MOUNT HOLYOKE
ANNUAL FINANCIAL REPORT
June 30, 2011 and 2010
Mount Holyoke College
South Hadley, Massachusetts
John A. Kuchle

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MOUNT HOLYOKE COLLEGE
Financial Report
2010-11

Narrative

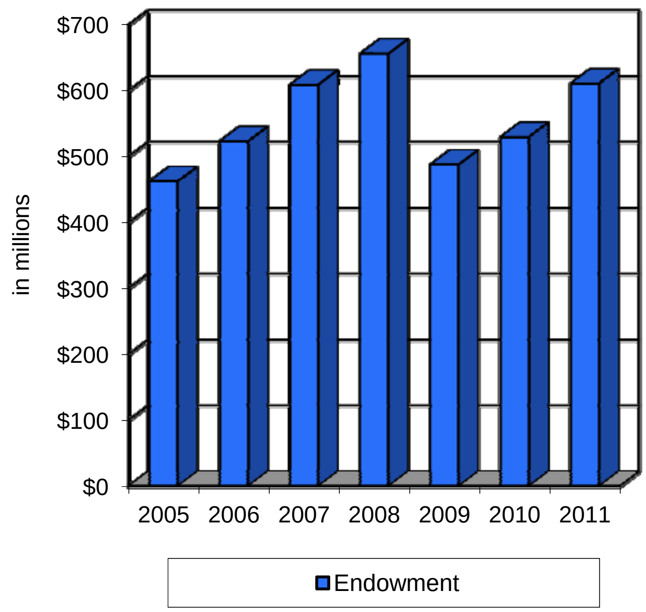
The year ending June 30, 2011, was a year of mixed results as the College continued to cope with some of the lingering impacts of the economic downturn. The College's financial position showed significantly stronger performance than the previous year, with a change in net assets of $81.3 million. Operating revenue was virtually flat, due primarily to the significant increase in student aid, and budgeted operating expenses were well-controlled.

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 13.7 percent, from $785.1 million in 2009-10 to $892.9 million in 2010-11. Investments represented the majority of the change, increasing by $72 million. Cash and cash equivalents were higher by $8.7 million. Funds held by trustee under bond indenture increased substantially, reflecting the recent borrowing activity. The net value of land, buildings, equipment and collections declined, reflecting the slowing of investment in physical facilities and technology.

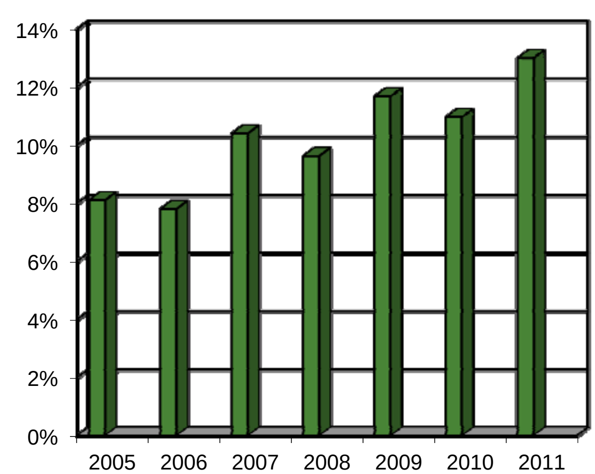
The market value of the endowment investment pool increased to $610.5 million in 2010-11, representing a total return of 19 .0 percent.

Market Value of Investments



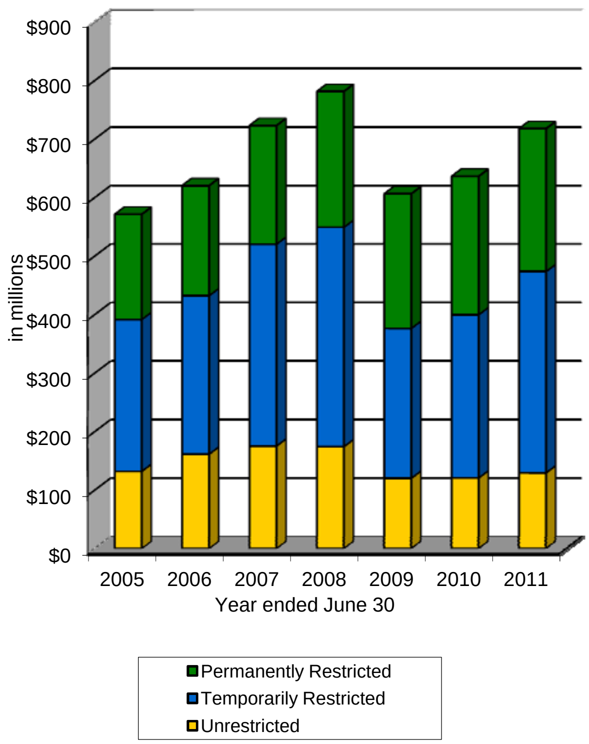
Total liabilities increased from $148.7 million in 2009-10 to $175.2 million in 2010-11 due to the impact of the recent borrowing activity. As a result, long term debt as a percentage of total assets increased from 11.0 percent in 2009-10 to 13.0 percent in 2010-11.

Debt to Assets



Mount Holyoke's net assets increased by 12.8 percent, from $636.5 million in 2009-10 to $717.8 million in 2010-11.

Net Assets



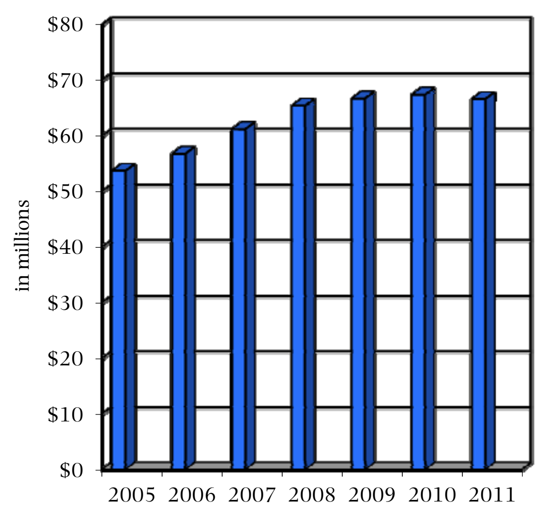
All categories of net assets increased this past year. Unrestricted net assets, which provide the institution with the maximum flexibility, increased from $121.0 million at June 30, 2010 to $129.7 million at June 30, 2011, and represented 18.1 percent of total net assets. Temporarily restricted net assets, a category that includes spendable invested funds whose restricted purposes have not yet been met and undistributed gains from endowment, represented 47.9 percent of total net assets and ended the year at $344.1 million, up $65.2 million from the June 30, 2010 level. Permanently restricted net assets, representing the original principal value of true endowment funds, were 34.0 percent of total net assets and ended the year at $244.0 million, up $7.4 million from the prior year.

Statement of Activities

The Statement of Activities presents the College's revenues and expenses for 2010-11 and reports the changes in net assets during the year. The overall results of operations for 2010-11 showed a decline of $2.2 million.

Revenues were virtually flat with smaller increases in other revenue sources overshadowed by significant increases in financial aid, which resulted in net student charges revenue for 2010-11 that was lower than the previous year's level by $843,000.

Net Student Charges



Expenses increased by $3.1 million for 2010-11, in part due to start-up funding for new initiatives. The cost of physical facilities, including utilities, maintenance, depreciation and interest on facilities debt, has once again been 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. Income from endowment and similar net assets increased in 2010-11 by $53.4 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 2010-11 were $14.7 million, compared with $6.1 million at June 30, 2010.

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, 2011 and 2010, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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, 2011 and 2010 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 31, 2011

MOUNT HOLYOKE COLLEGE
Statements of Financial Position
June 30, 2011 and 2010 (in thousands)

	2011	2010
Assets		
Cash and cash equivalents	$ 14,732	$ 6,055
Short-term investments	281	260
Accounts and notes receivable, net	3,164	2,845
Contributions receivable, net	27,328	27,026
Inventory, prepaid expenses and deferred charges	2,681	2,559
Student loans, net	18,053	17,917
Funds held by trustee under bond indenture	33,471	4,103
Land, buildings, equipment and collections, net	178,663	182,110
Investments	611,906	539,955
Other assets	2,669	2,294
Total assets	$ 892,948	$ 785,124
Liabilities and net assets		
Accounts payable and accrued liabilities	7,571	9,466
Deposits and deferred revenue	1,298	1,692
Split-interest obligations	18,576	18,262
Line of credit	3,800	3,700
Bonds payable	115,988	86,085
Other liabilities	23,295	24,825
Refundable advances — government student loan funds	4,649	4,626
Total liabilities	175,177	148,656
Net assets		
Unrestricted	129,725	121,014
Temporarily restricted	344,070	278,920
Permanently restricted	243,976	236,534
Total net assets	717,771	636,468
Total liabilities and net assets	$ 892,948	$ 785,124

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

MOUNT HOLYOKE COLLEGE
Statement of Activities
For the year ended June 30, 2011 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Student tuition, room, board and other fees	$ 116,154			$ 116,154
Less student aid	(49,572)			(49,572)
	66,582			66,582
Contributions	9,377	$ 5,782		15,159
Grants and contracts	2,105	40		2,145
Other revenue	4,359	665	$ 5	5,029
Endowment return distributed for operations	3,890	19,529	54	23,473
Other auxiliary income	5,781			5,781
Net assets released from program restrictions	24,440	(24,359)	(81)	
	116,534	1,657	(22)	118,169
Expenses				
Instruction and research	52,554			52,554
Academic support and libraries	14,691			14,691
Student services, residence halls and food service	31,410			31,410
Fund raising and alumnae relations	7,323			7,323
Institutional support	9,608			9,608
Other auxiliary expense	8,141			8,141
	123,727			123,727
Transfers from/(to) endowment and similar net assets	4,741	(1,355)		3,386
	(2,452)	302	(22)	(2,172)
Endowment and similar net assets				
Contributions		40	5,882	5,922
Total endowment investment return	17,199	84,655	96	101,950
Endowment return distributed for operations	(3,890)	(19,583)		(23,473)
Transfers from/(to) operations	(4,741)	1,355		(3,386)
Change in split-interest agreements	(165)	460	1,821	2,116
Other	2,411	(2,079)	(335)	(3)
	10,814	64,848	7,464	83,126
Total change in net assets before change in value of interest rate swaps and loss on refinancing of debt	8,362	65,150	7,442	80,954
Change in value of interest rate swaps	382			382
Loss on refinancing of debt	(33)			(33)
Total change in net assets	8,711	65,150	7,442	81,303
Net assets, beginning of year	121,014	278,920	236,534	636,468
Net assets, end of year	$ 129,725	$ 344,070	$ 243,976	$ 717,771

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		13,481
Grants and contracts	2,291	152		2,443
Other revenue	3,776	633	$ 5	4,414
Endowment return distributed for operations	3,895	18,419	51	22,365
Other auxiliary income	5,534			5,534
Net assets released from program restrictions	25,191	(25,363)	172	
	116,480	(1,046)	228	115,662
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 endowment and similar net assets	6,032	2,440		8,472
	1,889	1,394	228	3,511
Endowment and similar net assets				
Contributions			6,081	6,081
Total endowment investment return	12,125	41,286	2	53,413
Endowment return distributed for operations	(3,895)	(18,538)	68	(22,365)
Transfers to operations	(6,032)	(2,440)		(8,472)
Change in split-interest agreements	(227)	540	1,847	2,160
Other changes	78	433	(1,558)	(1,047)
	2,049	21,281	6,440	29,770
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
Statements of Cash Flows
For the years ended June 30, 2011 and 2010 (in thousands)

	2011	2010
Cash flow from operating activities		
Change in net assets	$ 81,303	$ 29,996
Adjustments to reconcile increase in net assets		
to net cash used in operating activities		
Depreciation and amortization	10,798	10,628
Loss on refinancing of debt	33	-
Change in interest rate swap liability	(382)	3,285
Contributions restricted for long-term investments	(7,241)	(8,694)
Gifts in kind	(60)	(89)
Realized and unrealized gain on split interest agreement	(1,853)	(2,822)
Realized and unrealized gain on investments	(103,249)	(48,626)
Gain on disposal of plant assets	(44)	(230)
Changes in operating assets and liabilities		
Accounts and notes receivable	(319)	116
Contributions receivable	(302)	2,271
Inventory, prepaid expenses and deferred charges	26	400
Other assets and liabilities	(1,524)	68
Accounts payable and accrued liabilities	(1,436)	(956)
Deposits and deferred revenue	(394)	(470)
Change in split income obligations	314	(77)
Net cash used in operating activities	(24,330)	(15,200)
Cash flow from investing activities		
Purchase of plant and equipment	(7,785)	(9,255)
Proceeds from sale of plant assets	79	635
Net change in loans	(136)	(722)
Purchases of investments	(86,820)	(55,879)
Proceeds from sales and maturities of investments	119,972	74,119
Purchases of short-term investments	(2,261)	(2,177)
Proceeds from sales and maturities of short-term investments	2,240	2,589
Net cash provided by investing activities	25,289	9,310
Cash flow from financing activities		
Proceeds from contributions for		
Investment in endowment	6,052	7,511
Investment in planned giving	11	9
Plant and equipment	1,178	1,174
Change in federal student loan funds	23	(5)
Change in funds deposited with trustee	(29,368)	(42)
Proceeds from line of credit	12,900	17,750
Payments on line of credit	(12,800)	(17,550)
Proceeds from bonds	75,470	-
Payments on bonds payable	(45,860)	(1,885)
Bond premium received	662	-
Bond issuance costs	(550)	-
Net cash provided by financing activities	7,718	6,962
Net change in cash and cash equivalents	8,677	1,072
Cash and cash equivalents, beginning of year	6,055	4,983
Cash and cash equivalents, end of year	$ 14,732	$ 6,055
Interest paid	$ 6,005	$ 5,039
Fixed asset purchases included in accounts payable	609	1,069

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, allowances for uncollectible contributions, student loans and accounts receivable, the useful lives of buildings, equipment and collections, and 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 Statement of Activities include activities that relate to ongoing operations of the College, as well as the accrual of promises to give made by donors during the reporting period. Endowment and similar net assets include assets received that have been designated by donors or the trustees for investment to provide future revenue to the College to support 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 on related income pursuant to Section 501(a) of the Code. The College assesses uncertain tax positions and determined that there were no such positions that have a material effect on the financial statements.

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, 2011 and 2010, 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 under the following guidelines: buildings (50 years), building improvements (20 years), land improvements and infrastructure (20 years), furniture, equipment and vehicles (5 years), and library acquisitions (10 years).

The College recognizes the fair value of its 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 Statement of Activities.

h. Cash Equivalents

For the purpose of the Statement of Cash Flows, the College considers investments acquired with an original maturity date of three months or less to be cash equivalents.

i. Fair Value Measurements

Accounting Standards Codification (ASC) 820 defines fair value, requires certain 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. 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.

For those alternative investments valued at NAV as a practical expedient, 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.

j. Subsequent Events

The College evaluated events subsequent to June 30, 2011 and through October 31, 2011, the date on which the financial statements were issued.

k. Reclassifications

Certain items in 2010 have been reclassified to conform to the current year presentation.

2. Accounts and Notes Receivable

Accounts, including student accounts, and notes receivable are net of an allowance for doubtful accounts of $475,000 and $425,000 at June 30, 2011 and 2010, respectively.

3. Contributions Receivable

Contributions receivable, at June 30, 2011 and 2010, are summarized as follows (in thousands):

Contributions to be collected:	**2011**	**2010**
Within one year	$ 2,903	$ 2,673
In one to five years	12,689	13,695
After five years	17,930	16,319
	33,522	32,687
Less: discount to present value	(4,756)	(4,239)
	28,766	28,448
Less: allowance for uncollectible contributions	(1,438)	(1,422)
	$ 27,328	$ 27,026

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 $2,800,000 and $2,675,000 at June 30, 2011 and 2010, respectively.

5. Land, Buildings, Equipment and Collections

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

	2011	2010
Land and land improvements	$ 22,465	$ 22,083
Buildings	225,188	220,646
Vehicles, equipment and furnishings	60,220	57,615
Art and library collections	34,924	34,261
	342,797	334,605
Less accumulated depreciation	(165,743)	(155,023)
	177,054	179,582
Construction in progress	1,609	2,528
	$178,663	$182,110

The College capitalized approximately $35,000 and $133,000 of interest on various construction projects during the years ended June 30, 2011 and 2010, respectively.

Depreciation expense for the College was $10,796,828 and $10,643,572 for the years ended June 30, 2011 and 2010, respectively.

Conditional asset retirement obligations of approximately $8,884,000 and $8,582,000 are included within other liabilities on the Statement of Financial Position for the years ended June 30, 2011 and 2010, 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, 2011 and June 30, 2010, the carrying values of the College's cash and cash equivalents, receivables, accounts payable and deposits approximated their fair values.

The College's assets and liabilities at June 30, 2011 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	$ 30,757	$ 32,859		$ 63,616	Daily	1-10
Equity securities	55,210	149,416		204,626	Daily-Quarterly	1-90
Equity securities			$ 7,644	7,644	2 years	30
Hedge funds						
Equity long/short		15,545	18,133	33,678	3-18 Months	45-60
Equity long/short			15,573	15,573	Rolling 3 years	60-90
Other strategies		12,489	15,994	28,483	Quarterly-Annually	30-90
Other strategies			84,376	84,376	Rolling 1-3 Years	60-90
Private equity						
Buyout			65,797	65,797	Illiquid	Not applicable
Venture capital			31,696	31,696	Illiquid	Not applicable
Other strategies			71,376	71,376	Illiquid	Not applicable
Employee mortgages		5,041		5,041	Not redeemable	Not applicable
Total investments	85,967	215,350	310,589	611,906		
Other assets						
Short-term investments	281			281	Daily	1
Funds held by bond trustee	33,471			33,471	Daily	1
Interest rate swap		653		653		
Total other assets	33,752	653		34,405		
Total assets at fair value	$ 119,719	$ 216,003	$ 310,589	$ 646,311		
Liabilities						
Interest rate swaps		$ (12,420)				
Total liabilities at fair value		$ (12,420)				

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	113,750		182,322	Daily-Quarterly	1-90
Equity securities			$ 4,040	4,040	3 years	30
Hedge funds						
Equity long/short		7,425		7,425	Quarterly	45-60
Equity long/short			24,385	24,385	Rolling 3 years	60-90
Other strategies		17,738	22,840	40,578	Quarterly-Annually	30-90
Other strategies			67,330	67,330	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	Not redeemable	Not applicable
Total investments	110,800	169,564	259,591	539,955		
Other assets						
Short-term investments	260			260	Daily	1
Funds held by bond trustee	4,103			4,103	Daily	1
Interest rate swap		746		746		
Total other assets	4,363	746		5,109		
Total assets at fair value	$ 115,163	$ 170,310	$ 259,591	$ 545,064		
Liabilities						
Interest rate swaps		$ (12,895)				
Total liabilities at fair value		$ (12,895)				

The following tables present the College's activity for the fiscal years ended June 30, 2011 and June 30, 2010 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Equities	Hedge Funds	Private Equity	Total
Fair value as of June 30, 2010	$ 4,040	$ 114,555	$ 140,996	$ 259,591
Transfers (net)		(5,915)		(5,915)
Acquisitions	3,117	32,500	26,683	62,300
Dispositions		(14,505)	(19,142)	(33,647)
Realized investment return	617	11,215	6,564	18,396
Unrealized gains (losses)	(130)	(3,774)	13,768	9,864
Fair value as of June 30, 2011	$ 7,644	$ 134,076	$ 168,869	$ 310,589

During 2010-11, one investment fund with a transfer value of $5,915,000 was reclassified from Level 3 to Level 2 based on the expiration of the redemption lock-up.

	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)
Realized investment return	(526)	2,019	706	2,199
Unrealized gains	1,876	9,240	12,055	23,171
Fair value as of June 30, 2010	$ 4,040	$ 114,555	$ 140,996	$ 259,591

At June 30, 2011 and June 30, 2010, the College's remaining outstanding commitments to private equity partnerships totaled $70.1 million and $84.0 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
2012	$	21,182
2013		18,709
2014		10,702
2015		6,053
2016		3,322
Thereafter		10,100
Total	$	70,068

The private equity partnerships have terms of 6 to 15 years, with extensions of two to five years. As of June 30, 2011, the weighted average remaining life of the private equity partnerships is approximately five years. In addition, certain of the College's other investment funds are subject to redemption lock up periods. The expirations of these lock up periods are summarized in the table below (in thousands):

Fiscal Year		Amount
Less than one year	$	30,427
Between one and three years		83,877
Total	$	114,304

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

		2011		2010
Investment income	$	8,858	$	12,903
Realized gains		30,138		2,108
Unrealized gains		73,111		46,518
Fees		(10,157)		(8,117)
Total	$	101,950	$	53,412

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 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 to a 5% increase over the preceding annual distribution, within a range of 4.5% to 5.5% of a twelve quarter average market value less outstanding debt. For fiscal years 2011 and 2010, the College elected to distribute 4.8% and 4.5% respectively, of the average of the prior twelve quarter-end market values, as of December 31, 2009 and December 31, 2008, 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 that the original gifts of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, must be preserved. 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, 2011, this dollar amount was $0.4 million ($2.8 million as of June 30, 2010). 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.

Endowment funds, consisted of the following at June 30, 2011 and June 30, 2010 (in thousands):

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (433)	$ 302,660	$ 224,431	$ 526,658
Board designated (quasi)	70,464	20,162		90,626
Total	$ 70,031	$ 322,822	$ 224,431	$ 617,284

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (2,845)	$ 240,454	$ 218,358	$ 455,967
Board designated (quasi)	61,975	17,945		79,920
Total	$ 59,130	$ 258,399	$ 218,358	$ 535,887

Changes in endowment funds for the fiscal years ended June 30, 2011 and June 30, 2010 were as follows (in thousands):

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
June 30, 2010 balance	$ 59,130	$ 258,399	$ 218,358	$ 535,887
Contributions		40	5,872	5,912
Investment income	1,744	7,106	8	8,858
Realized/unrealized gains net of fees	15,455	77,549	88	93,092
Distributions	(3,890)	(19,635)	52	(23,473)
Transfers from/(to) operations	(4,660)	1,644	191	(2,825)
Other changes	2,252	(2,281)	(138)	(167)
June 30, 2011 balance	$ 70,031	$ 322,822	$ 224,431	$ 617,284

		Unrestricted		Temporarily Restricted		Permanently Restricted		Total
June 30, 2009 balance	$	56,614	$	236,956	$	211,799	$	505,369
Contributions						6,071		6,071
Investment income		4,315		2,194		11		6,520
Realized/unrealized gains/(losses) net of fees		7,809		39,092		(8)		46,893
Distributions		(3,895)		(18,538)		67		(22,366)
Transfers from/(to) operations		(5,795)		(191)		337		(5,649)
Other changes		82		(1,114)		81		(951)
June 30, 2010 balance	$	59,130	$	258,399	$	218,358	$	535,887

8. Line of Credit

The College has an uncollateralized demand line of credit available through December 31, 2011, in the amount of $20,000,000 at an interest rate of prime less 25 basis points. The amount outstanding on the line of credit was $3,800,000 and $3,700,000 at June 30, 2011 and 2010, respectively.

9. Bonds Payable

The College's bonds payable as of June 30, 2011 and 2010 are summarized as follows (in thousands):

Series	Fiscal Years of Maturity	Interest Rates	2011	2010
Massachusetts Development Finance Authority (MDFA):				
2001	2012	5.0%	$ 1,225	$ 46,295
Unamortized premium				352
2008	2012-2037	2.55%-5.00%	38,215	39,005
Unamortized premium			416	433
2011A	2012-2032	Variable	45,470	
2011B	2012-2042	2.0%-5.0%	30,000	
Unamortized premium			662	
			$ 115,988	$ 86,085

During the year ended June 30, 2011, the College issued Massachusetts Development Finance Authority bonds, Series 2011A and 2011B. The proceeds of Series 2011A were used to refund Massachusetts Development Finance Authority Series 2001 bonds, while the proceeds of Series 2011B will be used to provide funding for various construction projects. The outstanding principal of the defeased Series 2001 bonds not reflected in the College’s financial statements is $43,895,000 as of June 30, 2011.

The refunding of the Series 2001 bonds resulted in a loss of approximately $33,000.

Debt service payments are made to a Trustee under terms of the bond agreements and are included in funds held by bond trustee on the Statement of Financial Position. Unexpended borrowings from the Series 2011B Massachusetts Development Finance Authority issue are also included in this line item as of June 30, 2011.

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, 2011 was $72,063,157.

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

2012	$ 2,035
2013	2,785
2014	2,895
2015	3,005
2016	3,130
Thereafter	101,060
	$ 114,910

On July 1, 2004, in connection with the 2001 Massachusetts Development Finance Authority bonds, the College entered into an interest rate swap agreement with 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 $8,498,000 and $8,224,000 at June 30, 2011 and 2010, respectively. This is included in other liabilities on the Statement of Financial Position.

On November 4, 2005, the College entered into a forward starting fixed payer swap agreement with 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 $3,922,000 and $4,671,000 at June 30, 2011 and 2010, respectively. This is included in other liabilities on the Statement of Financial Position.

On October 22, 2009, the College, as part of its management of debt, entered into a fixed receiver swap agreement with 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 $653,000 and $746,000 at June 30, 2011 and 2010, respectively. This is included in other assets on the Statement 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. The swaps are general obligations of the College and are unsecured except that the agreements require collateral posting by the College and the counterparty under certain conditions. To date, the College has not posted collateral with respect to these swap agreements.

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 $4,908,000 in 2011 and $4,816,000 in 2010 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:

	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 12,005	$ 11,004
Service cost	480	468
Interest cost	626	683
Actuarial loss	6	668
Plan amendments	(79)	
Benefits paid	(855)	(818)
Benefit obligation at end of year	$ 12,183	$ 12,005
Change in value of plan assets:		
Fair value of plan assets at beginning of year	$ 9,024	$ 8,147
Actual return on plan assets	1,572	875
Benefits paid	(855)	(818)
Employer contribution	817	820
Fair value of plan assets at end of year	$ 10,558	$ 9,024
Funded status	$ (1,625)	$ (2,981)

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% at June 30, 2011 and June 30, 2010, and a salary projection rate, which is the estimated rate at which salaries will increase, of 3.0% and 3.5% for the years ended June 30, 2011 and 2010, respectively. The excess of the benefit obligation over the fair value of plan assets is included in other liabilities on the Statement 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 5.5% for the year ended June 30, 2011 and 6.5% for the year ended June 30, 2010; a salary projection rate, which is the estimated rate at which salaries will increase, of 3.5% for the years ended June 30, 2011 and 2010; 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 years ended June 30, 2011 and 2010.

Net pension cost for the years ended June 30, 2011 and 2010 includes the following components (in thousands):

	2011	2010
Service cost earned during the period	$ 480	$ 468
Interest cost on projected benefit obligation	626	683
Amortization of prior service cost	16	16
Amortization of net loss	227	196
Expected return on assets	(717)	(651)
Net pension cost	$ 632	$ 712
Increase/(decrease) in liability included in change in net assets	$ (1,356)	$ 124

Plan Assets

The plan's asset allocations at June 30, 2011 and 2010 by asset category are as follows:

	Plan Assets at June 30		Target Investment %	
Asset Category	2011	2010	2011	2010
Equity securities	69.9 %	55.6 %	71 %	50 %
Debt securities	16.0	26.9	16	25
Cash	2.4	1.1	2	9
Other	11.7	16.4	11	16
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.
Other: 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, 2011 and June 30, 2010 (in thousands):

	2011			
Asset Description	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 334			$ 334
Mutual Funds	9,072			9,072
Other			$ 1,152	1,152
Total	$ 9,406		$ 1,152	$ 10,558

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

The following tables present the plan's activity for the fiscal years ended June 30, 2011 and June 30, 2010 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Other
Fair value as of June 30, 2010	$ 1,200
Participant distributions	(99)
Service fees	(19)
Investment return	70
Fair value as of June 30, 2011	$ 1,152
Fair value as of June 30, 2009	$ 1,249
Participant distributions	(104)
Service fees	(18)
Investment return	73
Fair value as of June 30, 2010	$ 1,200

Cash Flows

The College made a contribution of $1,200,000 to the defined benefit pension plan in August 2011. This contribution exceeded the minimum required contribution for the year ending June 30, 2012.

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

2012	$	296
2013		299
2014		635
2015		575
2016		617
2017-2021	$	4,518

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2010-2011

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Statistics

	2011	2006	2001
Market value of investment pool	$610,537,000	$523,227,000	$399,703,000
Endowment total return	19.0%	14.7%	-7.4%
Unit value of endowment pool	$5.620	$5.047	$4.334
Tuition	$40,070	$32,430	$25,220
Room and board	$11,780	$9,550	$7,410
Student enrollment (FTE)	2,319	2,093	2,021
Faculty (FTE)	244	218	200
Student/faculty ratio	9:1	10:1	10:1
Percent of students receiving Mount Holyoke financial aid	70%	66%	68%
Library collection in volumes-print	1,281,304 *	905,108	705,471
Library collection in volumes-non-print	430,961	156,645	27,769
Insured value of physical plant	$968,000,000	$816,000,000	$416,000,000

*includes off-site storage

The methodology for calculating Faculty FTE has changed beginning in FY11.

10 Year Comparison