MOUNT HOLYOKE

ANNUAL FINANCIAL REPORT
June 30, 2010 and 2009

Mount Holyoke College
South Hadley, Massachusetts

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MOUNT HOLYOKE COLLEGE
Annual Financial Report
2009-10

Narrative

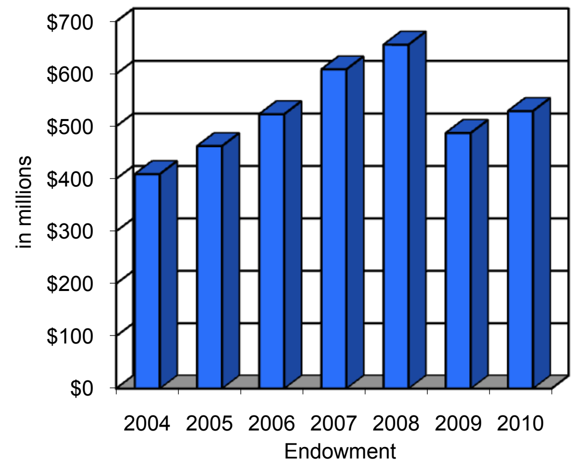
The year ending June 30, 2010, was a better year than expected as Mount Holyoke continued to cope with the most severe financial downturn in decades. Operating revenue improved, both compared with the previous year and compared with the budgeted levels. Together with rigorous expense control, this allowed the College to end the year strongly. Large capital projects continue to be deferred, although work continues on maintenance, energy conservation and space reconfigurations that permit operating budget reductions.

Statement of Financial Position

The Statement of Financial Position reports the College's assets, liabilities and net assets for the year. Total assets increased by 4.2 percent, from $753.8 million in 2008-09 to $785.1 million in 2009-10. Investments represented the majority of the change, increasing by $33.2 million. Cash and cash equivalents were higher by $1.1 million and contributions receivable were lower by $2.3 million, reflecting both the net collection of some outstanding pledges and the continued difficult environment for donors. Land, buildings, equipment and collections values declined slightly, reflecting the slowing of investment in physical facilities and technology.

The market value of the endowment investment pool increased to $529.2 million in 2009-10, representing a total return of 10.1 percent.

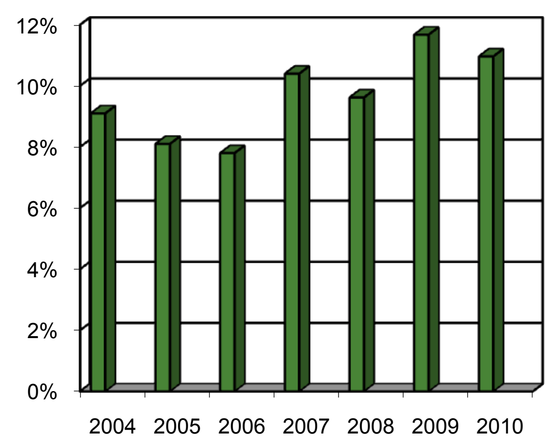
Market Value of Investments



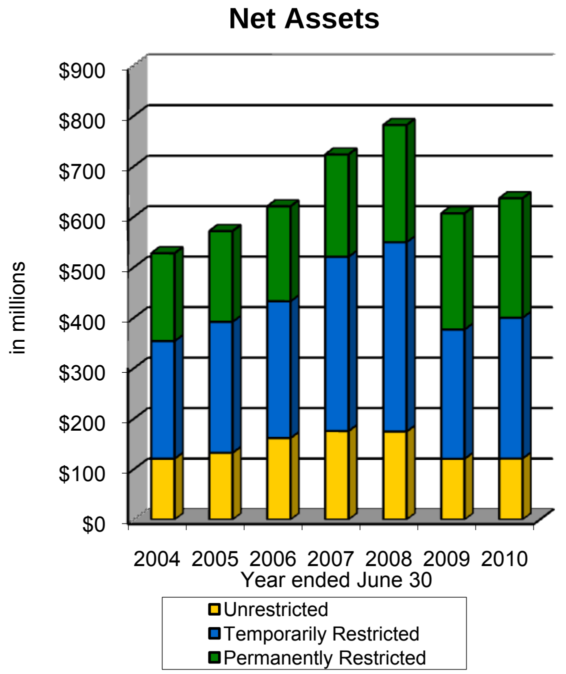
Total liabilities increased slightly to $148.7 million due to increases in interest rate swap liabilities, offset by reductions in accounts payable and bonds payable.

The ratio of long term debt as a percentage of total assets decreased from 11.7 percent in 2008-09 to 11.0 percent in 2009-10.

Debt to Assets



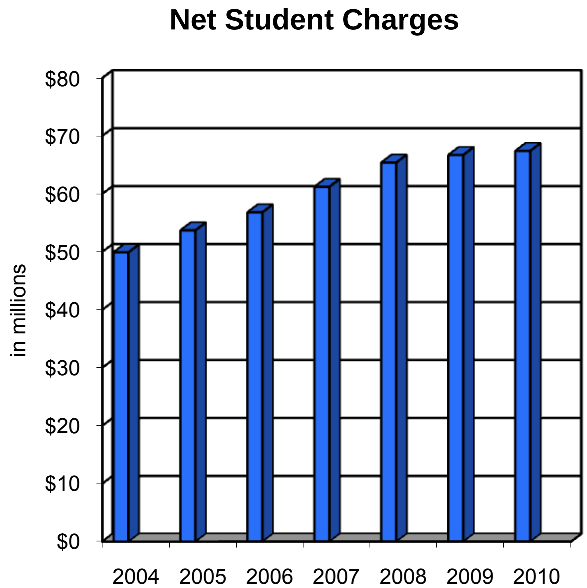
Mount Holyoke's net assets increased by 4.9 percent, from $606.5 million in 2008-09 to $636.5 million in 2009-10.



All categories of net assets increased this past year. Unrestricted net assets, which provide the institution with the maximum flexibility, increased from $120.4 million at June 30, 2009 to $121.0 million at June 30, 2010, and represented 19.0 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 43.8 percent of total net assets and ended the year at $278.9 million, up $22.7 million from the June 30, 2009 level. Permanently restricted net assets, representing primarily the original principal value of true endowment funds, were 37.2 percent of total net assets and ended the year at $236.5 million, up $6.7 million from the prior year.

Statement of Activities

The Statement of Activities presents the College's revenues and expenses for 2009-10 and reports the changes in net assets during the year. The overall results of operations for 2009-10 showed an increase of $2.8 million. Revenues increased by $11.8 million, primarily in contributions, change in split-interest agreements and other revenues. Revenue from net student charges (tuition, room and board less financial aid) increased slightly to $67.4 million. The cost of financial aid increased to $45.1 million, up from $38.5 million in 2008-09.



Expenses were down by $2.1 million for 2009-10. The pattern of expenditures emphasizes the College's core priorities—instruction and research, academic support and libraries, and student services—with only 14.4 percent of the expenditures (net of auxiliary expenses) supporting fundraising, alumnae relations and institutional support. Auxiliary expenses totaled $8.0 million, offset by $5.5 million of auxiliary income. 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 2009-10 by $30.5 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.

Overall, cash and cash equivalents at the end of 2009-10 were $6.1 million, compared with $5.0 million at June 30, 2009.

KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

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, 2010 and 2009, 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, 2010 and 2009 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

November 1, 2010

MOUNT HOLYOKE COLLEGE
Statement of Financial Position
June 30, 2010 and 2009 (in thousands)

	2010	2009
Assets		
Cash and cash equivalents	$ 6,055	$ 4,983
Short-term investments	260	673
Accounts and notes receivable, net	2,845	2,961
Contributions receivable, net	27,026	29,297
Inventory, prepaid expenses and deferred charges	2,559	2,992
Student loans, net	17,917	17,195
Funds held by trustee under bond indenture	4,103	4,061
Land, buildings, equipment and collections, net	182,110	183,770
Investments	539,955	506,747
Other assets	2,294	1,144
Total assets	$ 785,124	$ 753,823
Liabilities and net assets		
Accounts payable and accrued liabilities	9,466	10,377
Deposits and deferred revenue	1,692	2,162
Split-interest obligations	18,262	18,339
Notes payable	3,700	3,500
Bonds payable	86,085	88,020
Other liabilities	24,825	20,322
Refundable advances — government student loan funds	4,626	4,631
Total liabilities	148,656	147,351
Net assets		
Unrestricted	121,014	120,361
Temporarily restricted	278,920	256,245
Permanently restricted	236,534	229,866
Total net assets	636,468	606,472
Total liabilities and net assets	$ 785,124	$ 753,823

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2010 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Student tuition, room, board and other fees	$ 112,498			$ 112,498
Less student aid	(45,073)			(45,073)
	67,425			67,425
Contributions	8,368	$ 5,113	$ 552	14,033
Grants and contracts	2,291	152		2,443
Other revenue	4,964	2,271	(532)	6,703
Change in value of split-interest agreements	(467)	(162)	(134)	(763)
Endowment return distributed for operations	3,891	18,423	51	22,365
Other auxiliary income	5,534			5,534
Net assets released from program restrictions and/or reclassed	23,584	(23,756)	172	
	115,590	2,041	109	117,740
Expenses				
Instruction and research	51,043			51,043
Academic support and libraries	14,289			14,289
Student services, residence halls and food service	31,043			31,043
Fund raising and alumnae relations	7,132			7,132
Institutional support	9,136			9,136
Other auxiliary expense	7,980			7,980
	120,623			120,623
Transfers from/(to) endowment	6,456	(810)		5,646
	1,423	1,231	109	2,763
Endowment and similar net assets				
Contributions			6,071	6,071
Total endowment investment return	10,140	41,721	6	51,867
Endowment return distributed for operations	(3,891)	(18,474)		(22,365)
Transfers from/(to) operations	(6,456)	810		(5,646)
Other changes	2,722	(2,613)	482	591
	2,515	21,444	6,559	30,518
Total change in net assets before change in value of interest rate swaps	3,938	22,675	6,668	33,281
Change in value of interest rate swaps	(3,285)			(3,285)
Total change in net assets	653	22,675	6,668	29,996
Net assets, beginning of year	120,361	256,245	229,866	606,472
Net assets, end of year	$ 121,014	$ 278,920	$ 236,534	$ 636,468

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2009 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Student tuition, room, board and other fees	$ 105,118			$ 105,118
Less student aid	(38,456)			(38,456)
	66,662			66,662
Contributions	10,698	$ 2,760	$ (2,000)	11,458
Grants and contracts	2,803	303		3,106
Other revenue	4,103	(26)	(2,294)	1,783
Change in value of split-interest agreements	407	(672)	(2,243)	(2,508)
Endowment return distributed for operations	3,901	17,108	48	21,057
Other auxiliary income	4,405			4,405
Net assets released from program restrictions	24,391	(24,391)		
	117,370	(4,918)	(6,489)	105,963
Expenses				
Instruction and research	53,907			53,907
Academic support and libraries	14,278			14,278
Student services, residence halls and food service	31,318			31,318
Fund raising and alumnae relations	7,429			7,429
Institutional support	9,079			9,079
Other auxiliary expense	6,735			6,735
	122,746			122,746
Transfers from/(to) endowment	8,763	(62)		8,701
	3,387	(4,980)	(6,489)	(8,082)
Endowment and similar net assets				
Contributions		578	3,560	4,138
Total endowment investment return	(22,927)	(112,949)		(135,876)
Endowment return distributed for operations	(3,901)	(17,156)		(21,057)
Transfers from/(to) operations	(8,763)	46	16	(8,701)
Other changes	(17,362)	15,744	811	(807)
	(52,953)	(113,737)	4,387	(162,303)
Total change in net assets before change in value of interest rate swaps	(49,566)	(118,717)	(2,102)	(170,385)
Change in value of interest rate swaps	(4,490)			(4,490)
Total change in net assets	(54,056)	(118,717)	(2,102)	(174,875)
Net assets, beginning of year	174,417	374,962	231,968	781,347
Net assets, end of year	$ 120,361	$ 256,245	$ 229,866	$ 606,472

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

MOUNT HOLYOKE COLLEGE
Statements of Cash Flows
For the years ended June 30, 2010 and 2009 (in thousands)

	2010	2009
Cash flow from operating activities		
Change in net assets	$ 29,996	$ (174,875)
Adjustments to reconcile increase in net assets		
to net cash used in operating activities		
Depreciation and amortization	10,628	10,607
Change in value of interest rate swaps	3,285	4,490
Contributions restricted for long term investments	(8,694)	(10,643)
Gifts in kind	(89)	(981)
Realized and unrealized (gain)/loss on split interest agreements	(2,822)	4,516
Realized and unrealized (gain)/loss on investments	(47,140)	147,588
Gain on disposal of plant assets	(230)	(142)
Changes in operating assets and liabilities		
Accounts and notes receivable	116	-
Contributions receivable	2,271	6,982
Inventory, prepaid expenses and deferred charges	400	613
Other assets and liabilities	68	841
Accounts payable and accrued liabilities	(956)	(198)
Deposits and deferred revenue	(470)	(434)
Change in split income obligations	(77)	(1,348)
Net cash used in operating activities	(13,714)	(12,984)
Cash flow from investing activities		
Purchase of plant and equipment	(9,255)	(18,481)
Proceeds from sale of plant assets	635	253
Net change in loans	(722)	(459)
Purchases of investments	(57,365)	(94,895)
Proceeds from sales and maturities of investments	74,119	114,752
Purchases of short-term investments	(2,177)	(25,046)
Proceeds from sales and maturities of short-term investments	2,589	25,543
Change in funds deposited with trustee	(42)	(3,971)
Net cash provided by/(used in) investing activities	7,782	(2,304)
Cash flow from financing activities		
Proceeds from contributions for		
Investment in endowment	7,511	5,022
Investment in planned giving	9	1,365
Plant and equipment	1,174	4,256
Change in federal student loan funds	(5)	75
Proceeds from bonds and line of credit	17,750	11,100
Bond issuance costs	-	(18)
Payments on bonds payable and line of credit	(19,435)	(10,185)
Net cash provided by financing activities	7,004	11,615
Net change in cash and cash equivalents	1,072	(3,673)
Cash and cash equivalents, beginning of year	4,983	8,656
Cash and cash equivalents, end of year	$ 6,055	$ 4,983
Interest paid	$ 5,039	$ 3,798
Fixed asset purchases included in accounts payable	1,069	1,024

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 current economic environment increases the uncertainty of these estimates. The College's significant estimates include the valuation of its investments and interest rate swaps, the allowances 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 are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restriction. 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-adjusted 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.

f. Investments

Investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices and exchange rates. Nonmarketable securities, which include alternative investments in hedge funds and private equity funds, are valued using current estimates of fair value in the absence of readily determinable public market values. Those valuations consider variables such as financial performance of investments, including comparisons of comparable companies' earnings multiples, cash flow analyses, recent sales prices of investments, and other pertinent information. The estimates of fair values, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed.

Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The College's interest in alternative investment funds are generally reported at net asset value (NAV) provided by the fund managers. NAV is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2010 and 2009, the College had no specific plans or intentions to sell investments at amounts different than NAV.

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. 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 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. 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.

i. Fair Value Measurements

Accounting Standards Codification (ASC) 820 defines fair value, requires expanded disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

j. Subsequent Events

The College evaluated events subsequent to June 30, 2010 and through November 1, 2010, the date on which the financial statements were issued.

2. Accounts and Notes Receivable

Accounts, including student accounts, and notes receivable are net of an allowance for doubtful accounts of $425,000 and $415,000 at June 30, 2010 and 2009, respectively.

3. Contributions Receivable

Contributions receivable, at June 30, 2010 and 2009, are summarized as follows (in thousands):

Contributions to be collected:

	2010	2009
Within one year	$ 2,673	$ 3,933
In one to five years	13,695	16,903
After five years	16,319	17,006
	32,687	37,842
Less: discount to present value	(4,239)	(6,945)
	28,448	30,897
Less: allowance for uncollectible contributions	(1,422)	(1,600)
	$ 27,026	$ 29,297

Discount rates for contributions receivable range from 1.8% 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 $2,675,000 and $2,575,000 at June 30, 2010 and 2009, respectively.

5. Land, Buildings, Equipment and Collections

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

	2010	2009
Land and land improvements	$ 22,083	$21,951
Buildings	220,646	210,401
Vehicles, equipment and furnishings	57,615	55,370
Art and library collections	34,261	33,241
	334,605	320,963
Less accumulated depreciation	(155,023)	(144,482)
	179,582	176,481
Construction in progress	2,528	7,289
	$182,110	$183,770

The College capitalized approximately $133,000 and $457,000 of interest on various construction projects during the years ended June 30, 2010 and 2009, respectively.

Depreciation expense for the College was $10,643,572 and $10,572,212 for the years ended June 30, 2010 and 2009, respectively.

Conditional asset retirement obligations of approximately $8,582,000 and $8,328,000 are included within other liabilities on the Statements of Financial Position for the years ended June 30, 2010 and 2009, respectively.

6. Investments and Fair Value

The College's investment objective is to invest its assets in a prudent manner in order to achieve a long-term rate-of-return sufficient to fund a portion of its spending and to increase investment value equal to or above inflation. The College uses a diversified investment approach incorporating multiple asset classes, strategies, and managers. The College's Board of Trustees' Investment Committee oversees the College's investments and authorizes major investment decisions.

In addition to equity and fixed income investments, the College may also hold shares or units in institutional funds and alternative investment funds involving hedged and private equity strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments. Private equity funds generally employ buyout, venture capital, and debt related strategies, often requiring the estimation of fair values by the fund managers in the absence of readily determinable market values.

At June 30, 2010 and June 30, 2009, the carrying values of the College's cash and cash equivalents, receivables, accounts payable and deposits approximated their fair values.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

> Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.
>
> Level 2: Quoted prices, other than those included in Level 1, that are either directly or indirectly observable for the assets or liabilities.
>
> Level 3: No observable quoted prices, reliance on assumptions market participants would use if a market existed for the assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Classification in Level 2 or 3 is based on the College's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2.

The College's assets and liabilities at June 30, 2010 that are reported at fair value are summarized in the following table by their fair value hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Day's Notice
Assets						
Investments:						
Fixed income	$ 42,228	$ 25,171		$ 67,399	Daily	1-10
Equity securities	68,572			68,572	Daily	1-7
Equity securities		113,750		113,750	Monthly/Quarterly	1-90
Equity securities			4,040	4,040	3 years	30
Hedge Funds						
Equity long/short		7,425		7,425	Quarterly	60
Equity long/short			24,385	24,385	rolling 3 years	60-90
Credit			15,084	15,084	rolling 2 years	90
Fixed income			25,132	25,132	rolling 3 years	90
Other strategies		17,738	22,840	40,578	Quarterly/Annually	30-90
Other strategies			27,114	27,114	rolling 2-3 years	60-90
Private Equity						
Buyout			55,273	55,273	Illiquid	Not applicable
Venture capital			23,373	23,373	Illiquid	Not applicable
Other strategies			62,350	62,350	Illiquid	Not applicable
Employee mortgages		5,480		5,480	Illiquid	Not applicable
Total investments	110,800	169,564	259,591	539,955		
Other assets						
Short-term investments	260			260	Daily	1
Interest rate swap		746		746		
Total other assets	260	746		1,006		
Total assets at fair value	$ 111,060	$ 170,310	$ 259,591	$ 540,961		
Liabilities						
Interest rate swaps		$ (12,894)				
Total liabilities at fair value		$ (12,894)				

The College's assets and liabilities at June 30, 2009 that are reported at fair value are summarized in the following table by their fair value hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Day's Notice
Assets						
Investments:						
Fixed income	$ 64,891	$ 14,136		$ 79,027	Daily	1-10
Equity securities	78,618			78,618	Daily/Monthly	1-7
Equity securities		91,128		91,128	Monthly/Quarterly	1-90
Hedge funds						
Equity long/short			9,342	9,342	Quarterly	60-90
Equity long/short		17,828	9,756	27,584	rolling 3 years	60
Credit			13,429	13,429	rolling 2 years	90
Fixed income			14,646	14,646	rolling 3 years	90
Other strategies		2,867	36,582	39,449	Quarterly/Annually	45-90
Other strategies		9,294	12,902	22,196	rolling 2-3 years	65-90
Private equity						
Buyout		2,784	45,954	48,738	Illiquid	Not applicable
Venture capital			20,755	20,755	Illiquid	Not applicable
Other strategies		5,000	50,222	55,222	Illiquid	Not applicable
Employee mortgages	6,613			6,613	Illiquid	Not applicable
Total investments	150,122	143,037	213,588	506,747		
Other assets						
Short-term investments	673			673	Daily	1
Total assets at fair value	$ 150,795	$ 143,037	$ 213,588	$ 507,420		
Liabilities						
Interest rate swaps		$ (8,863)				
Total liabilities at fair value		$ (8,863)				

The following tables present the College's activity for the fiscal years ended June 30, 2010 and June 30, 2009 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Fixed Income and Equities	Hedge Funds	Private Equity	Total
Fair value as of June 30, 2009	$ 5,959	$ 94,533	$ 113,096	$ 213,588
Transfers (net)	(2,743)	5,837	11,677	14,771
Acquisitions		10,000	15,756	25,756
Dispositions	(526)	(7,074)	(12,294)	(19,894)
Investment return	526	(2,019)	(706)	(2,199)
Unrealized gains	824	13,278	13,467	27,569
Fair value as of June 30, 2010	$ 4,040	$ 114,555	$ 140,996	$ 259,591

Accounting standards were updated during fiscal year 2009-2010 to allow for certain investments classified in the prior fiscal year as level 3 to be reclassified as Level 2 in the current fiscal year if the investments had a net asset value (NAV) at which the investments could be redeemed as of or within a short term thereafter of the date the Statement of Financial Position. During 2009-2010, three investment funds with a transfer value of $23,408,000 were reclassified from Level 3 to Level 2 based on that criterion. In addition, due to restricted liquidity, seven investments with a transfer value of $38,179,000 were reclassified from Level 2 to Level 3.

	Fixed Income and Equities	Hedge Funds	Private Equity	Total
Fair value as of June 30, 2008	$ 56,344	$ 126,440	$ 140,161	$ 322,945
Acquisitions		6,125	24,253	30,378
Dispositions	(41,014)	(13,704)	(24,202)	(78,920)
Investment return	(3,561)	11,167	(7,853)	(247)
Unrealized losses	(5,810)	(35,495)	(19,263)	(60,568)
Fair value as of June 30, 2009	$ 5,959	$ 94,533	$ 113,096	$ 213,588

Included in the above table are $254.6 million at June 30, 2010 ($213.6 million at June 30, 2009) of investments for which the College has utilized the net asset value (NAV) reported by each of the underlying funds as a practical expedient to estimate the fair value of the investment.

At June 30, 2010 and June 30, 2009, the College's remaining outstanding commitments to private equity partnerships totaled $84.0 million and $87.9 million respectively, based on the provisions of the individual agreements, with adjustments as to amounts and timing based on prior actions of the partnerships and expectations as to future opportunities. There can be no assurance that the timing or amounts of the capital calls will materialize as indicated. The projected capital call amounts for the next five fiscal years and thereafter are summarized in the table below (in thousands):

Fiscal Year	Capital Calls
2011	$ 22,216
2012	19,243
2013	12,755
2014	7,303
2015	4,919
Thereafter	17,531
Total	$ 83,967

The private equity partnerships have terms of 4 to 15 years, with extensions of two to five years. As of June 30, 2010, the weighted average remaining life of the private equity partnerships is approximately five years.

The expirations of redemption lock up periods are summarized in the table below (in thousands):

Fiscal Year	Amount
Less than one year	$ 1,823
Between one and three years	85,800
Greater than three years	4,040
Total	$ 91,663

Investment income and realized gains (losses) on the College's investments are summarized in the table below (in thousands of dollars):

	2010	2009
Investment income	$ 13,611	$ 20,179
Realized gains (losses)	1,967	(1,554)
Unrealized gains (losses)	47,995	(150,550)
Fees	(8,272)	(7,531)
Total	$ 55,301	$ (139,456)

7. Endowment Funds

The College's endowment consists of approximately 1,500 individual funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the College to function as endowments (quasi-endowment).

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. Asset allocation parameters are established for investments and holdings are periodically rebalanced to the target allocations. The College compares the performance of its investments against several benchmarks.

The College's Board of Trustees approves the annual spending distribution per unit. Units are assigned when gifts and transfers enter/exit the investment pool, based on the then market value of a unit in the pool. The pool is valued monthly. The spending policy limits 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 2010 and 2009, the College elected to distribute 4.5% of the average of the prior twelve quarter-end market values, as of December 31, 2008 and December 31, 2007, respectively, less outstanding debt.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the Commonwealth of Massachusetts became effective June 30, 2009. The College has prepared these financial statements on the basis of the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in determining appropriate spending levels from donor-restricted endowment funds:

a) Duration and preservation of the endowment fund
b) Purposes of the College and the endowed fund
c) General economic conditions
d) Possible effects of inflation or deflation
e) Expected total return from income and the appreciation of investments
f) Other resources of the College
g) Investment policy of the College

As a result of market declines, the fair value of certain donor-restricted endowments may fall below original contributed value. At June 30, 2010, this dollar amount was $2.8 million ($4.0 million as of June 30, 2009). These unrealized losses have been recorded as reductions of unrestricted net assets. Future market gains will be used to restore this reduction in unrestricted net assets before any net appreciation above the historic cost of such funds increases temporarily restricted net assets.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Donor restricted amounts reported below include term endowments reported as temporarily restricted net assets; and appreciation, reported as temporarily restricted net assets.

The following tables do not include annuities invested in the endowment pool.
Endowment funds, consisted of the following at June 30, 2010 and June 30, 2009 (in thousands):

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (2,845)	$ 239,890	$ 217,875	$ 454,920
Board designated (quasi)	60,721	17,942		78,663
Total	$ 57,876	$ 257,832	$ 217,875	$ 533,583

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (3,968)	$ 218,009	$ 211,320	$ 425,361
Board designated (quasi)	60,851	16,956		77,807
Total	$ 56,883	$ 234,965	$ 211,320	$ 503,168

Changes in endowment funds for the fiscal years ended June 30, 2010 and June 30, 2009 were as follows (in thousands):

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
June 30, 2009 balance	$ 56,883	$ 234,965	$ 211,320	$ 503,168
Contributions			6,071	6,071
Investment income	2,578	2,147	1	4,726
Realized/unrealized gains	7,561	39,574	5	47,140
Distributions	(3,457)	(18,543)	69	(21,931)
Transfers	(4,644)	(311)	409	(4,546)
Other changes	(1,045)			(1,045)
June 30, 2010 balance	$ 57,876	$ 257,832	$ 217,875	$ 533,583

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2008 balance	$ 108,548	$ 348,832	$ 205,524	$ 662,904
Contributions		3	3,512	3,515
Investment income	2,643	9,069		11,712
Realized/unrealized losses	(25,570)	(122,018)		(147,588)
Distributions	(3,507)	(17,216)	60	(20,663)
Reclassifications	(11,882)	11,882		
Transfers	(12,732)	4,413	2,224	(6,095)
Other changes	(617)			(617)
June 30, 2009 balance	$ 56,883	$ 234,965	$ 211,320	$ 503,168

8. Promissory Notes

The College has an uncollateralized demand line of credit available through July 31, 2011, in the amount of $20,000,000 at an interest rate of prime less 25 basis points. The College also had an uncollateralized demand line of credit available through June 30, 2009, in the amount of $10,000,000 at an interest rate equal to LIBOR plus 75 basis points, or the prime rate less 150 basis points. The amounts outstanding on the lines of credit were $3,700,000 and $3,500,000 at June 30, 2010 and 2009, respectively.

9. Bonds Payable

The College's bonds payable as of June 30, 2010 and 2009 are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates	2010	2009
Massachusetts Development Finance Authority (MDFA):				
2001	2011-2032	4.25% - 5.50%	$ 46,295	$ 47,420
Unamortized premium			352	369
2008	2011-2037	2.30%-5.00%	39,005	39,765
Unamortized premium			433	466
			$ 86,085	$ 88,020

Debt service payments are made to a Trustee under terms of the bond agreements and are represented in the line “Funds held by bond trustee” on the Statements of Financial Position.

The College’s bonds trade periodically in a limited market. Utilizing available market pricing information provided by a third-party, the College estimated that the aggregate fair value of its fixed rate debt as of June 30, 2010 was $88,660,822.

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

2011	$ 1,965
2012	2,035
2013	2,115
2014	2,210
2015	2,310
Thereafter	74,665
	$ 85,300

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 $8,224,000 and $5,328,000 at June 30, 2010 and 2009, 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 a liability of approximately $65,000 at June 30, 2009. This is included with other liabilities on the Statements of Financial Position. In October, 2009, the College terminated this swap agreement in exchange for a payment to the College of $1,247,000.

On November 4, 2005, 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 $4,671,000 and $3,469,000 at June 30, 2010 and 2009, respectively. This is included in other liabilities on the Statements of Financial Position.

On October 22, 2009, the College, as part of its management of debt, entered into a fixed receiver swap agreement on a notional amount of $29,650,000. Under the terms of the agreement, every six months from January 1, 2010 through July 1, 2036, the College will pay a variable rate of interest equal to the Securities Industry and Financial Markets Association Municipal Swap Index rate, and the College will receive a fixed rate of interest of 3.145%. The fair value of the swap agreement was an asset of approximately $746,000 at June 30, 2010. This is included in other assets on the Statements of Financial Position.

The value of the derivative interest rate swaps noted above represent the estimated cost to the College to cancel the agreement at each reporting date and is based on pricing models that consider interest rates, credit quality, 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.

10. 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 $4,816,000 in 2010 and $4,754,000 in 2009 to the plan.

11. 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 (in thousands) changes in the College's pension benefit obligation, plan assets, and funded status at June 30:

	2010	2009
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 11,004	$ 10,913
Service cost	468	533
Interest cost	683	655
Actuarial loss/(gain)	668	(785)
Benefits paid	(818)	(312)
Benefit obligation at end of year	$ 12,005	$ 11,004
Change in value of plan assets:		
Fair value of plan assets at beginning of year	$ 8,147	$ 8,961
Actual return on plan assets	875	(1,420)
Benefits paid	(818)	(312)
Employer contribution	820	918
Fair value of plan assets at end of year	$ 9,024	$ 8,147
Funded status	$ (2,981)	$ (2,857)

To determine the benefit obligations, the College used a discount rate, which is the estimated rate at which the obligation for pension benefits could effectively be settled, of 5.50% and 6.50% at June 30, 2010 and 2009, respectively, and a salary projection rate, which is the estimated rate at which salaries will increase, of 3.5% for the years ended June 30, 2010 and 2009. 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 6.5% for the year ended June 30, 2010 and 6.25% for the year ended June 30, 2009; a salary projection rate, which is the estimated rate at which salaries will increase, of 3.5% for the year ended June 30, 2010 and 4.0% for the year ended June 30, 2009; 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 8.0% for the year ended June 30, 2010 and 9.0% for the year ended June 30, 2009.

Net pension cost for the years ended June 30, 2010 and 2009 includes the following components (in thousands):

	2010	2009
Service cost earned during the period	$ 468	$ 533
Interest cost on projected benefit obligation	683	655
Amortization of prior service cost	16	16
Amortization of net loss	196	108
Expected return on assets	(651)	(804)
Net pension cost	$ 712	$ 508
Increase in liability included in change in net assets	$ 124	$ 904

Plan Assets

The plan's asset allocations at June 30, 2010 and 2009 by asset category are as follows:

	Plan Assets at June 30		Target Investment %	
Asset Category	2010	2009	2010	2009
Equity securities	55.6 %	69.5 %	50 %	71 %
Debt securities	26.9	12.0	25	11
Cash	1.1	2.8	9	1
Other	16.4	15.7	16	17
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.

The following are descriptions of the valuation methodologies used to measure plan assets at fair value:

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year end.

Deposit administration contract: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2010 and June 30, 2009 (in thousands)**:**

	2010			
Asset Description	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 7,446			$ 7,446
Money Market Funds	378			378
Deposit Administration			$ 1,200	1,200
Total	$ 7,824		$ 1,200	$ 9,024

	2009			
Asset Description	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 6,646			$ 6,646
Money Market Funds	252			$ 252
Administration Contract			$ 1,249	$ 1,249
Total	$ 6,898		$ 1,249	$ 8,147

Cash Flows

The College has an estimated minimum required contribution of $1,060,000 to the defined benefit pension plan for the year ending June 30, 2011.

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

2011	$ 589
2012	227
2013	336
2014	554
2015	510
2016-2020	$ 3,605

12. Reclassifications

Certain items in 2009 have been reclassified to conform to the current year presentation.

Mount Holyoke College

Members of the Board of Trustees
2009-2010

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President

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Financial Officers of the College

Mary Jo Maydew
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Associate Treasurer

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Statistics

	2010	2005	2000
Market value of investment pool	$529,234,000	$462,399,000	$436,540,000
Endowment total return	10.1%	12.8%	21.5%
Unit value of endowment pool	$4.906	$4.536	$4.892
Tuition	$38,940	$30,770	$24,200
Room and board	$11,450	$9,060	$7,110
Student enrollment (FTE)	2,274	2,125	1,930
Faculty (FTE)	206	197	185
Student/faculty ratio	11.0	10.8	10.4
Percent of students receiving Mount Holyoke financial aid	72%	68%	68%
Library collection in volumes-print	*1,161,265	988,443	359,120
Library collection in volumes-non-print	247,981	154,312	27,769
Insured value of physical plant	$952,000,000	$789,000,000	$411,000,000

*includes off-site storage

10 Year Comparison