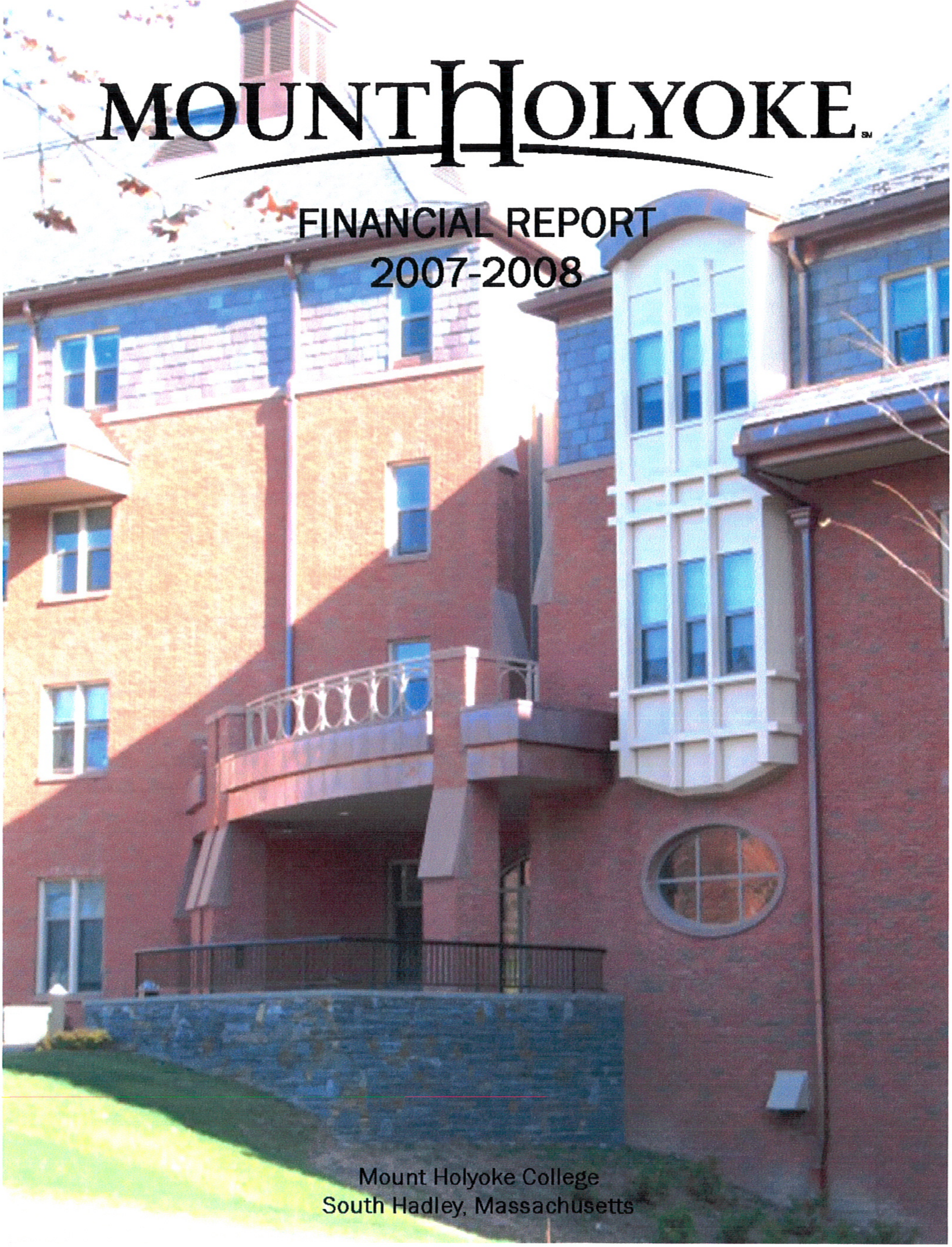
MOUNT HOLYOKE

FINANCIAL REPORT
2007-2008



Mount Holyoke College
South Hadley, Massachusetts

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MOUNT HOLYOKE COLLEGE
Financial Report
2007-08

Narrative

The year ending June 30, 2008, was another strong year financially for Mount Holyoke. In addition to achieving an operating surplus, the College also saw increases in endowment market value and net asset levels.

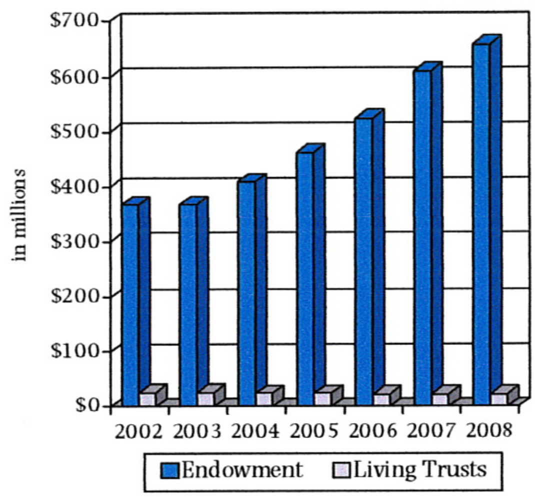
Two important priorities of the College this past year have been the continuation of the current $300 million fundraising campaign and the planning and construction of the facilities projects that are part of the campaign. The new 176 bed residence hall opened on schedule during the summer of 2008. An addition to Kendall Hall to expand the fitness center and improve the Dance Department spaces is under construction and expected to be completed in August 2009.

Statement of Financial Position

The Statement of Financial Position reports the College's assets, liabilities and net assets for the year. Total assets grew 7.3 percent, increasing from $862.8 million in 2006-07 to $926.0 million in 2007-08. 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 bridge financing for campaign funded capital projects and an increase in capital calls in the endowment. Contributions receivable increased, reflecting the activity of the fundraising campaign. Land, buildings, equipment and collections values increased, reflecting the completion of the new residence hall.

The market value of the endowment investment pool rose to $658.4 million in 2007-08, representing a total return of 7.9 percent. Life income funds declined slightly to $23.0 million.

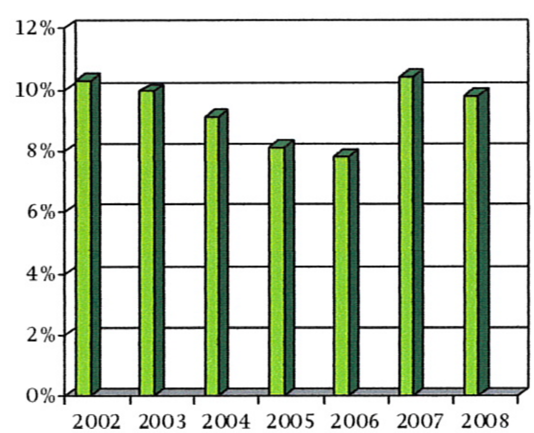
Market Value of Investments



Total liabilities increased slightly to $144.7 million due to increases in notes payable, interest rate swap liability and the liability associated with fixed asset retirement under FIN 47.

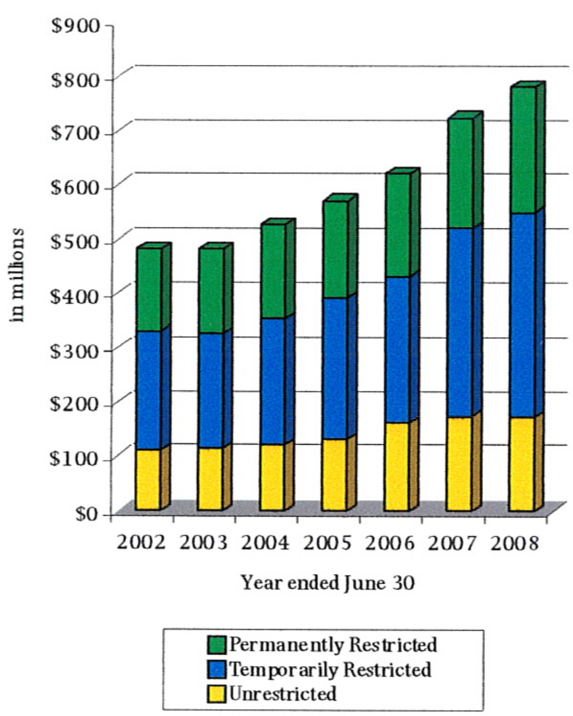
The ratio of debt as a percentage of total assets decreased, from 10.4 percent in 2006-07 to 9.8 percent in 2007-08.

Debt to Assets



Mount Holyoke's net assets increased by 8.0 percent, from $723.1 million in 2006-07 to $781.3 million in 2007-08.

Net Assets

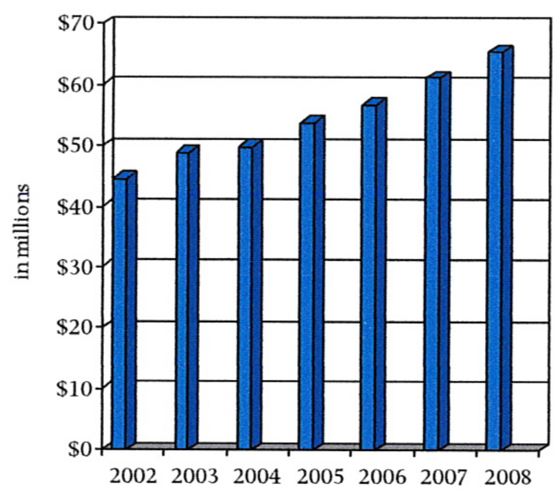


Unrestricted net assets, which provide the institution with the maximum flexibility, decreased slightly this past year from $175.5 million at June 30, 2007 to $174.4 million at June 30, 2008, and represented 22.3 percent of total net assets. Temporarily restricted net assets, a category that includes spendable invested funds whose restricted purposes have not yet been met and undistributed gains from endowment, represented 48.0 percent of total net assets and ended the year at $375.0 million, up $29.8 million from the June 30, 2007 level. Permanently restricted net assets, representing the original principal value of true endowment funds, were 29.7 percent of total net assets and ended the year at $232.0 million, up $29.4 million from the prior year.

Statement of Activities

The Statement of Activities presents the College's revenues and expenses for 2007-08 and reports the changes in net assets during the year. The overall results of operation for 2007-08 was an increase of $15.7 million. Operating revenues increased by $14.0 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 $4.2 million, up 6.9 percent. The cost of financial aid increased to $34.9 million, up from $32.0 million in 2006-07.

Net Student Charges



Expenses were up 4.7 percent during 2007-08. The pattern of expenditures emphasizes the College's core priorities—instruction and research, academic support and libraries, and student services—with only 12.3 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 2007-08 by $47.0 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 $14.2 million in 2007-08, with the largest change being the realized and unrealized gains on investments. Cash flow from investing activities represented a net use of $20.9 million, down from $23.5 million the previous year, again reflecting the flows of investment purchases and sales. Cash from financing activities provided a $28.9 million net addition to cash.

Overall, cash and cash equivalents at the end of 2007-08 were $8.7 million, compared with $14.8 million at June 30, 2007.

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, 2008 and 2007, 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 also 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, 2008 and 2007 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 21, 2008

MOUNT HOLYOKE COLLEGE
Statements of Financial Position
June 30, 2008 and 2007 (in thousands)

	2008	2007
Assets		
Cash and cash equivalents	$ 8,656	$ 14,841
Short-term investments	1,169	1,156
Accounts and notes receivable, net	2,961	3,010
Contributions receivable, net	36,279	24,805
Inventory, prepaid expenses and deferred charges	3,641	3,606
Student loans, net	16,736	15,813
Funds held by trustee under bond indenture	90	9,660
Land, buildings, equipment and collections, net	176,463	155,994
Investments	678,708	632,384
Other assets	1,314	1,504
Total assets	$ 926,017	$ 862,773
Liabilities and net assets		
Accounts payable and accrued liabilities	12,048	12,367
Deposits and deferred revenue	2,597	3,429
Split-interest obligations	19,687	19,645
Notes payable	1,500	0
Bonds payable	89,122	89,723
Other liabilities	15,160	9,901
Refundable advances — government student loan funds	4,556	4,569
Total liabilities	144,670	139,634
Net assets		
Unrestricted	174,417	175,463
Temporarily restricted	374,962	345,117
Permanently restricted	231,968	202,559
Total net assets	781,347	723,139
Total liabilities and net assets	$ 926,017	$ 862,773

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2008
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Student tuition, room, board and other fees	$ 100,336			$ 100,336
Less student aid	(34,912)			(34,912)
	65,424			65,424
Contributions	8,127	$ 13,689	$ 4,649	26,465
Grants and contracts	2,809	314		3,123
Other revenue	6,987	38	933	7,958
Change in value of split-interest agreements	32	(118)	309	223
Endowment return distributed for operations	3,671	15,472	44	19,187
Other auxiliary income	3,218			3,218
Net assets released from program restrictions	23,218	(23,218)		
	113,486	6,177	5,935	125,598
Expenses				
Instruction and research	52,260			52,260
Academic support and libraries	13,917			13,917
Student services, residence halls and food service	29,673			29,673
Fund raising and alumnae relations	7,226			7,226
Institutional support	7,061			7,061
Other auxiliary expense	5,989			5,989
	116,126			116,126
Transfers from/(to) endowment	6,218	(12)		6,206
	3,578	6,165	5,935	15,678
Endowment and similar net assets				
Contributions		54	22,893	22,947
Total endowment investment return	11,230	39,166	(9)	50,387
Endowment return distributed for operations	(3,671)	(15,516)		(19,187)
Transfers from/(to) operations	(6,218)		12	(6,206)
Other changes	(1,505)	(24)	578	(951)
	(164)	23,680	23,474	46,990
Total change in net assets before change in value of interest rate swap and loss on debt refinancing	3,414	29,845	29,409	62,668
Change in value of interest rate swaps	(3,772)			(3,772)
Loss on refinancing of debt	(688)			(688)
Total change in net assets	(1,046)	29,845	29,409	58,208
Net assets, beginning of year	175,463	345,117	202,559	723,139
Net assets, end of year	$ 174,417	$ 374,962	$ 231,968	$ 781,347

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	24	3	5,262
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)		
	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
	110,907			110,907
Transfers from/(to) endowment	2,998	(2)		2,996
	(2,029)	4,488	1,180	3,639
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 value of interest rate swap and change in accounting princi	13,223	74,209	14,601	102,033
Change in value of interest rate swaps	(2)			(2)
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
Statements of Cash Flows
For the years ended June 30, 2008 and 2007 (in thousands)

	2008	2007
Cash flow from operating activities		
Increase in net assets	$ 58,208	$ 102,668
Adjustments to reconcile increase in net assets		
to net cash used in operating activities		
Depreciation and amortization	10,180	8,760
Loss on refinancing of debt	688	-
Change in accounting principle	-	(637)
Change in interest rate swap liability	3,772	2
Contributions restricted for investments	(28,500)	(17,532)
Gifts in kind	(573)	(963)
Realized and unrealized gain/loss on split interest agreements	466	(2,098)
Realized and unrealized gains on investments	(48,526)	(103,362)
(Gain)/loss on disposal of plant assets	(427)	34
Changes in operating assets and liabilities		
Accounts and notes receivable	49	638
Contributions receivable	(11,474)	(5,673)
Inventory, prepaid expenses and deferred charges	(313)	(1,633)
Other assets and liabilities	1,676	996
Accounts payable and accrued liabilities	1,341	2,559
Deposits and deferred revenue	(832)	(351)
Change in split income obligations	42	755
Net cash used in operating activities	(14,223)	(15,837)
Cash flow from investing activities		
Purchase of plant and equipment	(32,411)	(21,793)
Proceeds from sale of plant assets	1,146	288
Net change in loans	(923)	(361)
Purchases of investments	(83,334)	(224,101)
Proceeds from sales and maturities of investments	85,070	227,415
Purchases of short-term investments	(90,033)	(100,916)
Proceeds from sales and maturities of short-term investments	90,020	102,031
Change in construction funds deposited with trustee	9,570	(6,062)
Net cash used in investing activities	(20,895)	(23,499)
Cash flow from financing activities		
Proceeds from contributions for		
Investment in endowment	17,834	8,654
Investment in planned giving	2,930	1,747
Plant and equipment	7,736	7,131
Change in federal student loan funds	(13)	2
Proceeds from bonds and line of credit	41,714	40,525
Bond issuance costs	(453)	(727)
Payments on bonds payable and line of credit	(40,815)	(7,015)
Net cash provided by financing activities	28,933	50,317
Net change in cash and cash equivalents	(6,185)	10,981
Cash and cash equivalents, beginning of year	14,841	3,860
Cash and cash equivalents, end of year	$ 8,656	$ 14,841
Interest paid	$ 3,311	$ 3,605
Fixed asset purchases included in accounts payable	2,497	4,157

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.

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. Income Taxes

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.

Effective July 1, 2007, the College adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FIN 48 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. The adoption of FIN 48 had no impact on the College's financial statements.

f. Investments

The College's portfolio is managed by outside investment managers who invest according to the investment guidelines established by the Finance Committee of the Board of Trustees and the Investment Subcommittee. Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. College management is responsible for the fair measurement of investment values as reported in the financial statements. The College has implemented policies and procedures to assess the reasonableness of the fair values provided. Because of the inherent uncertainty of valuation for these investments, the estimate of the investment manager or general partner may differ from the values that would have been used had a ready market existed, and the differences could be significant. The College believes that reported fair values of its nonmarketable securities at the balance sheet dates are reasonable. The market value of publicly traded securities is based upon quotes from the principal exchanges on which the security is traded. Nonmarketable securities include alternative investments such as private equity, venture capital, hedge funds, natural resources partnerships, and distressed securities, which are valued using current estimates of fair value obtained from the general partner or investment manager in the absence of readily determinable public market values. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, including comparison of earnings multiples of comparable companies, cash flow analysis, recent sales prices of investments and other pertinent information. The investment agreements' underlying participation in nonmarketable investment funds may limit the College's ability to liquidate its interest in such assets for a period of time.

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.

g. 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 4.5% to 5.5% of a twelve quarter average market value less outstanding debt. For fiscal years 2008 and 2007, the College elected to distribute 4.6% and 5.0% respectively of the average of the prior twelve quarter-end market values, as of December 31, 2006 and December 31, 2005, respectively, less outstanding debt.

h. 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.

i. Fair Value of Financial Instruments

At June 30, 2008 and 2007, 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.

j. Statements 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.

k. Upcoming Accounting Pronouncements

In September 2006, the Statement of Financial Accounting Standards No. 157, *Fair Value Measurement* (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. This standard expands the disclosure that is required for the use of fair value measure assets and liabilities. The new disclosure will focus on the inputs used to measure fair value and the effect, if any, on the measurement of changes in net assets for the period. The College will adopt this standard in its financial statements for the year ended June 30, 2009.

In August 2008, FASB Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP that pertains to the College is a requirement for expanded disclosures for all endowment funds. The College will adopt this standard in its financial statements for the year ended June 30, 2009.

2. Accounts and Notes Receivable

Accounts, including student accounts, and notes receivable are net of an allowance for doubtful accounts of $400,000 and $450,000 at June 30, 2008 and 2007, respectively.

3. Contributions Receivable

Contributions receivable, at June 30, 2008 and 2007, are summarized as follows (in thousands):

Contributions to be collected:	2008	2007
Within one year	$ 2,579	$ 2,611
In one to five years	22,337	16,896
After five years	22,412	18,110
	47,328	37,617
Less: discount to present value	(9,149)	(11,512)
	38,179	26,105
Less: allowance for uncollectible contributions	(1,900)	(1,300)
	$ 36,279	$ 24,805

Discount rates for contributions receivable range from 3.3% 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 $2,500,000 and $2,475,000 at June 30, 2008 and 2007, respectively.

5. Land, Buildings, Equipment and Collections

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

	2008	2007
Land and land improvements	$ 21,549	$15,424
Buildings	172,933	171,052
Vehicles, equipment and furnishings	63,196	59,381
Art and library collections	31,209	29,450
	288,887	275,307
Less accumulated depreciation	(145,221)	(135,335)
	143,666	139,972
Construction in progress	32,797	16,022
	$176,463	$155,994

The College capitalized approximately $668,000 and $288,000 of interest on various construction projects during the years ended June 30, 2008 and 2007, respectively.

Depreciation expense for the College was $10,136,626 and $8,717,402 for the years ended June 30, 2008 and 2007, 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. Conditional asset retirement obligations of approximately $8,201,000 and $7,939,000 are included within other liabilities on the Statements of Financial Position for the years ended June 30, 2008 and 2007, 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:

	2008	2007
Pooled fund		
Fixed income securities	$ 82,538	$ 68,133
Domestic equities	138,692	147,259
International equities	100,809	121,365
Hedge funds	122,340	121,087
Private equities	60,223	46,731
Venture capital	22,707	20,225
Distressed securities	22,469	11,858
Inflation hedging	105,979	72,030
	655,757	608,688
Unpooled investments	827	914
Life income and trust investments	22,124	22,782
	$ 678,708	$ 632,384

Outstanding commitments to limited partnership were approximately $102,298,000 and $93,333,000 as of June 30, 2008 and 2007, respectively. These commitments are scheduled to be funded over a number of years.

Included in the preceding table of investments are approximately $132,336,000 and $109,506,000 of investments as of June 30, 2008 and June 30, 2007 respectively, 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:

	2008	2007
Endowment funds		
Investment income	$ 1,861	$ 2,071
Realized and unrealized gains	48,526	103,362
	50,387	105,433
Split interest investments		
Investment income	807	724
Realized and unrealized gains	(466)	2,098
	341	2,822
Total investment return	$ 50,728	$ 108,255

Investment income is presented net of management fees and related expenses of approximately $7,703,000 in 2008 and $6,923,000 in 2007.

7. Temporarily Restricted Net Assets

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

	2008	2007
Investment gains on permanently endowed funds	$ 344,065	$ 320,952
Time restricted funds	7,238	7,153
Alumnae Association net assets	4,793	4,401
Pledges receivable for expendable purposes	3,902	1,820
Expendable gifts restricted for:		
Financial aid and prizes	657	589
Instruction and academic programs	1,979	2,365
Library	50	46
Facilities	11,859	6,946
Other activities	419	845
	$ 374,962	$ 345,117

8. Permanently Restricted Net Assets

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

	2008	2007
Permanently restricted pledges receivable	$ 32,378	$ 22,810
Split interest agreements restricted for endowment	9,290	7,489
Student loan funds	1,327	1,280
Permanently endowed funds:		
With no income restrictions	23,149	22,554
With income restricted for:		
Financial aid and prizes	72,028	65,247
Instruction and academic programs	77,021	68,644
Library	4,321	4,308
Facilities	3,102	3,102
Student services	2,285	2,127
Other activities	7,067	4,998
	$ 231,968	$ 202,559

9. Promissory Notes

The College has an uncollateralized demand line of credit available in the amount of $10,000,000 through February 15, 2009, at an interest rate equal to LIBOR plus 75 basis points, or the prime rate less 150 basis points. There was $1,500,000 outstanding at June 30, 2008 (no amount was outstanding at June 30, 2007).

10. Bonds Payable

The College's bonds payable as of June 30, 2008 and 2007 are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates	2008	2007
Massachusetts Development Finance Authority (MDFA):				
2001	2008-2032	4.00% - 5.50%	$ 48,505	$ 49,545
Unamortized premium			386	403
2006	2012-2037	Variable		39,775
2008	2012-2037	2.30%-5.00%	39,765	
Unamortized premium			466	
			$ 89,122	$ 89,723

During the year ended June 30, 2008, the College issued Massachusetts Development Finance Authority bonds, Series 2008. The proceeds were used to refund Massachusetts Development Finance Authority bonds, Series 2006. The College entered into this refinancing due to turmoil in the auction rate securities market, which was affecting both the interest rate paid and the College's ability to market these bonds. The refinancing resulted in a loss of approximately $688,000.

Debt service payments are made to a Trustee under terms of the bond agreements. The balance of redemption funds from the 2006 issue to be used towards debt service are represented in the line "Funds held by trustee under bond indenture" on the Statements of Financial Position. 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, 2008 approximates $93,136,000.

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

2009	$ 1,085
2010	1,885
2011	1,965
2012	2,035
2013	2,115
Thereafter	79,185
	$ 88,270

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 $3,132,000 and $1,297,000 at June 30, 2008 and 2007, 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 the College will pay an amount equal to the Securities Industry and Financial Markets Association Municipal Swap Index rate, and the College will receive an amount equal to 68% of the six month LIBOR plus 46 basis points. This agreement was modified on December 21, 2007 to change the payment to the College to 68% of the six month LIBOR plus 75 basis points from January 1, 2008 to December 31, 2009 and to 60.65% of the ten year LIBOR plus 46 basis points from January 1, 2010 to June 30, 2031. The fair value of the swap agreement was approximately $363,000 and $252,000 at June 30, 2008 and 2007, respectively. This is included in other assets on the Statements of Financial Position.

On November 4, 2005, in anticipation of issuing the Massachusetts Development Finance Authority bonds, Series 2006, 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 a liability of approximately $1,604,000 at June 30, 2008 and an asset of approximately $445,000 at June 30, 2007. The liability is included with other liabilities on the Statements of Financial Position, and the asset 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.

Subsequent to June 30, 2008, the financial markets in the United States have experienced significant turmoil. The College has, as part of its management of debt, entered into various swap agreements as discussed. The continued effectiveness of these swaps will be contingent upon the ability of the counterparty to meet its contractual obligations under these agreements.

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 $4,488,000 in 2008 and $4,276,000 in 2007 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 impact of adopting this principle resulted in an expense of approximately $637,000 for the year ending June 30, 2007.

The following table sets forth (in thousands) changes in the College's pension benefit obligation, plan assets, and funded status at June 30:

	2008	2007
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 10,425	$ 9,609
Service cost	582	567
Interest cost	610	584
Actuarial (gain)/loss	(233)	34
Benefits paid	(471)	(369)
Benefit obligation at end of year	$ 10,913	$ 10,425
Change in value of plan assets:		
Fair value of plan assets at beginning of year	$ 9,995	$ 8,691
Actual return on plan assets	(611)	1,560
Benefits paid	(471)	(369)
Employer contribution	48	113
Fair value of plan assets at end of year	$ 8,961	$ 9,995
Funded status	$ (1,952)	$ (431)

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, 2008 and June 30, 2007 and a salary projection rate, which is the estimated rate at which salaries will increase, of 4.0% for the years ended June 30, 2008 and 2007. The balance of the unfunded status is included in other liabilities on the Statements of Financial Position.

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 years ended June 30, 2008 and June 30, 2007; a salary projection rate, which is the estimated rate at which salaries will increase, of 4.0% for the years ended June 30, 2008 and June 30, 2007; 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, 2008 and June 30, 2007.

Net pension cost for the years ended June 30, 2008 and 2007 includes the following components (in thousands):

	2008	2007
Service cost earned during the period	$ 582	$ 568
Interest cost on projected benefit obligation	610	584
Amortization of prior service cost	16	16
Amortization of net loss		88
Expected return on assets	(869)	(756)
Net pension cost	$ 339	$ 500
Increase/(decrease) in liability included in change in net assets	$ 1,521	$ (637)

Plan Assets

The plan's asset allocations at June 30, 2008 and 2007 by asset category are as follows:

Asset Category	Plan Assets at June 30 2008	2007	Target Investment % 2008	2007
Equity securities	69.7%	73.5%	64%	72%
Debt securities	14.9	11.8	14	12
Cash	1.0	1.0	1	1
Other	14.4	13.7	21	15
Total	100.0%	100.0%	100%	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 $800,000 to the defined benefit pension plan for the year ending June 30, 2009.

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

2009	$ 366
2010	832
2011	473
2012	556
2013	231
2014-2018	$ 3,925

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 $0 and $467,500 for the years ended June 30, 2008 and June 30, 2007, respectively.

14. Reclassifications

Certain items in 2007 have been reclassified to conform to the current year presentation.

The College is an investor in the Commonfund for Short-Term Investments (the Fund). On September 29, 2008, the College was notified that Wachovia Bank, N.A., as trustee of the Fund, would resign as trustee, initiate the termination of the Fund, and establish procedures to liquidate and distribute the

Fund's net assets over a period of time. As of October 21, 2008, the College had $1,383,024 remaining in the Fund. The College believes that the Fund's liquidation and distribution plans will not impede its ability to meet near- and long-term obligations, which will be satisfied if necessary through alternative financial resources.

Due to the nature of the Fund's underlying holdings and the nature of the commercial paper's liquidity, the College has classified its holdings of $766,970 therein as of June 30, 2008 as a short-term investment and reclassified its holdings of $1,016,906 therein as of June 30, 2007 from cash and cash equivalents to short-term investments.

MOUNT HOLYOKE COLLEGE

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Statistics

	2008	2003	1998
Market value of investment pool	$658,357,000	$367,571,000	$335,446,000
Endowment total return	7.9%	2.7%	11.9%
Unit value of endowment pool	$6.146	$3.853	$3.945
Tuition	$35,760	$27,540	$22,200
Room and board	$10,520	$8,100	$6,525
Student enrollment (FTE)	2,181	2,160	1,825
Faculty (FTE)	196	195	183
Student/faculty ratio	11.1	11.1	10.0
Percent of students receiving Mount Holyoke financial aid	66%	68%	68%
Library collection in volumes	788,861	709,613	672,000
Insured value of physical plant	$912,000,000	$468,000,000	$357,000,000

10 Year Comparison