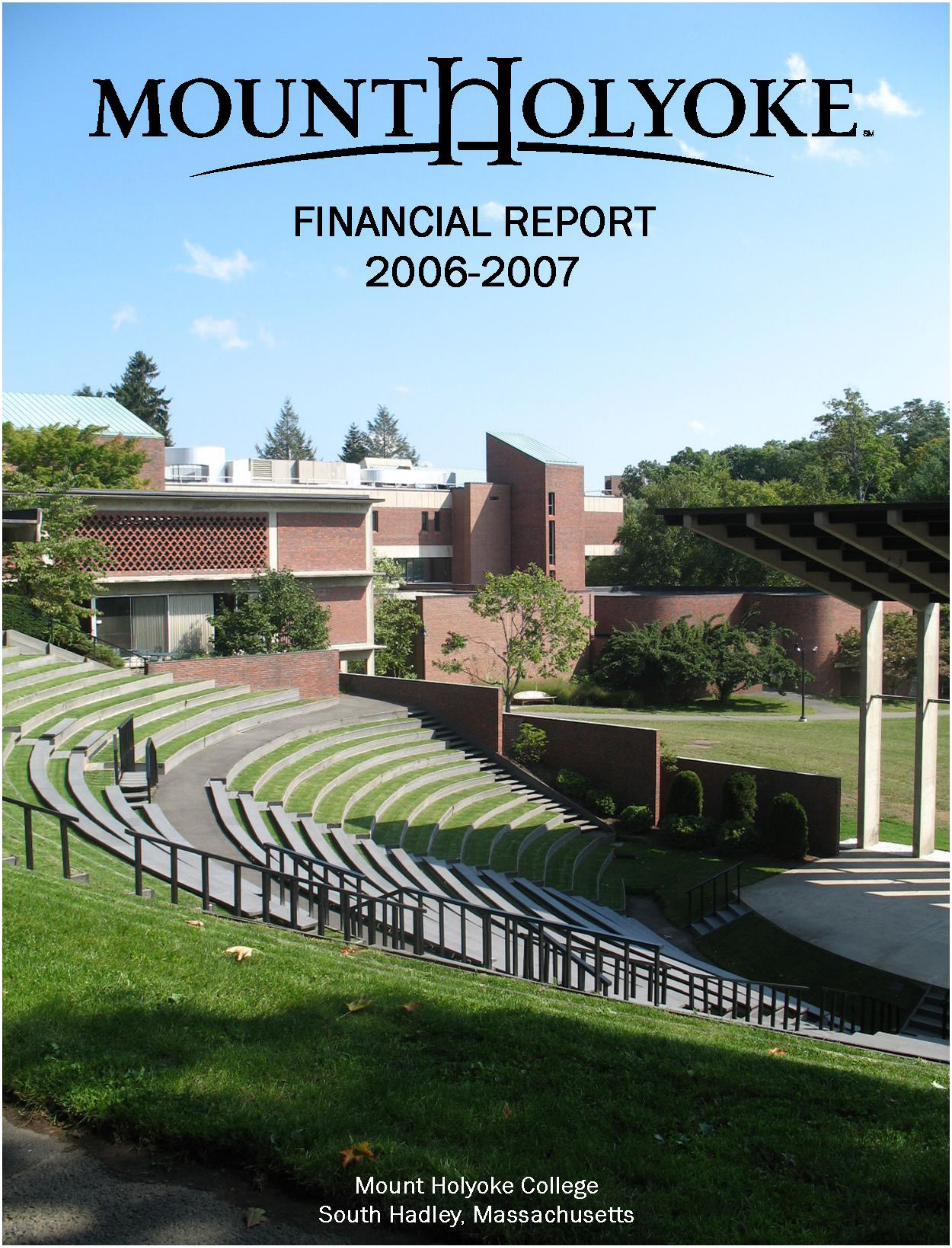
MOUNT HOLYOKE

FINANCIAL REPORT 2006-2007



Mount Holyoke College
South Hadley, Massachusetts

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MOUNT HOLYOKE COLLEGE
Financial Report
2006-07

Narrative

The year ending June 30, 2007, was a strong year financially for Mount Holyoke. In addition to achieving a small operating surplus, the College also saw significant increases in endowment market value and net asset levels.

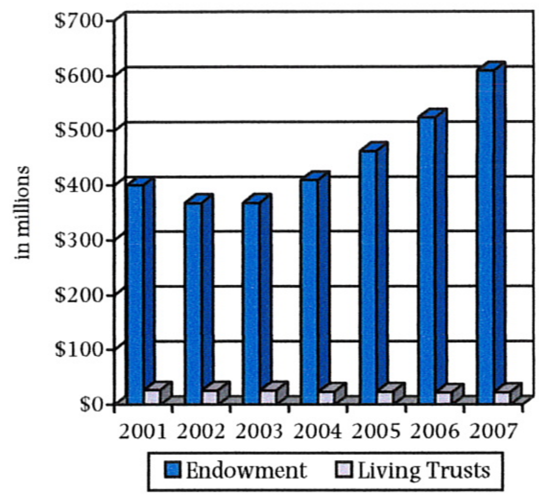
Two important priorities of the College this past year have been the continuation of the current $300 million fundraising campaign and the planning and construction of the facilities projects that are part of the campaign. The new 176 bed residence hall is under construction and is on target to open for fall 2008. Improvements to the College's outdoor athletic facilities, including a new track, artificial turf field and lights, were completed this fall and an addition to Kendall Hall to expand the fitness center and improve the Dance Department spaces is in the final planning stages.

Statement of Financial Position

The Statement of Financial Position reports the College's assets, liabilities and net assets for the year. Total assets grew 19.5 percent, increasing from $722.1 million in 2005-06 to $862.8 million in 2006-07. The primary area of asset growth was investments, resulting from strong market returns. Cash and cash equivalents were higher than the previous year due to the reimbursement of accumulated construction funding from the tax-exempt bond issue completed in August 2006. Contributions receivable also increased, reflecting the activity of the fundraising campaign.

The market value of endowment rose to $608.7 million in 2006-07, representing a total return of 19.8 percent. Life income funds increased to $22.8 million, reflecting the activity of the current fundraising campaign.

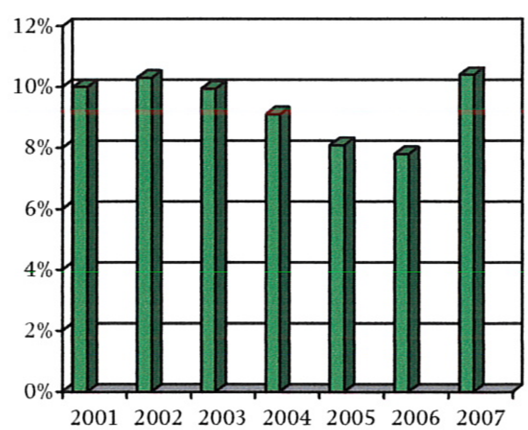
Market Value of Investments



Total liabilities increased by $37.9 million due primarily to the impact of the $39.8 million tax-exempt debt issue completed in August 2006. Notes payable, which had been used to support bridge financing for construction in anticipation of the debt issue, decreased by $4.0 million.

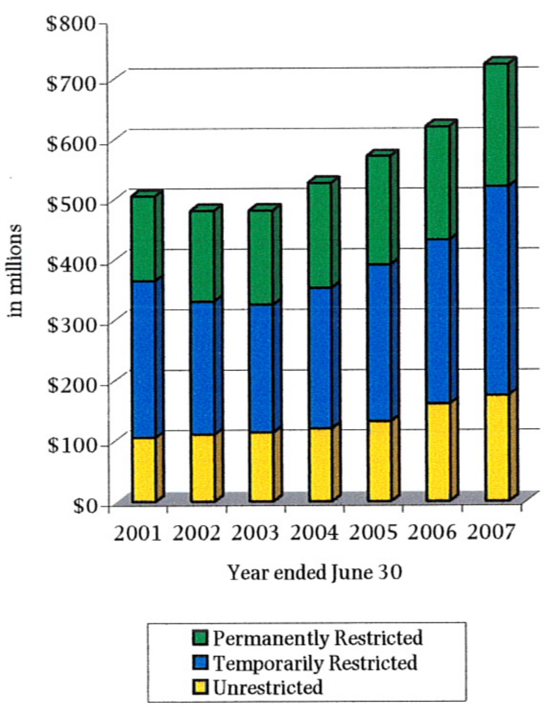
The ratio of debt as a percentage of total assets increased, from 7.8 percent in 2005-06 to 10.4 percent in 2006-07.

Debt to Assets



Mount Holyoke's net assets increased by 16.5 percent, from $620.5 million in 2005-06 to $723.1 million in 2006-07.

Net Assets

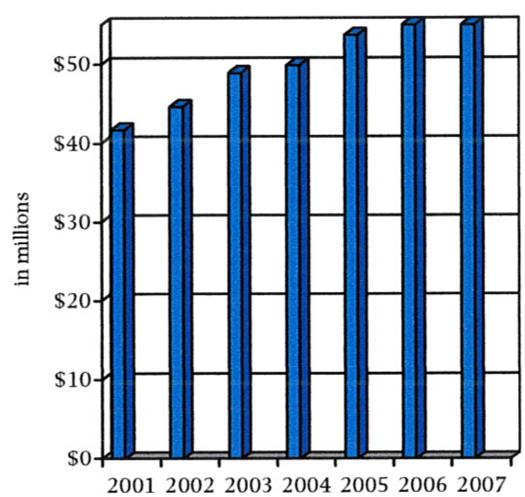


Unrestricted net assets, which provide the institution with the maximum flexibility, increased by 8.6 percent this past year, equaling $175.5 million at June 30, 2007, and representing 24.3 percent of total net assets. Temporarily restricted net assets, a category that includes spendable invested funds whose restricted purposes have not yet been met and undistributed gains from endowment, represented 47.7 percent of total net assets and ended the year at $345.1 million, up $74.2 million from the June 30, 2006 level. Permanently restricted net assets, representing the original principal value of true endowment funds, were 28.0 percent of total net assets and ended the year at $202.6 million, up $14.6 million from the prior year.

<u>Statement of Activities</u>

The Statement of Activities presents the College's revenues and expenses for 2006-07 and reports the changes in net assets during the year. The overall results of operations for 2006-07 was an increase of $3.6 million. Operating revenues increased by $15.9 million, primarily in net student charges, contributions and change in split-interest agreements. Revenue from net student charges (tuition, room and board less financial aid) increased by $4.4 million, up 7.7 percent. The cost of financial aid increased to $32.0 million, up from $31.0 million in 2005-06.

Net Student Charges



Expenses were up 4.8 percent during 2006-07. The pattern of expenditures emphasizes the College's core priorities—instruction and research, academic support and libraries, and student services—with only 12.9 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 2006-07 by $37.5 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 $15.8 million in 2006-07, with the largest change being the realized and unrealized gains on investments. Cash flow from investing activities represented a net use of $24.3 million, up from $8.9 million the previous year, again reflecting the flows of investment purchases and sales. Cash from financing activities provided a $50.3 million net addition to cash, resulting from the tax-exempt bond issue.

Overall, cash and cash equivalents at the end of 2006-07 were $15.9 million, compared with $5.7 million at June 30, 2006.

KPMG LLP
One Financial Plaza
Hartford, CT 06103-4103

Independent Auditors' Report

The Board of Trustees
Mount Holyoke College:

We have audited the accompanying statements of financial position of Mount Holyoke College (the College) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. 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 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the 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 audits provide 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 18, 2007

MOUNT HOLYOKE COLLEGE
Statement of Financial Position
June 30, 2007 and 2006 (in thousands)

	2007	2006
Assets		
Cash and cash equivalents	$ 15,858	$ 5,684
Short-term investments	139	447
Accounts and notes receivable, net	3,010	3,648
Contributions receivable, net	24,805	19,132
Inventory, prepaid expenses and deferred charges	3,606	2,015
Student loans, net	15,813	15,452
Funds held by trustee under bond indenture	9,660	3,598
Land, buildings, equipment and collections, net	155,994	140,657
Investments	632,384	530,238
Other assets	1,504	1,255
Total assets	$ 862,773	$ 722,126
Liabilities and net assets		
Accounts payable and accrued liabilities	12,367	8,180
Deposits and deferred revenue	3,429	3,780
Split-interest obligations	19,645	18,890
Bonds payable	89,723	52,229
Notes payable	0	4,000
Other liabilities	9,901	10,009
Refundable advances — government student loan funds	4,569	4,567
Total liabilities	139,634	101,655
Net assets		
Unrestricted	175,463	161,605
Temporarily restricted	345,117	270,908
Permanently restricted	202,559	187,958
Total net assets	723,139	620,471
Total liabilities and net assets	$ 862,773	$ 722,126

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2007
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Student tuition, room, board and other fees	$ 93,243			$ 93,243
Less student aid	(32,038)			(32,038)
	61,205			61,205
Contributions	9,362	$ 9,474	$ 723	19,559
Grants and contracts	2,790	390		3,180
Other revenue	5,235		3	5,238
Change in value of split-interest agreements	258	135	414	807
Endowment return distributed for operations	3,636	14,617	40	18,293
Other auxiliary income	3,244			3,244
Net assets released from program restrictions	20,150	(20,150)		
Other changes		24		24
	105,880	4,490	1,180	111,550
Expenses				
Instruction and research	48,642			48,642
Academic support and libraries	13,223			13,223
Student services, residence halls and food service	29,601			29,601
Fund raising and alumnae relations	6,919			6,919
Institutional support	7,360			7,360
Other auxiliary expense	5,162			5,162
Other deductions	2			2
	110,909			110,909
Transfers from/(to) endowment	2,998	(2)		2,996
	(2,031)	4,488	1,180	3,637
Endowment and similar net assets				
Contributions		169	13,454	13,623
Total endowment investment return	21,350	84,083		105,433
Endowment return distributed for operations	(3,636)	(14,657)		(18,293)
Transfers from/(to) operations	(2,998)		2	(2,996)
Other changes	536	126	(35)	627
	15,252	69,721	13,421	98,394
Total change in net assets before change in accounting principle	13,221	74,209	14,601	102,031
Change in accounting principle	637			637
Total change in net assets	13,858	74,209	14,601	102,668
Net assets, beginning of year	161,605	270,908	187,958	620,471
Net assets, end of year	$ 175,463	$ 345,117	$ 202,559	$ 723,139

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	4,412		62	4,474
Change in value of split-interest agreements		(1,390)	(108)	(1,498)
Endowment return distributed for operations	3,264	12,651		15,915
Other auxiliary income	3,446			3,446
Net assets released from program restrictions	23,874	(23,874)		
Other changes		(122)		(122)
	104,418	(7,811)	(913)	95,694
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 auxiliary expense	5,268			5,268
Other deductions	598			598
	105,788			105,788
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)
Reclass of 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 Cash Flows
For the years ended June 30, 2007 and 2006 (in thousands)

	2007	2006
Cash flow from operating activities		
Increase in net assets	$ 102,668	$ 49,089
Adjustments to reconcile increase in net assets		
to net cash used in operating activities		
Depreciation and amortization	8,760	9,622
Cumulative change of effect in accounting principle	0	6,675
Change in accounting principle	(637)	0
Additional minimum pension liability	0	(1,748)
Change in interest rate swap liability	2	(3,690)
Contributions restricted for investments	(17,532)	(15,323)
Gifts in kind	(963)	(160)
Realized and unrealized gain/loss on split interest agreements	(2,098)	320
Realized and unrealized gains on investments	(103,362)	(64,062)
Gain/Loss on disposal of plant assets	34	(105)
Changes in operating assets and liabilities		
Accounts and notes receivable	638	(399)
Contributions receivable	(5,673)	3,565
Inventory , prepaid expenses and deferred charges	(1,633)	117
Other assets and liabilities	996	1,811
Accounts payable and accrued liabilities	2,559	(247)
Deposits and deferred revenue	(351)	492
Change in split income obligations	755	(2,244)
Net cash used in operating activities	(15,837)	(16,287)
Cash flow from investing activities		
Purchase of plant and equipment	(21,793)	(11,638)
Proceeds from sale of plant assets	288	454
Net change in loans	(361)	(388)
Purchases of investments	(224,101)	(216,214)
Proceeds from sales and maturities of investments	227,415	219,215
Net change in short term investments	308	(296)
Change in construction funds deposited with trustee	(6,062)	(44)
Net cash used in investing activities	(24,306)	(8,911)
Cash flow from financing activities		
Proceeds from contributions for		
Investment in endowment	8,654	11,623
Investment in planned giving	1,747	1,746
Plant and equipment	7,131	1,954
Change in federal student loan funds	2	(8)
Proceeds from bonds and line of credit	40,525	6,000
Bond issuance costs	(727)	0
Payments on bonds payable and line of credit	(7,015)	(4,165)
Net cash provided by financing activities	50,317	17,150
Net change in cash and cash equivalents	10,174	(8,048)
Cash and cash equivalents, beginning of year	5,684	13,732
Cash and cash equivalents, end of year	$ 15,858	$ 5,684
Supplemental disclosure		
Interest paid	$ 3,605	$ 2,579
Fixed asset purchases included in accounts payable	4,157	2,528

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.

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 investments is a reasonable estimate of fair value as of June 30, 2007 and 2006. 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.

Included in the College's investments are 100% ownership interests in Center Redevelopment Corporation (CRC) and Center Business Corporation (CBC). The corporations were formed in 1986 (CRC) and 1987 (CBC) to develop and lease retail, residential and office space at the Village Commons in South Hadley, Massachusetts.

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 less outstanding debt. For fiscal years 2007 and 2006, the College elected to distribute 5.0% and 4.9% respectively of the average of the prior twelve quarter-end market values, as of December 31, 2005 and December 31, 2004, respectively, less outstanding debt.

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

At June 30, 2007 and 2006, the carrying values of the College's cash and cash equivalents, receivables, accounts payable and deposits approximate their fair values based on their short-term maturities. An approximate estimate of the fair values of student receivables administered by the College under federal government loan programs is not practical because the receivables can only be assigned to the U.S. government or its designee.

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, 2007 and 2006.

3. Contributions Receivable

Contributions receivable, at June 30, 2007 and 2006, are summarized as follows (in thousands):

Contributions to be collected:	2007	2006
Within one year	$ 2,611	$ 3,312
In one to five years	16,896	9,574
After five years	18,110	17,889
	37,617	30,775
Less: discount to present value	(11,512)	(10,663)
	26,105	20,112
Less: allowance for uncollectible contributions	(1,300)	(980)
	$ 24,805	$ 19,132

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 $2,475,000 and $2,350,000 at June 30, 2007 and 2006, respectively.

5. Land, Buildings, Equipment and Collections

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

	2007	2006
Land and land improvements	$ 15,424	$12,105
Buildings	171,052	165,113
Vehicles, equipment and furnishings	59,381	56,575
Art and library collections	29,450	27,418
	275,307	261,211
Less accumulated depreciation	(135,335)	(126,891)
	139,972	134,320
Construction in progress	16,022	6,337
	$155,994	$140,657

The College capitalized approximately $288,000 and $165,000 of interest on various construction projects during the years ended June 30, 2007 and 2006, respectively.

Depreciation expense for the College was $8,717,402 and $9,603,241 for the years ended June 30, 2007 and 2006, 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 recognized $6,675,226 as the cumulative effect of change in accounting principle in the statement of activities for the year ended June 30, 2006. Conditional asset retirement obligations of approximately $7,939,000 and $7,685,000 are included within other liabilities on the Statements of Financial Position for the years ended June 30, 2007 and 2006, respectively.

6. Investments

Investments held by the endowment and annuity pool, unpooled funds, life income funds and trusts consist of the following (in thousands) at June 30:

	2007	2006
Pooled fund		
Fixed income securities	$ 68,133	$ 61,624
Domestic securities	147,259	142,843
International equities	121,365	85,156
Hedge funds	121,087	100,161
Private equities	46,731	36,910
Venture capital	20,225	16,464
Distressed securities	11,858	9,549
Inflation hedging	72,030	55,722
	608,688	508,429
Unpooled investments	914	809
Life income and trust investments	22,782	21,000
	$ 632,384	$ 530,238

Outstanding commitments to limited partnership were approximately $93,333,000 and $57,088,000 as of June 30, 2007 and 2006, respectively. These commitments are scheduled to be funded over a number of years.

Included in the preceding table of investments are approximately $104,824,000 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.

The College's total return on invested assets consisted of the following (in thousands) for the years ended June 30:

	2007	2006
Endowment funds		
Investment income	$ 2,071	$ 5,711
Realized and unrealized gains	103,362	64,062
	105,433	69,773
Split interest investments		
Investment income	724	917
Realized and unrealized gains	2,098	(320)
	2,822	597
Total investment return	$ 108,255	$ 70,370

Investment income is presented net of management fees and related expenses of approximately $6,923,000 in 2007 and $4,590,000 in 2006.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following (in thousands) at June 30:

	2007	2006
Investment gains on permanently endowed funds	$ 320,952	$ 252,424
Time restricted funds	7,153	6,505
Alumnae Association net assets	4,401	3,645
Pledges receivable for expendable purposes	1,820	2,653
Expendable gifts restricted for:		
Financial aid and prizes	589	694
Instruction and academic programs	2,365	3,571
Library	46	248
Facilities	6,946	765
Other activities	845	403
	$ 345,117	$ 270,908

8. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following (in thousands) at June 30:

	2007	2006
Permanently restricted pledges receivable	$ 22,810	$ 15,975
Split interest agreements restricted for endowment	7,489	7,771
Student loan funds	1,280	1,228
Permanently endowed funds:		
With no income restrictions	22,554	20,975
With income restricted for:		
Financial aid and prizes	65,247	62,117
Instruction and academic programs	68,644	66,230
Library	4,308	4,123
Facilities	3,102	3,182
Student services	2,127	1,971
Other activities	4,998	4,386
	$ 202,559	$ 187,958

9. 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. There was no amount outstanding as of June 30, 2007 ($4,000,000 was outstanding at June 30, 2006).

10. Bonds Payable

The College's bonds payable as of June 30, 2007 and 2006, are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates	2007	2006
Massachusetts Development Finance Authority (MDFA):				
2001	2008-2032	4.00% - 5.50%	$ 49,545	$ 51,810
Unamortized premium			403	419
2006	2012-2037	Variable	39,775	0
			$ 89,723	$ 52,229

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" as of June 30, 2006. Unexpended borrowings from the 2006 Massachusetts Development Finance Authority issue are included in this line as of June 30, 2007.

The fair value of the bonds payable at June 30, 2007 approximates $92,475,000.

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

2008	$ 1,040
2009	1,085
2010	1,125
2011	1,175
2012	2,125
Thereafter	82,770
	$ 89,320

On July 1, 2004, in connection with the 2001 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 $1,297,000 and $1,282,000 at June 30, 2007 and 2006, respectively. This is included in other liabilities on the Statements of Financial Position.

On May 10, 2005, in connection with the 2001 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 the six month LIBOR, and the College will receive an amount equal to the Bond Market Association Municipal Swap Index rate. This agreement was modified on December 5, 2006 to change the payment from 68% of the six month LIBOR to 60.65% of the ten year LIBOR, effective January 1, 2008. The fair value of the swap agreement was approximately $252,000 and $173,000 at June 30, 2007 and 2006, respectively. This is included in other assets 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. The fair value of the swap agreement was approximately $445,000 and $511,000 at June 30, 2007 and 2006, respectively. This is included in other assets on the Statements of Financial Position.

Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, the instruments' fair value and changes therein must be included in the College's financial statements. The value of the swap instruments represents the estimated cost to the College to cancel the agreement at each reporting date and is based on pricing models that consider interest rates and other market factors. Interest rate volatility, remaining outstanding principal and time to maturity will affect the swaps' fair value at subsequent reporting dates. If the College repays the debt on schedule, the value of the swaps will reach zero at their final maturity.

11. 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 $4,276,000 in 2007 and $4,081,000 in 2006 to the plan.

12. Defined Benefit Pension Plan

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

Obligations and Funded Status

Effective June 30, 2007, the College adopted FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (Statement 158). The following table sets forth (in thousands) changes in the College's pension benefit obligation, plan assets, and funded status at June 30:

	2007	2006
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 9,609	$ 10,139
Service cost	567	674
Interest cost	584	520
Actuarial (gain)/loss	34	(1,389)
Benefits paid	(369)	(335)
Benefit obligation at end of year	$ 10,425	$ 9,609
Change in value of plan assets:		
Fair value of plan assets at beginning of year	$ 8,691	$ 8,071
Actual return on plan assets	1,560	937
Benefits paid	(369)	(335)
Employer contribution	113	18
Fair value of plan assets at end of year	$ 9,995	$ 8,691
Funded status	$ (431)	$ (918)
Unrecognized prior service cost	-	143
Unrecognized net loss	-	2,186
Intangible asset	-	(143)
Cumulative minimum pension liability adjustment	-	(2,091)
Accrued pension liability	$ (431)	$ (823)

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, 2007 and 6.25% at June 30, 2006 and a salary projection rate, which is the estimated rate at which salaries will increase, of 4.0% for the years ended June 30, 2007 and 2006.

Prior to Statement 158, a minimum pension liability adjustment was required when the actuarial present value of a plan's accumulated benefit obligation (ABO) exceeded plan assets and accrued pension liabilities. As of the June 30, 2006 measurement date, the ABO exceeded plan assets by $823,054. This amount was recorded as a liability, with an intangible asset equal to the unrecognized prior service cost of $142,915 at June 30, 2006. The cumulative minimum pension liability adjustment at June 30, 2006 of $2,091,007 was recorded as a reduction of unrestricted net assets.

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, 2007 and 5.25% for the year ended June 30, 2006; a salary projection rate, which is the estimated rate at which salaries will increase, of 4.0% for the years ended June 30, 2007 and June 30, 2006; 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, 2007 and June 30, 2006.

Net pension cost for the years ended June 30, 2007 and 2006 includes the following components (in thousands):

	2007	2006
Service cost earned during the period	$ 568	$ 674
Interest cost on projected benefit obligation	584	520
Amortization of prior service cost	16	16
Amortization of net loss	88	207
Expected return on assets	(756)	(702)
Net pension cost	$ 500	$ 715
Decrease in liability included in change in net assets	$ (637)	$ (1,748)

Plan Assets

The plan's asset allocations at June 30, 2007 and 2006 by asset category are as follows:

Asset Category	Plan Assets at June 30 2007	2006	Target Investment %
Equity securities	73.5%	69.9%	72%
Debt securities	11.8	12.2	12
Cash	1.0	1.7	1
Other	13.7	16.2	15
Total	100.0%	100.0%	100%

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 an estimated minimum required contribution of $250,000 to the defined benefit pension plan for the year ending June 30, 2008.

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

2008	$ 328
2009	728
2010	411
2011	481
2012	234
2013-2017	$ 2,944

13. 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 $467,500 and $0 for the years ended June 30, 2007 and June 30, 2006, respectively.

14. Reclassifications

Certain items in 2006 have been reclassified to conform to the current year presentation.

MOUNT HOLYOKE COLLEGE

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Statistics

	2007	2002	1997
Market value of investment pool	$615,033,778	$367,857,016	$302,289,887
Endowment total return	19.8%	-4.2%	17.0%
Unit value of endowment pool	$5.868	$3.945	$3.680
Tuition	$34,080	$26,250	$21,250
Room and board	$10,040	$7,720	$6,250
Student enrollment (FTE)	2,181	2,001	1,856
Faculty (FTE)	197	192	186
Student/faculty ratio	11.1	10.4	10.0
Percent of students receiving Mount Holyoke financial aid	63%	68%	70%
Library collection in volumes	755,981	717,648	662,371
Insured value of physical plant	$861,000,000	$459,000,000	$245,000,000

10 Year Comparison