ 7,799
Actual return on plan assets	937	654
Benefits paid	(335)	(382)
Employer contribution	18	
Fair value of plan assets at end of year	$ 8,691	$ 8,071
Funded status	$ (918)	$ (2,068)

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 6.25% at June 30, 2006 and 5.25% at June 30, 2005 and a salary projection rate, which is the estimated rate at which salaries will increase, of 4.0% for the years ended June 30, 2006 and 2005.

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, 2006 and 2005 measurement dates, the ABO exceeded plan assets by $823,054 and $1,889,719, respectively. These amounts have been recorded as liabilities, with intangible assets equal to the unrecognized prior service cost of $142,915 and $158,954 at June 30, 2006 and 2005, respectively. The cumulative minimum pension liability adjustment at June 30, 2006 of $2,091,007 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 Statements of Financial Position as of June 30, 2006 and 2005 (in thousands):

	2006	2005
Funded status	$ (918)	$ (2,068)
Unrecognized prior service cost	143	159
Unrecognized net loss	2,186	4,017
Deferred pension cost	$ 1,411	$ 2,108
Intangible asset	(143)	(159)
Cumulative minimum pension liability adjustment	(2,091)	(3,839)
Accrued pension liability	$ (823)	$ (1,890)

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

	2006	2005
Projected benefit obligation	$ 9,609	$ 10,139
Accumulated benefit obligation	9,514	9,961
Fair value of plan assets	8,691	8,071

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 5.25% for the year ended June 30, 2006 and 6.25% for the year ended June 30, 2005; a salary projection rate, which is the estimated rate at which salaries will increase, of 4.0% for the years ended June 30, 2006 and June 30, 2005; 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 years ended June 30, 2006 and June 30, 2005.

Net pension cost for the years ended June 30, 2006 and 2005 includes the following components (in thousands):

	2006	2005
Service cost earned during the period	$ 674	$ 469
Interest cost on projected benefit obligation	520	484
Amortization of prior service cost	16	26
Amortization of net loss	207	113
Expected return on assets	(702)	(685)
Net pension cost	$ 715	$ 407
Increase/(decrease) in minimum liability included in change in net assets	$ (1,748)	$ 1,213

Plan Assets

The plan's asset allocations at June 30, 2006 and 2005 by asset category are as follows:

Asset Category	Plan Assets at June 30 2006	2005
Equity securities	69.9 %	67.9 %
Debt securities	12.2	13.8
Cash	1.7	0.3
Other	16.2	18.0
Total	100.0 %	100.0 %

The plan assets are invested in a well-diversified investment portfolio which includes domestic and international equity and fixed income securities. The plan's expected return is based on the projected long-term returns for the asset classes represented in the investment portfolio.

Cash Flows

The College has a minimum required contribution of $112,642 to the defined benefit pension plan for the year ending June 30, 2007.

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

2007	$ 393
2008	321
2009	806
2010	459
2011	545
2012-2016	3,275

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 $0 and $255,000 for the years ended June 30, 2006 and June 30, 2005, respectively.

12. Subsequent Events

On August 1, 2006, the Massachusetts Development Finance Agency issued $39,775,000 Variable Rate Revenue Bonds, Mount Holyoke College Issue, Series 2006. The proceeds of these bonds are being used for various campus improvement projects.

13. Reclassifications

Certain items in 2005 have been reclassified to conform to the current year presentation.

MOUNT HOLYOKE COLLEGE

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Statistics

	2006	2001	1996
Unit value of endowment pool	$5.047	$4.334	$3.290
Tuition	$32,430	$25,220	$20,150
Room and board	$9,550	$7,410	$5,950
Student enrollment (FTE)	2,093	2,021	1,869
Faculty (FTE)	195	190	186
Student/faculty ratio	10.7	10.6	10.0
Percent of students receiving Mount Holyoke financial aid	66%	68%	70%
Library collection in volumes	742,014	702,000	649,119
Insured value of physical plant	$816,000,000	$416,000,000	$230,000,000

10 Year Comparison