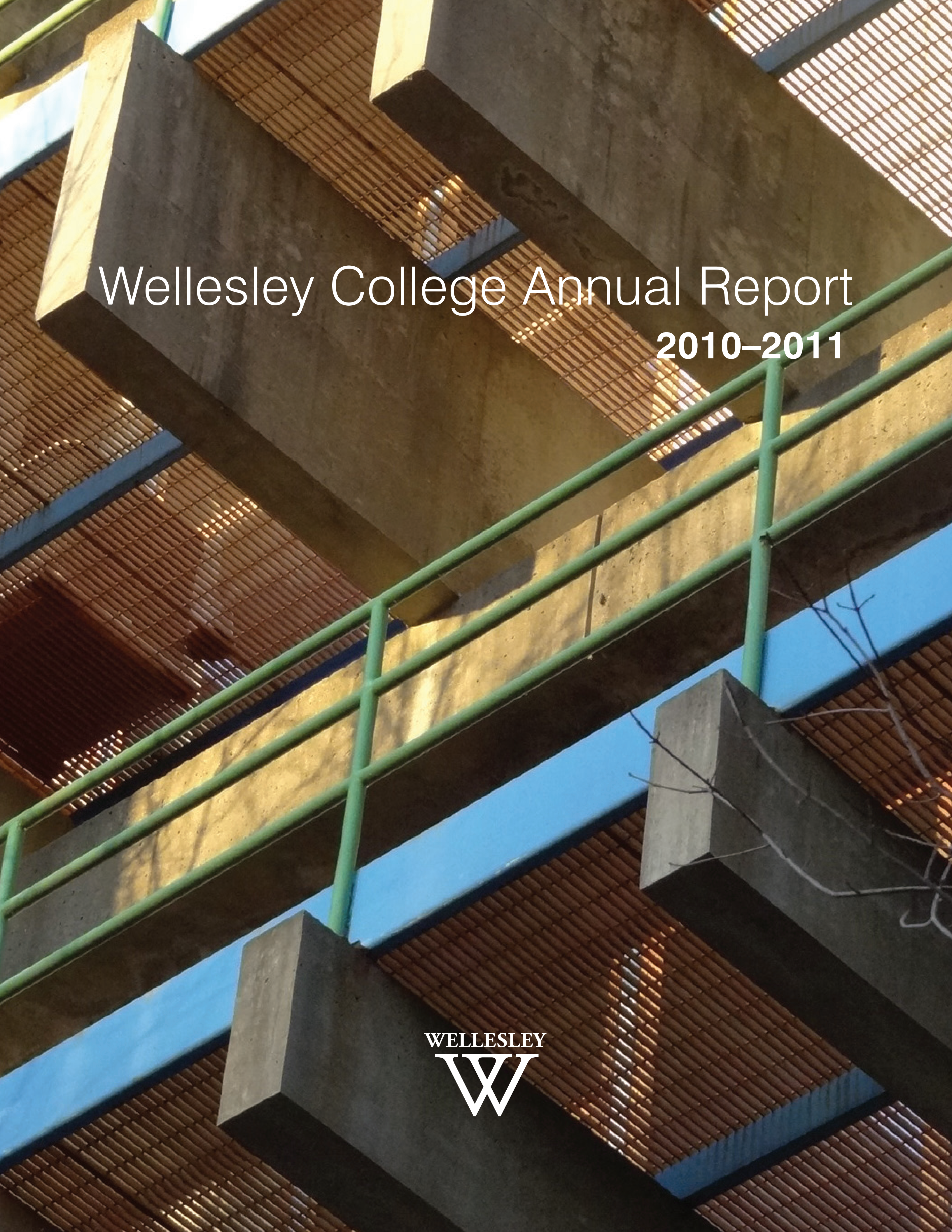
Wellesley College Annual Report
2010–2011



WELLESLEY

Wellesley College Annual Report

For the year ended June 30, 2011

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October 2011

To the Board of Trustees, Alumnae, Faculty, and Friends of Wellesley College

I am pleased to submit the annual financial report of Wellesley College for the 2010-2011 academic (and fiscal) year—a year marked by strong financial management and outstanding faculty and student successes. It was also a year in which the College could begin to think about long-term strategic planning, bringing together the academic planning work and other initiatives that so many of us in our community have engaged in over the last few years. This work is especially important as the College focuses on the future we want for Wellesley, and as we increase our understanding of the resources that will be required to make our dreams a reality, and clearly identify the principles that will guide us throughout the process.

Wellesley's story can be told, in part, in the pages that follow. The reports from Andrew Evans, Vice President for Finance and Treasurer, and Deborah Foye Kuenstner '80, Chief Investment Officer, give an in-depth look at the financial status of the College and the current strength of our endowment. As you will see, the College was able to achieve a slight surplus in the FY11 budget without disrupting the current level of programming. This achievement was made possible by careful planning—the same careful planning, guided by our institutional priorities, that has enabled us to thrive and even further our own goals despite a difficult economic climate.

Below are some highlights of the past year—and they are just a sampling of what makes Wellesley the special place it is for the young women who come here.

Celebrating Our Vibrant Intellectual Community

Each academic year is punctuated by the moments that engage our entire community in an important way—attending lectures, forums, and other events which bring renowned scholars to campus, or encourage our distinguished faculty and remarkable students to present their ideas and research. This past year, we have had many such opportunities to come together and learn from each other, as well as from others who are quite different from us. Last January, former Secretary of State Madeleine Albright '59 was on campus for the second Albright Institute for Global Affairs; in April, she returned for a panel discussion with former Ambassador Nicholas Burns on "Revolt and Repression in the Middle East." Also in April, former U.S. Ambassador to Pakistan Anne Patterson '71 and Maleeha Lodhi, former Pakistani Ambassador to the U.S., engaged in an important dialogue on international relations during Wellesley's annual Wilson Lecture, the College's premier intellectual event of the year.

Last fall Wellesley celebrated the 10th anniversary of the Tanner Conference, followed by the 15th anniversary of the Ruhlman Conference in the spring. Both conferences boasted more than 300 student participants. During Tanner, students shared their summer internship experiences, bringing to life the fundamental relationship between the liberal arts and students' roles in an increasingly diverse world. During Ruhlman students presented their research in a broad array of fields, including the humanities, social sciences, and sciences. This intellectual festival celebrates their achievements as well as the many wonderful collaborations between students and faculty.

As always, Wellesley remains committed to preserving its core academic enterprise, which has enabled the College to retain its high academic standing year after year. To that end, we have continued to invest strategically in hiring new faculty. (During the 2010-11 academic year, we hired 12 tenure-track faculty.) Additionally, six faculty members achieved the career milestone of full tenure this past year. And as a testament to their extraordinary scholarship, our faculty were the recipients of no less than 30 fellowships and grants this last year in the humanities, social sciences, and sciences.

During this same period, the College has also been able to celebrate the many accomplishments of our student scholars—both current students and recent graduates. The competition for fellowships and scholarships was impressive: 49 students and alumnae were recognized with prestigious national awards, including 12 National Science Foundation Graduate Research Fellowships, eight Fulbright Awards (both the Fulbright U.S. Student Program and the U.K. Fulbright Summer Institute), two Thomas J. Watson Fellowships, and one Woodrow Wilson-Rockefeller Brothers Fund Fellowship for Aspiring Teachers of Color.

Honoring Our Sense of Place

Over the last year, we dedicated two important campus landmarks—the newly named Diana Chapman Walsh Alumnae Hall in the fall and the Whitin Observatory in the spring. The renovation of both these buildings illustrates how well the College has been able to preserve its history while re-envisioning the space for a liberal arts education in the 21st century. This principle will guide our thinking about all future campus building projects. (Already, several small planning groups have been meeting to address building needs in several critical areas: arts and media; language and humanities; science and the environment; the student residential experience; and our fitness/sports/wellness programs.)

Engaging Our Community

Wellesley remains Wellesley because of the continuing generosity of alumnae, friends, and parents. This ongoing commitment has enabled the College to have a banner year, both in overall dollars raised and in the percent of alumnae and parents who gave. New gifts and pledges totaled just under $40 million, an increase of 24 percent over last year. The Annual Giving Office exceeded its goal by raising $10.1 million—$80,000 ahead of last year. Alumnae participation reached 46.6 percent, an impressive increase over last year's 45 percent participation rate, and well on the way to the 50 percent participation mark. This very encouraging year owed its success in large part to the very effective Count Me In campaign, with the Office for Resources actively targeting alumnae who graduated within the last 10 years.

All of these remarkable steps forward were made possible due to the hard work of our entire community. For the last several years, the College has had to manage in the face of daunting financial pressures, but diligence and planning has enabled us to continue to move forward. The College remains as vital as ever, and I thank you for your sustained commitment to Wellesley and for your continued belief in the power of a liberal arts education and women's education.

Yours truly,

H. Kim Bottomly
President

Report of the Vice President for Finance and Treasurer

October 2011

To the Board of Trustees of Wellesley College

This Annual Report presents the operating and audited results at Wellesley College for the fiscal year ending June 30, 2011, during which the College's net assets increased by $214.3 million. The endowment also increased—by $193.4 million—and was valued at $1.5 billion as of June 30, 2011.

Results of Fiscal Year 2011

Wellesley is a remarkable institution, strong both academically and financially. **The gain from a positive investment return of 20.4 percent resulted in an increase in endowment value from $1.3 billion to $1.5 billion**, offset by spending (also from the endowment) needed to support the College operations. Moreover, the endowment per student increased by 10.2 percent from $604,566 to $666,135 and gifts received were $38.1 million. Finally, funds used during the year to support the operating budget and various capital projects equaled 5.8 percent and 5.9 percent of the endowment market value for the one-year and the three-year rolling average, respectively (Further details about our endowment are discussed in the Chief Investment Officer's report.)

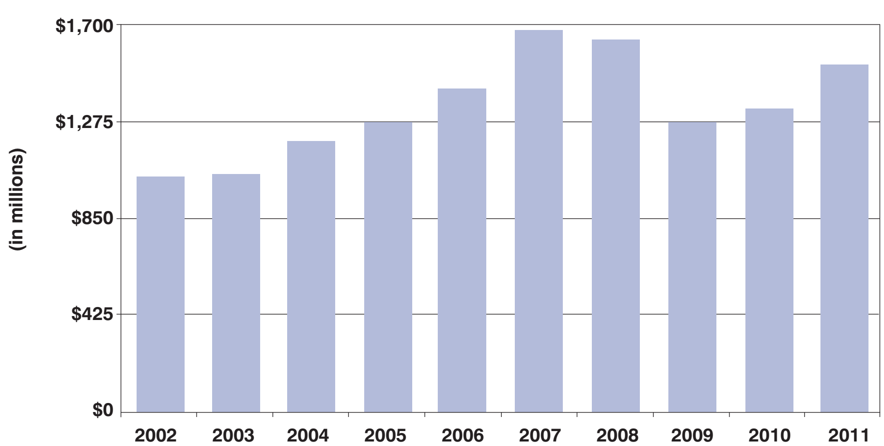
The operating budget (Schedule A) in this fiscal year reflects revenues of $236.4 million and expenses of $232.3 million, resulting in an operating surplus of $4.0 million. This surplus was added to the College's operating reserves. Increasing these reserves continues to be an important part of the College's strategy to address the expected revenue shortfall over the next five years, and will be a source of funding for one-time expenses that will yield longer-term expense reductions or revenue enhancements.

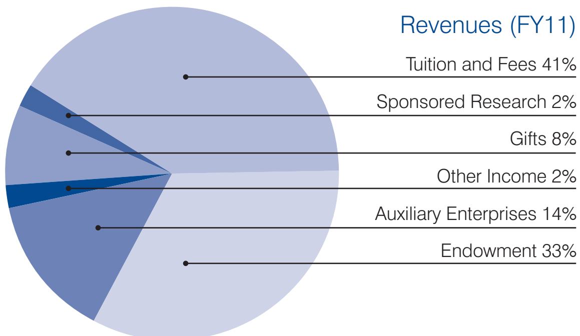
The revenue base for the operating budget was well diversified with five primary revenue sources: tuition income, 41 percent; endowment, 33 percent; auxiliary enterprises, including room and board, 14 percent; gifts used for operations, 8 percent; and other sources of revenue, including sponsored research, 4 percent. Total operating revenues in this fiscal year increased by $1.1 million over fiscal year 2010—even with a decrease (6 percent) in endowment income of $4.9 million.

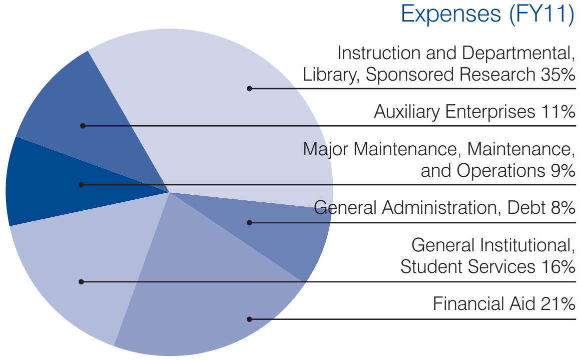
Operating expenses had an incremental increase of 1.8 percent over fiscal year 2010. As would be expected in a labor-intensive institution, about 50 percent of the operating budget was used for salaries and benefits.

At the end of each fiscal year, the College's interest-rate swap on the Series I variable rate revenue bonds is "marked to market" (which means that the market value of the swap is reflected in the audited financial statements). As of June 30, 2011, the College recorded

General Endowment Pool, 2002–2011







a liability of $4.9 million (reflecting the mark-to-market of the swap) due to low Treasury rates at June 30, 2011. This is a decrease from the value of a $6.8 million liability as of June 30, 2010 and results in a **$1.9 million increase to the College's net assets for fiscal year 2011.**

Financial Strength and Flexibility

The College operates under a set of principles for financial strength and flexibility. These principles were established to support Wellesley College's institutional values and strategic priorities by preserving the purchasing power of the endowment, ensuring that the growth rates of income and expenses are in balance, and creating reserves to mitigate unanticipated shocks to a balanced budget.

The College's endowment-spending policy attempts to address the need for a strong, stable, and growing income stream from the endowment to support operations and to address the long-term objective of maintaining the purchasing power of the endowment. The methodology for setting annual spending from endowment is based on a combination of prior year's spending and endowment value. As a general rule, the total amount spent needs to be within a 4.5 percent to 5.5 percent range of the prior year market value of the endowment; in addition, the spending policy sets a ceiling for the maximum amount to be spent each year at 5.5 percent of the trailing three-year endowment value average. In fiscal year 2011, owing to the economic downturn during fiscal year 2009, the College reduced its spending by $7 million as a result of this ceiling. However, even with this reduced spending, the College achieved an operating budget surplus for fiscal year 2011.

The budget process for the College is a multiyear one, and is built around institutional priorities, allowing for inclusiveness and institution-wide input, and using all sources of funds, including restricted-income sources. In building the budget for each fiscal year, it is the Provost Budget Committee (which the Provost chairs) whose objective it is to ensure that the College's budget aligns resources to serve its academic mission.

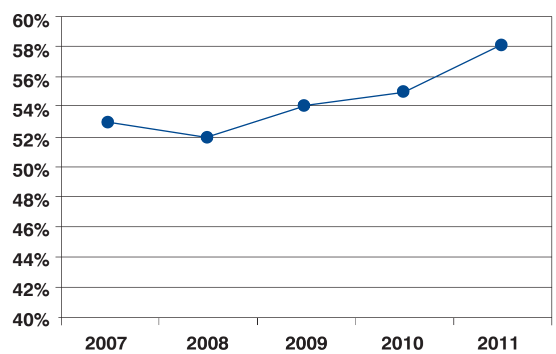
During fiscal year 2011, the College invested $20 million of existing operating cash in a manner consistent with how we traditionally manage the endowment. The cumulative excess investment return over typical short-term interest rates on these funds (as of June 30, 2011) totaled approximately $2.7 million. This excess will be reserved and with extended time for planning used to fund extraordinary items in the future.

Institutional Values and Priorities

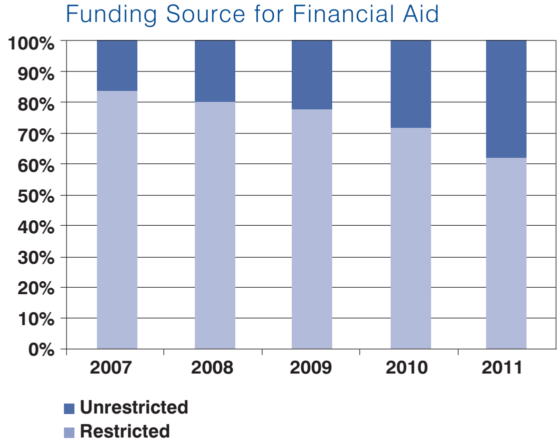
One of the College's longest-held institutional values has been our need-blind admission policy. Wellesley believes that students should be considered for admission solely on the basis of their talents and personal qualities, rather than their ability to pay. At the same time, the College continues to measure the effects of this important policy against other expenses. Over the past five years, there has been an increase in the use of unrestricted resources for financial aid (shown on page 7). **While the percent of students receiving financial-aid assistance has remained fairly constant over the past 5 years (53 percent to 58 percent), the percentage of student financial aid expenditures supported by restricted revenues has decreased from 83 percent in 2007 to 62 percent in 2011**, resulting in the need, more and more, to use unrestricted resources to fund this important College value.

The maintenance and enhancement of the College's significant physical assets is also an important institutional priority. Fiscal year 2011 represents the second year of our plan for the College to build a fund for asset renewal and replacement (ARR). (Prior to fiscal year 2010, the College's operating budget did *not* include funding for depreciation or ARR.) In order to fully fund ARR, the College will need to add an additional annual amount of approximately $10 million to the operating budget. To that end, we have implemented a phased-in approach to this funding need, with a funding increase of up to $1 million each fiscal year. As of June 30, 2011, the College has accumulated a balance of $2 million in the ARR fund.

Percentage of Students Receiving Financial Aid Grant Assistance



Funding Source for Financial Aid



In fiscal year 2007, the College developed a Comprehensive Facilities Plan (CFP) that stated the needs and the estimated cost for each building, detailing what was necessary to address existing conditions. At that time, there was some effort to address what programmatic changes were known at that time. The CFP was a first—and important—step in the development of a needed long-term plan—one that would establish a prioritized schedule of capital improvements over the next 10-15 years. However, in order to ensure that the CFP is fully informed by needs that have been identified by other ongoing planning efforts (such as academic planning, student life planning, and landscape planning), a *new* comprehensive plan is being developed to integrate facility and programming needs: Programmatic needs, facility urgency, and financing must all be considered in establishing a revised schedule of project prioritization. To that end, during fiscal year 2011, the President charged a steering committee to evaluate building utilization and renovation strategies (Wellesley 2025: A Plan for Campus Renewal) to begin the work on developing a new comprehensive plan.

Future Challenges and Outlook

The College's set of principles for financial strength and flexibility continues to guide us as we work on addressing the budget issues resulting from the tumultuous economic events of fiscal 2009. The College's multiyear budget process remains invaluable for our planning process, and we continue to prepare solutions to address projected deficits in the coming years. Additionally, the development of an integrated long-term financial plan to support the new comprehensive facilities goals is a key challenge—and helps to ensure that Wellesley will continue to achieve its high academic standards. Under the leadership of President Bottomly, and with her demonstrated commitment to multi-year budget planning, the College has—in very stressful economic times—achieved operating surpluses for two consecutive years, and is well positioned to meet the financial challenges of the future.

Respectfully submitted,

Andrew B. Evans

Andrew B. Evans
Vice President for Finance and Treasurer

Report of the Chief Investment Officer

October 2011

To the Board of Trustees of Wellesley College

On June 30, 2011, the Wellesley College endowment had a market value of $1.5 billion, vs. $1.307 billion on June 30, 2010—an increase of approximately $193 million. (This means that the investment return earned by the endowment portfolio for the last fiscal year, net of investment management fees, was a healthy 20.4 percent.)

Fiscal 2011 Developments

Fiscal 2011 saw two distinct trends in financial markets. The first, which lasted from the beginning of July into February, saw strong gains in developed and emerging equity markets. As worries about economic growth and sovereign debt began to emerge, however, stock markets moved sideways and Treasury bonds rallied through June. Against this backdrop, the College's endowment earned a healthy 20.4 percent. Investment returns by asset class, and the relative performance versus benchmarks for each asset class are summarized below.

The majority of Wellesley's investments in U.S. public equities, fixed income, and semi-marketable strategies delivered good results. The portfolio also benefited from strong outcomes in venture capital, buyouts and energy. These positives were offset by continued underperformance in real estate investments.

Longer-Term Results

Compound annual returns over the last five- and ten-year periods were 6.3 percent and 7.1 percent respectively, net of investment-management fees. Although these results are lower than the College needs its returns to be to cover both spending and inflation, the long-term results improved significantly compared to the prior two years. Long-term performance also remains strong relative to alternative investment strategies: the College's well diversified endowment has significantly outperformed U.S. equity investments (as represented by the S&P 500), as well as the "65 percent Stock/35 percent Bond Portfolio," (top of page 9). The continued exposure to alternative asset classes with higher long-term return expectations has been important to improving longer-term portfolio results.

Total Return by Asset Class Year Ended June 30, 2011

	Wellesley Return	Market Benchmark/Comparative Index	
U.S. Equity	32.1%	30.7%	S&P 500
International Equity	26.4	29.7	MSCI AC World Ex-U.S.
Private Equity	26.0	—	Cambridge Associates (1)
Real Assets	11.4	—	Real Assets Benchmark (2)
Semi-marketable (3)	15.8	9.6	Cambridge Associates Hedge Fund-of-Funds Index
Fixed Income	6.9	5.0	Fixed Income Benchmark (4)
Total Portfolio	**20.4%**		

1 Private Equity results are measured against the Cambridge Associates Private Equity, Venture Capital and Distressed Indices, with final results not yet reported at the time of this writing.

2 Real Assets Benchmark is a weighted average of the NCREIF Property, NCREIF Timber, Cambridge Associates Real Estate and the Cambridge Associates Natural Resources Index (x-Timber). Final returns have not yet been reported at the time of this writing.

3 Semi-marketable investments include absolute return and hedge funds.

4 Fixed Income Benchmark is a weighted average of the Barclays 5+ Year Treasury Index, Barclays >5 Year TIPS Index and the Citigroup World Government Bond Index.

Total Annualized Return on Endowment, Year Ended June 30, 2011

	3 years	5 years	7 years	10 years
Wellesley Portfolio	3.0%	6.3%	8.1%	7.1%
S&P 500 Index	3.3	2.9	4.2	2.7
65/35 Stock/Bond Portfolio [5]	5.0	4.6	5.0	4.1

5 A commonly used measure of portfolio performance is a comparison with a passive portfolio consisting of 65% stocks, as measured by the S&P 500 Index, and 35% bonds, as measured by the Citigroup Broad Investment Grade Index.

Wellesley's Policy Portfolio and Strategy Going Forward

The Policy Portfolio, established by the Wellesley College Investment Committee with the goal of balancing long-term returns and risks, guides our asset allocation. Over the last decade, the endowment has been diversified, into less-efficient asset classes such as venture capital, distressed debt, and energy. The Investment Committee, together with the Investment Office team, regularly reviews the assumptions and expectations upon which the Policy Portfolio is based, with the goal of refining its assets to provide optimal risk/return characteristics over the long run. In executing the agreed-upon investment strategy, the Investment Office team works to add value within asset classes by selecting outstanding investment managers.

The following table details the Policy Portfolio and the actual asset allocation as of June 30, 2011.

Asset Allocation as of June 30, 2011

Asset Class	Policy Portfolio	Asset Allocation
U.S. Equities	19%	22%
International Equities	19	19
Total Equities	38	41
Private Equity	16	20
Real Assets	16	16
Semi-marketable	18	11
Total Alternative Assets	52	47
Fixed Income & Cash	12	12
Total Portfolio	100%	100%

Exposure to total long-term alternative assets was 47 percent of the portfolio, just shy of our long-term target of 50 percent. Also, relative to the long-term Policy Portfolio targets, the endowment portfolio was over-weighted in U.S. equities. At the same time, the portfolio has sufficient exposure to liquid investments to sustain the endowment's financial support to the College's operations and to provide for portfolio liquidity needs.

As developed economies continue to deal with a major debt crisis that has been years in the making, financial markets are likely to remain volatile. Consequently, the Investment Office and the Investment Committee continue to focus on long-term growth to ensure that the endowment continues to support the College's increasingly important mission—a mission that has been expanded in the last few years to address more directly Wellesley's leadership responsibilities in advantaging women around the globe. I believe that the College will be well served by its strategy of broad diversification across asset classes, geographies, and strategies, and by the excellent investment managers whom we employ.

Members of the College community with questions, suggestions, or thoughts about the management of the Wellesley College endowment are invited to contact me for more information at any time.

Thank you.
Sincerely,

Debby Kuenstner

Deborah F. Kuenstner
Chief Investment Officer

Financial Highlights
(in $000s)

	2007	2008	2009	2010	2011
Total College Summary					
Total Revenues	$491,051	$182,338	($122,136)	$283,897	$445,748
Total Expenses	224,722	225,903	252,458	238,174	231,443
Net Surplus (Deficit)	$266,329	($43,565)	($374,594)	$45,723	$214,305
Current Operations Summary					
Revenues including Trustee approved use of unrestricted bequests	$213,514	$221,417	$226,808	$235,248	$236,384
Expenditures including addition to reserves	213,507	221,416	226,803	235,219	236,327
Operating Surplus	$7	$1	$5	$29	$57
Resources					
Unrestricted Gifts	$8,421	$8,848	$8,268	$8,847	$8,690
Endowment Gifts and Bequests	19,908	10,266	18,556	18,586	24,276
Planned Gifts	1,389	2,943	3,389	1,219	1,409
Facilities Gifts	22,390	14,341	6,607	3,291	2,315
Current-Use Gifts and Grants	12,071	1,367	1,422	1,174	1,411
Total	$64,179	$37,765	$38,242	$33,117	$38,101
Endowment					
Market Value	$1,672,473	$1,629,447	$1,287,284	$1,330,045	$1,523,451
Total Return (Loss)	$312,636	$12,487	($291,066)	$116,294	$266,207
Total Return Used for Operations	$74,496	$76,584	$81,199	$86,612	$79,107
Unit Value	$691.71	$668.81	$523.84	$535.74	$608.09
Investment Return—Total	22.7%	1.2%	(17.0%)	9.3%	20.4%
Yield	8.1%	7.8%	2.8%	4.6%	5.5%
Appreciation	14.6%	(6.6%)	(19.8%)	4.7%	14.8%
Average Endowment Operating Support (% of Average Market Value)					
One-Year Average	4.7%	4.6%	5.4%	6.4%	5.8%
Three-Year Average	4.9%	4.7%	4.9%	5.5%	5.9%
Assets					
Total College Net Assets	$1,905,921	$1,862,356	$1,488,848	$1,534,571	$1,748,876

Schedule A

Summary of Operating Revenues and Expenditures Years ended June 30, 2011 and 2010 (in $000s)

	2011	2010	Increase (Decrease)	%
Revenues from Operations				
Tuition and Fees	$96,402	$90,400	$6,002	6.6%
Endowment Income				
Education and General Support	54,513	57,276	(2,763)	(4.8%)
Total Endowment Support	54,513	57,276	(2,763)	(4.8%)
Unrestricted Gifts	9,274	8,825	449	5.1%
Unrestricted Bequests	2,000	2,000	—	0.0%
Restricted Gifts and Use of Reserves	3,071	3,623	(552)	(15.2%)
Other Income	4,040	3,308	732	22.1%
Student Financial Aid				
Endowment Income	23,791	25,920	(2,129)	(8.2%)
Federal and State Grants	3,119	2,881	238	8.3%
Restricted Gifts	1,686	2,718	(1,032)	(38.0%)
Total Student Financial Aid	28,596	31,519	(2,923)	(9.3%)
Total Education and General	197,896	196,951	945	.5%
Sponsored Research	5,490	7,015	(1,525)	(21.7%)
Auxiliary Enterprises	32,998	31,282	1,716	5.5%
Total Revenues	236,384	235,248	1,136	.5%
Operating Expenditures				
Instruction and Departmental	66,988	68,114	(1,126)	(1.7%)
Library	5,638	5,798	(160)	(2.8%)
Student Services	11,613	10,789	824	7.6%
Student Financial Aid	49,455	46,568	2,887	6.2%
General Administration	11,576	10,975	601	5.5%
General Institutional	25,644	22,986	2,658	11.6%
Maintenance and Operations	14,409	14,104	305	2.2%
Debt Service	6,098	6,831	(733)	(10.7%)
Major Maintenance, Capital Expenditures, and Reserves	5,841	6,680	(839)	(12.6%)
Total Educational and General Expenditures	197,262	192,845	4,417	2.3%
Sponsored Research	5,490	7,015	(1,525)	(21.7%)
Other Programs	4,079	3,339	740	22.2%
Auxiliary Enterprises	25,496	25,120	376	1.5%
Total Expenditures	232,327	228,319	4,008	1.8%
Operating surplus before reserves	4,057	6,929	(2,872)	(41.4%)
Addition to reserves	4,000	6,900	(2,900)	(42.0%)
Operating surplus after reserves	$57	$29	$28	96.6%

Schedule B

Ten-Year Financial Summary 2002–2011

	2002	2003	2004	2005	2006
Financial Statement ($000s)					
Total Revenues					
Tuition and Fees	$57,491	$59,828	$62,928	$66,989	$71,431
Investment Return	(51,431)	35,449	152,797	131,721	175,886
Private Gifts, Grants, Bequests and Contracts	49,355	52,261	63,101	105,136	47,336
Federal Grants and Contracts (0.2%)	Restricted	6,225	7,448	5,608	4,567
Sales and Services of Auxiliary Enterprises	24,059	24,493	24,224	25,779	27,428
Interest Income	1,253	747	713	713	1,598
Other	4,155	1,823	3,434	3,461	3,505
Total Revenues and Other Additions	$91,107	$182,049	$312,805	$338,366	$331,744
Total Expenditures					
Instruction and Departmental	$42,104	$43,650	47,746	51,035	54,663
Library	5,574	5,602	5,556	5,909	5,818
Student Services	9,876	10,056	9,917	10,396	10,616
Maintenance and Operations	15,635	14,312	13,452	14,896	20,954
Provision for Depreciation	8,718	9,429	9,894	10,497	12,374
Interest on Indebtedness	4,237	4,712	6,069	4,930	5,442
General Administration	8,328	9,737	9,412	9,128	8,247
General Institutional	21,137	20,117	19,676	19,472	19,942
Student Financial Aid	20,878	23,479	26,511	29,649	31,590
Sponsored Research and Other Programs	12,681	12,115	12,850	11,079	10,138
Auxiliary Enterprise Expenditures	22,583	22,233	21,617	22,278	23,632
Other	—	—	—	—	15,857
Total Expenditures and Other Deductions	$171,751	$175,442	$182,700	$189,269	$219,273
Excess of Revenues over Expenditures	($80,644)	$6,607	$130,105	$149,097	$112,471
Excess of Revenues over Expenditures as a Percent of Expenditures	-47.0%	3.8%	71.2%	78.8%	51.3%
Endowment Total Return Used to Support Current Operations	$54,931	$54,333	$59,639	$65,219	$69,159
Endowment End-Of-Year Market Value	$1,032,465	$1,043,937	$1,180,405	$1,275,767	$1,412,604
Average Endowment Return Used to Support Current Operations as a Percent of:					
One Year—Beginning and Ending Market Value	5.0%	5.3%	5.1%	5.1%	5.0%
Three Year—Average of Three Years	4.5%	4.8%	5.1%	5.2%	5.1%
Other Financial Information					
Tuition and Fees per Student					
Comprehensive Fee	$33,394	$34,944	$36,513	$38,998	$41,030
Tuition	$25,022	$26,138	$27,314	$29,176	$30,696
Enrollment (Average FTE)	2,195	2,191	2,176	2,169	2,193
Educational and General Costs per Student	$62,181	$64,397	$68,122	$71,882	$77,358
Tuition as a Percent of Educational and General Expenses	40.2%	40.6%	40.1%	40.6%	39.7%
Endowment per Student	$470,371	$476,466	$542,466	$588,182	$644,142

					Average Annual Percent Change Since June 30, 2002	
2007	2008	2009	2010	2011	Nominal %	Real %
$79,298	$83,447	$86,543	$90,400	$96,402	5.8%	3.4%
312,636	12,487	(291,066)	116,294	266,207	(232.0%)	(234.4%)
58,547	41,631	43,396	35,783	41,408	1.5%	(0.9%)
4,560	5,121	4,983	4,800	6,415	5,615	2.2%
29,382	30,100	30,132	31,282	32,998	3.2%	0.8%
2,402	2,207	526	120	99	(10.6%)	(13.0%)
3,665	7,483	3,533	3,603	3,019	15.3%	12.9%
$491,051	$182,338	($122,136)	$283,897	$445,748	(23.9%)	(26.3%)
60,474	64,458	63,789	66,622	66,461	5.2%	2.8%
6,239	6,473	6,576	5,798	5,740	1.2%	(1.2%)
10,872	11,706	11,297	10,796	11,657	3.3%	0.9%
24,985	19,118	18,178	17,218	15,215	(0.4%)	(2.8%)
12,419	13,527	13,611	14,304	15,419	6.0%	3.6%
5,588	4,844	3,580	2,788	2,748	(4.5%)	(6.9%)
10,521	8,121	12,315	6,625	11,985	10.1%	7.7%
22,236	22,807	23,099	22,390	25,073	1.9%	(0.5%)
34,736	36,316	41,237	45,119	50,021	10.1%	7.7%
10,682	10,672	10,433	10,353	9,570	(0.1%)	(2.5%)
25,052	26,020	24,291	25,109	25,434	0.9%	(1.5%)
918	1,841	24,052	11,052	(7,880)		
$224,722	$225,903	$252,458	$238,174	$231,443	3.5%	1.1%
$266,329	($43,565)	($374,594)	$45,723	$214,305		
118.5%	-19.3%	-148.4%	19.2%	92.6%		
$74,496	$76,584	$81,199	$86,612	$79,107	3.7% *	
$1,672,473	$1,629,447	$1,287,284	$1,330,045	$1,523,451	4.0% *	
4.7%	4.6%	5.4%	6.4%	5.8%		
4.9%	4.7%	4.9%	5.5%	5.9%		
$43,288	$45,820	$47,976	$49,794	$51,950	5.1%	2.7%
$32,384	$34,770	$36,404	$37,826	$39,420	5.2%	2.8%
2,196	2,234	2,212	2,200	2,287	0.3%	
$85,642	$83,872	$87,560	$87,118	$89,339	4.0%	1.6%
37.8%	41.5%	41.6%	43.4%	44.1%	1.3%	(1.1%)
$761,600	$729,385	$581,955	$604,566	$666,135	3.3%	0.9%

* compound growth

Schedule C

Key Statistics

	2007	2008	2009	2010	2011
Faculty / Student FTE Headcount					
Student Enrollment (Average FTE)	2,196	2,234	2,212	2,200	2,287
Faculty Teaching Strength (FTE)	236	241	248	246	253
Student/Faculty Ratio	9.31	9.27	8.92	8.94	9.04
Enrollment					
Number of First-Year Student Applications	3,974	4,017	4,001	4,156	4,267
First-Year Students Admitted as a % of Applicants	36.1%	35.7%	36.0%	35.2%	33.7%
First-Year Students Enrolled as a % of Applicants	14.7%	14.7%	14.9%	14.2%	14.8%
First-Year Students Enrolled as a % of Students Admitted	40.9%	41.1%	41.3%	40.3%	44.0%
Financial Aid					
Percent of Students Receiving Financial Aid Grant Assistance	53.0%	52.0%	54.0%	55.0%	58.0%
Average Financial Aid Grant as % of Comprehensive Fee	61.4%	61.9%	65.7%	67.3%	68.9%
Student Aid Expense as % of Educational and General Expense	18.5%	19.4%	21.3%	23.5%	24.5%
Educational and General Cost per Student	$85,642	$83,872	$87,560	$87,118	$89,339
Tuition as % of Educational and General Expense	37.8%	41.5%	41.6%	43.4%	44.1%
Development ($000s)					
Total Development Fund-Raising	$64,179	$37,765	$33,117	$33,117	$38,101
Total Alumnae Giving Including Bequests	$46,812	$28,884	$29,714	$25,581	$27,592
Number of Alumnae Donors	15,160	14,561	13,527	14,177	14,562
Percent of Alumnae Contributing	49.6%	47.4%	43.6%	45.0%	46.6%
Total Unrestricted Gifts	$8,421	$8,848	$8,847	$8,847	$8,690
Total Planned Gifts	$1,389	$2,943	$1,219	$1,219	$1,409
Total Bequests	$13,017	$4,210	$6,349	$7,555	$8,666
Unrestricted Gifts and Bequests as % of Educational and General Expense	4.5%	4.4%	5.6%	5.7%	5.7%
Endowment					
Endowment Market Value ($000s)	$1,672,473	$1,629,447	$1,287,284	$1,330,045	$1,523,451
Endowment per Student	$761,600	$729,385	$581,955	$604,566	$666,135
Endowment Income as % of Educational and General Expense	39.6%	40.9%	41.9%	45.2%	38.7%
Other					
Gross Square Feet of Buildings	2,600,000	2,598,000	2,594,031	2,587,761	2,592,757
Library Collections in Volumes	1,604,787	1,600,258	1,458,179	1,702,321	1,683,644

Schedule D

Total Sources of Student Financial Aid Grant and Work Assistance (in $000s)

	2007	2008	2009	2010	2011
Unrestricted Revenue					
General College Revenues	$5,890	$7,826	$9,249	$13,049	$18,675
Total Unrestricted Revenue	5,890	7,826	9,249	13,049	18,675
Restricted Revenue					
Restricted Endowment					
Income	21,922	22,823	24,292	25,920	23,791
Income—Special Supplement	2,000	2,000	2,000	2,000	2,000
Federal Government					
Pell Grants	1,110	1,203	1,402	2,018	2,467
Supplemental Educational Opportunity Grants	358	339	348	337	330
College Work Study Program—Federal Government Share	322	333	342	383	322
Total Government Grants	1,790	1,875	2,092	2,738	3,119
Commonwealth of Massachusetts	268	268	238	143	184
Restricted Gifts	3,678	3,478	3,339	2,718	1,686
Total Restricted Revenue	29,658	30,444	31,961	33,519	30,780
Total Unrestricted and Restricted Revenues	$35,548	$38,270	$41,210	$46,568	$49,455

Schedule E

Investment of Endowment and Similar Funds and Planned Giving Funds as of June 30, 2011 (in $000s)

	Market Value	% of Total
Investments Pooled		
Liquid Funds (Net of Payables and Receivables)	$32,587	2.17%
Fixed Income		
U.S. Bonds	111,237	7.42%
Non-U.S. Bonds	41,602	2.78%
Total Fixed Income	152,839	10.20%
Common Stocks		
U.S. Stocks	324,252	21.62%
Non-U.S. Stocks	281,244	18.74%
Total Common Stocks	605,496	40.36%
Alternative Assets		
Venture Capital	177,502	11.83%
Buyout Funds	74,321	4.96%
Distressed securities	50,454	3.36%
Real Estate	101,774	6.79%
Oil and Gas	107,709	7.18%
Timberland	35,705	2.38%
Semi Marketable	160,605	10.71%
Miscellaneous Other	880	0.06%
Total Alternative Assets	708,950	47.27%
Total General Pooled Investments	1,499,872	100.00%
Faculty Mortgages	23,579	
Total General Pooled Investments and Faculty Mortgages	1,523,451	
Investments Not Pooled	232	
Total Endowment and Similar Funds	1,523,683	
Planned Giving		
Separate Pooled Funds	16,725	
Unitrusts and Funds Not Pooled	56,125	
Total Planned Giving Funds	72,850	
Grand Total	$1,596,533	

Schedule F

General Endowment Pool Annual Total Return Since Inception

Year Ended	Market Value (in $000s)	Ending Unit Value	Distribution	Total Return Yield %	Total Return Appreciation %	Total Return Total %
		$100.00				
1970	$92,600	107.13	$5.50	5.13	7.13	12.26
1971	121,050	138.68	5.70	4.11	29.46	33.57
1972	136,273	154.80	5.90	3.81	11.63	15.44
1973	126,928	139.30	6.00	4.31	(10.01)	(5.70)
1974	109,672	116.43	7.30	6.27	(16.42)	(10.15)
1975	111,340	116.82	7.05	6.03	0.33	6.36
1976	115,922	119.77	7.00	5.84	2.52	8.36
1977	119,152	122.86	7.30	5.94	2.58	8.52
1978	111,852	116.54	7.68	6.59	(6.15)	0.44
1979	119,151	119.70	8.05	6.73	2.72	9.45
1980	133,168	119.32	9.30	7.79	(0.03)	7.76
1981	134,871	121.64	9.11	7.49	2.71	10.20
1982	127,842	110.90	10.72	9.67	(8.77)	0.90
1983	167,556	135.78	10.40	7.66	21.94	29.60
1984	156,258	123.60	9.00	7.28	(9.69)	(2.41)
1985	201,793	149.44	9.09	6.36	21.62	27.98
1986	260,481	188.93	8.41	5.50	26.90	32.40
1987	294,574	207.66	8.90	4.34	10.38	14.72
1988	290,270	198.53	10.25	5.20	(4.30)	0.90
1989	319,235	211.06	11.10	5.50	7.28	12.78
1990	352,537	222.70	11.30	5.20	6.00	11.20
1991	371,464	231.81	11.30	5.15	4.08	9.23
1992	409,082	252.95	11.02	4.50	10.00	14.50
1993	475,797	281.83	11.37	4.00	11.50	15.50
1994	475,961	278.97	14.00	3.50	0.50	4.00
1995	520,108	305.01	16.15	3.20	12.00	15.20
1996	595,950	336.88	17.02	3.21	15.03	18.24
1997	677,932	371.67	19.60	2.89	14.28	17.17
1998	780,203	410.41	21.00	3.24	11.98	15.22
1999	887,036	446.73	22.00	3.91	11.05	14.96
2000	1,253,008	610.15	23.50	4.41	38.44	42.85
2001	1,135,925	543.88	24.75	3.72	(10.34)	(6.62)
2002	1,031,991	484.59	26.04	3.81	(9.00)	(5.19)
2003	1,043,476	479.33	26.88	4.12	0.73	4.85
2004	1,179,988	521.95	26.16	5.74	9.44	15.18
2005	1,275,529	550.55	27.88	5.52	5.94	11.46
2006	1,412,410	595.46	28.96	5.84	8.13	13.97
2007*	1,656,565	691.71	30.74	8.12	14.58	22.70
2008	1,611,318	668.81	31.55	7.85	(6.63)	1.22
2009	1,266,437	523.84	33.18	2.81	(19.78)	(16.97)
2010	1,306,796	535.74	35.08	4.62	4.72	9.34
2011	1,499,872	608.09	31.68	5.52	14.84	20.36

* For reporting purposes, beginning in 2007, market value and all return figures are reported based on the general investment pool excluding faculty mortgages.

Report of Independent Auditors

To the Board of Trustees of Wellesley College:

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Wellesley College (the "College") at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 28, 2011

PricewaterhouseCoopers LLP, 125 High Street, Boston, MA 02110
T: (617) 530 5000, F: (617) 530 5001, www.pwc.com/us

Statements of Financial Position

June 30, 2011 and 2010 (in $000s)

	2011	2010
Assets		
Cash and cash equivalents	$38,663	$29,425
Cash and cash equivalents, restricted	4,231	19,811
Accounts receivable, net	774	1,512
Loans receivable, net	8,749	9,113
Contributions receivable, net	47,780	45,677
Grants receivable	1,220	1,338
Prepaid, inventory and other assets	4,368	2,708
Investments	1,523,683	1,330,244
Planned giving investments	72,850	64,671
Collateral received for securities lending	1,217	3,743
Land, buildings and equipment, net	307,560	302,449
Total assets	$2,011,095	$1,810,691
Liabilities		
Accounts payable and accrued expenses	$31,334	$37,482
Student deposits and deferred revenues	4,474	3,519
Advances under grants and contracts	3,666	1,792
Annuities and unitrusts payable	38,677	37,585
Asset retirement obligations	18,951	18,529
Accrued pension liability	11,610	19,368
Liability under securities lending transactions	1,217	3,743
Bonds and notes payable	147,721	149,533
Government loan advances	4,569	4,569
Total liabilities	262,219	276,120
Net Assets		
Unrestricted	604,702	517,193
Temporarily restricted	710,207	600,601
Permanently restricted	433,967	416,777
Total net assets	1,748,876	1,534,571
Total liabilities and net assets	$2,011,095	$1,810,691

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

Statement of Activities

For the year ended June 30, 2011 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
Operating Revenues				
Tuition and fees	$96,402	$—	$—	$96,402
Less financial aid				
Donor sponsored	(25,972)	—	—	(25,972)
Institutionally sponsored	(21,878)	—	—	(21,878)
Net tuition and fees	48,552	—	—	48,552
Auxiliary operations	32,998	—	—	32,998
Government grants	3,635	—	—	3,635
Private gifts and grants	15,667	3,071	—	18,738
Investment return designated for operations	38,312	40,795	—	79,107
Other	3,118	—	—	3,118
Net assets released from restrictions	44,677	(44,677)	—	—
Total operating revenues	186,959	(811)	—	186,148
Operating Expenses				
Instruction and departmental research	80,896	—	—	80,896
Sponsored research and other programs	9,570	—	—	9,570
Library	9,041	—	—	9,041
Student services	14,321	—	—	14,321
General administration	13,074	—	—	13,074
General institutional	26,649	—	—	26,649
Auxiliary operations	35,455	—	—	35,455
Total operating expenses	189,006	—	—	189,006
Nonoperating Activities				
Investment return, net of spending allocation	60,611	126,676	225	187,512
Matured planned giving agreements	1,758	(2,833)	1,075	—
Gifts and pledges	223	5,658	15,890	21,771
Pension related changes other than net periodic pension cost	7,758	—	—	7,758
Net realized/unrealized gain on interest swap	122	—	—	122
Net assets released from restrictions	19,084	(19,084)	—	—
Total nonoperating revenues	89,556	110,417	17,190	217,163
Net change in net assets	87,509	109,606	17,190	214,305
Net assets at beginning of year	517,193	600,601	416,777	1,534,571
Net assets at end of year	$604,702	$710,207	$433,967	$1,748,876

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

Statement of Activities

For the year ended June 30, 2010 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total
Operating Revenues				
Tuition and fees	$90,400	$—	$—	$90,400
Less financial aid				
Donor sponsored	(28,940)	—	—	(28,940)
Institutionally sponsored	(13,729)	—	—	(13,729)
Net tuition and fees	47,731	—	—	47,731
Auxiliary operations	31,282	—	—	31,282
Government grants	4,838	—	—	4,838
Private gifts and grants	17,182	3,623	—	20,805
Investment return designated for operations	41,855	44,757	—	86,612
Other	3,725	—	—	3,725
Net assets released from restrictions	45,460	(45,460)	—	—
Total operating revenues	192,073	2,920	—	194,993
Operating Expenses				
Instruction and departmental research	81,435	—	—	81,435
Sponsored research and other programs	10,353	—	—	10,353
Library	9,191	—	—	9,191
Student services	13,534	—	—	13,534
General administration	12,078	—	—	12,078
General institutional	24,009	—	—	24,009
Auxiliary operations	35,408	—	—	35,408
Total operating expenses	186,008	—	—	186,008
Nonoperating Activities				
Investment return, net of spending allocation	1,680	28,749	710	31,139
Matured planned giving agreements	1,401	(3,040)	1,639	—
Gifts and pledges	3,531	4,559	5,408	13,498
Pension related changes other than net periodic pension cost	(3,501)	—	—	(3,501)
Net realized/unrealized loss on interest swap	(4,398)	—	—	(4,398)
Net assets released from restrictions	5,963	(5,963)	—	—
Total nonoperating revenues	4,676	24,305	7,757	36,738
Net change in net assets	10,741	27,225	7,757	45,723
Net assets at beginning of year	506,452	573,376	409,020	1,488,848
Net assets at end of year	$517,193	$600,601	$416,777	$1,534,571

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

Statements of Cash Flows

For the years ended June 30, 2011 and 2010 (in $000s)

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	$214,305	$45,723
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	15,395	14,304
Contributions restricted for investments	(14,368)	(9,716)
Receipt of contributed securities	(2,379)	(2,043)
Realized and unrealized (gains) losses on investments	(268,936)	(120,524)
Change in discount and allowance for doubtful accounts	(650)	(1,727)
Pension related changes other than net periodic pension cost	7,758	3,501
Unrealized (gain) loss on interest swap	(1,883)	2,640
Changes in operating assets and liabilities:		
Accounts receivable, net	861	(1,140)
Contributions receivable, net	(1,572)	3,807
Grants receivable	118	(112)
Prepaid, inventory and other assets	(1,660)	2,222
Accounts payable and accrued expenses	(18,201)	3,783
Student deposits and deferred revenue	955	841
Advances under grants and contracts	1,874	(598)
Annuities and unitrusts payable	1,092	29
Net cash used in operating activities	(67,291)	(59,010)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(21,932)	(27,579)
Proceeds from student loans collections	829	1,199
Student loans issued	(469)	(1,065)
Decrease in restricted cash for construction funds	11,200	7,014
(Increase)/decrease in restricted cash for plant and equipment	4,380	(8)
Purchases of investments	(547,812)	(278,426)
Proceeds from sales and maturities of investments	617,754	356,447
Net cash provided by investing activities	63,950	57,582
Cash Flows from Financing Activities		
Proceeds from contributions for:		
Investment in endowment	12,679	8,090
Investment in planned giving	450	891
Plant and equipment	1,239	735
Payments on bonds and notes payable	(1,789)	(2,792)
Net cash provided by financing activities	12,579	6,924
Net increase in cash and cash equivalents	9,238	5,496
Cash and cash equivalents, beginning of year	29,425	23,929
Cash and cash equivalents, end of year	$38,663	$29,425
Contributed securities	$2,379	$2,043
Cash paid for interest	$4,517	$4,541
Capital additions included in accounts payable and accrued expenses	$97	$1,145
Net change in securities lending	$(2,526)	$(50,490)

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

Wellesley College
Notes to the Financial Statements

June 30, 2011 and 2010

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of Wellesley College (the "College") have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

Unrestricted—Net assets that are not subject to donor-imposed stipulations. These include all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets. This category includes realized and unrealized gains and losses on unrestricted endowment. Unrestricted 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. Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, unrealized and realized gains and losses on unrestricted endowment, and receiving dividends and interest from investing in income producing assets, less expenses incurred in providing services, raising contributions, and performing administrative functions.

Temporarily restricted—Net assets that are subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. This category includes realized and unrealized gains and losses on the permanent endowment. Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations or by law that either expire by passage of time or can be fulfilled and removed by actions of the College pursuant to those stipulations.

Permanently restricted—Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets. Such assets primarily include the College's permanent endowment funds. Permanently restricted net assets generally represent the historical cost (market value at date of gift) of contributions and other inflows of assets whose use by the College is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the College.

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or placed in service dates if the asset is constructed.

Nonoperating activities reflect transactions of a long-term investment or capital nature including contributions to be invested by the College to generate a return that will support future operations, contributions to be received in the future, contributions to be used for facilities and equipment, and investment return beyond what the College has appropriated for current operational support in accordance with the College's investment return spending guidelines. Nonoperating activities also include net realized and unrealized gains and losses on the interest rate swap and pension related changes other than net periodic pension cost.

(b) Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing endowment assets and planned giving assets are included in investments and planned giving investments, respectively. Restricted cash represents amounts for construction held by trustees in association with the Massachusetts Health and Education Facilities Authority Series I bond issue and amounts restricted by a donor for the Science Center and Power Plant.

(c) Investments
Investments in marketable securities are carried at fair market value as established by the major securities markets. Purchases and sales of investments are recorded on the trade date of the transaction. Realized gains and losses arising from the sales of investments are recorded based upon the average cost of investments sold. Investment income is recorded on the accrual basis. The investment in faculty mortgages is stated at unpaid principal balances.

Venture capital and buyout limited partnerships include investments in both publicly and privately owned securities. The fair values of private investments are determined by the College and based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable public market values. These values are audited annually by other auditors, most typically based on calendar year end information. The limited partnership valuations consider variables such as the financial performance of the investments, recent sales prices of similar investments and other pertinent information. The estimated values as determined by the general partners and investment managers may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be materially higher or lower.

Derivative investments in the College's portfolio may include currency forward contracts, currency and interest rate swaps, call and put options, exchange-traded futures contracts, debt futures contracts and other vehicles that may be appropriate in certain circumstances as permitted within the managers' investment guidelines. The College's external investment managers use investments in derivative securities predominantly to reduce interest rate risk and risk in the foreign fixed income market.

The College's split-interest agreements with donors consist of irrevocable charitable gift annuities, pooled life income funds, charitable remainder unitrusts and annuities and perpetual trusts. Unitrusts, in which the College has a remainder interest, but that are held in trust and administered by outside agents, have been recorded as gifts that are temporarily restricted. Unitrusts, in which the College has a remainder interest, and which are managed by the College, periodically pay income earned on the assets to designated beneficiaries. The College adjusts unitrusts for both the estimated return on the invested assets and the contractual payment obligations during the expected term of the agreement. For planned giving contracts, the contributed assets are included at fair value within planned giving investments on the Statement of Financial Position. Contribution revenues are recognized as of the date the donated assets are transferred to the College and liabilities are recorded for the present value of the estimated future payments to the donors or other beneficiaries. The liabilities are adjusted during the term of the planned giving contracts consistent with changes in the value of the assets and actuarial assumptions.

Net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by the College in accordance with the Massachusetts Management of Institutional Funds Act, as updated in 2009. Future utilization of gains is dependent on market performance.

Deficiencies of $472,000 and $5,281,000 for donor-restricted endowment funds, resulting from declines in market value, have been offset by an allocation from unrestricted net assets to temporarily restricted net assets for the years ended June 30, 2011 and 2010, respectively. As the market value of the portfolio increases, the deficiency will decrease.

(d) Endowment Investment Return Spending Policy
The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The College's investment strategy is based on a long-term Policy Portfolio that serves as a guide for asset allocation. The Policy Portfolio was established with the goal of balancing long-term returns and risks by increasing portfolio diversification through the allocation of assets to less efficient asset classes. The return objective for the endowment assets, measured over a full market cycle,

is to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The College uses a "total return" approach to managing endowment assets in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). 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.

The College's endowment distribution policy determines a payout rate that is based on a methodology that uses a combination of prior year's spending and endowment value with a general rule that the total amount spent needs to be within a 4.5% to 6% range of the prior year market value of the endowment, based on a 3 year average. The sources of the payout are endowment earned income (interest and dividends), both current and previously reinvested income and a portion of realized gains. Any income earned in excess of the spending limit is reinvested. Funds may be withdrawn from investment return earned in prior years if income is less than the spending limit. The spending policy is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuations in capital markets.

(e) Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market and are included in prepaid, inventory and other assets on the Statement of Financial Position.

(f) Accounts Receivable and Student Loans Receivable

Accounts receivable include amounts due from students, student organizations and other miscellaneous receivables. Loans to students are carried at net realizable value. Accounts receivable for 2011 and 2010, are reported net of allowances for doubtful accounts of $311,000 and $434,000, respectively. Loans receivable for 2011 and 2010, are reported net of allowances for doubtful loans of $756,000 and $752,000, respectively. The provisions are intended to provide for student accounts and loans that may not be collected.

Determination of the fair value of student loan receivables is not practicable as such loans are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

(g) Grant Revenue

Government grants normally provide for the recovery of direct and indirect costs, subject to audit. The College recognizes revenue associated with the direct costs as the related costs are incurred or expended. Recovery of related indirect costs is generally recorded at predetermined fixed rates negotiated with the government or at other predetermined rates determined by the grant provider.

(h) Pledges

The College recognizes the present value of unconditional promises to give as revenues in the period in which the pledges are made by donors.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost, or if donated, at fair market value at the date of donation. Additions to plant assets are capitalized while scheduled maintenance and minor renovations are charged to operations. Library books are expensed when purchased. Museum collections are not capitalized. Plant assets are presented net of accumulated depreciation. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and gains and losses from disposal are included in the Statement of Activities. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	Years
Land improvements	20-40
Buildings and building improvements	20-40
Equipment	4-12

(j) Financial Aid

The Statement of Activities reflects financial aid as an offset to tuition and fee revenues. The College's financial aid is primarily funded through private gifts, grants and endowment income with the remainder, if needed, representing unrestricted institutional resources for grants.

(k) Auxiliary Operations

Auxiliary operations include residence and dining halls, the Nehoiden Golf Club, the Wellesley College Club, which operates a private dining and conference center, and use of the campus during the summer by internal and external groups. Related expenses include direct expenses of running these operations as well as an allocation for depreciation, debt service and physical plant maintenance and operation.

(l) Internal Revenue Code Status

The College has been granted tax-exempt status as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code.

(m) Asset Retirement Obligations

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. When the liability is initially recorded, the cost of the conditional asset retirement obligation is capitalized 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.

(n) Interest Rate Swap

The College has entered into an interest rate swap agreement on the Massachusetts Health and Education Facilities Authority, Variable Rate Revenue Bonds, Series I in order to convert the variable rate debt to fixed rate, thereby economically hedging against changes in the cash flow requirements of the College's variable rate debt obligations.

Net payments or receipts (difference between variable and fixed rate) under the swap agreement along with the change in fair value of the swap are recorded in nonoperating activities as net realized/unrealized gain or loss on interest swap.

(o) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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.

(p) New Accounting Pronouncements

The College adopted accounting guidance on subsequent events as of June 30, 2010. This establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued and requires disclosure of the date through which an entity has evaluated subsequent events. Subsequent events have been evaluated through October 28, 2011, which is the date financial statements were issued.

On July 1, 2010, the College adopted new guidance enhancing the *Fair Value Measurement* standard. This standard requires further disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements, including the reasons for the transfers, and requires discussions of their fair value measurement disclosures on a disaggregated basis.

On July 1, 2010, the College adopted the accounting standard, *Credit Quality*. This standard requires the disclosure about the credit quality of financing receivables and the related allowance for credit losses. See section (f) of this note for additional information.

The College adopted additional Financial Accounting Standards Board (FASB) guidance related to investments as of June 30, 2010. This establishes enhanced reporting and disclosure on the level of the assets included in investments. Further, the guidance requires disclosure by investment type related to investments. Such disclosure includes the nature of any restrictions on the investor's ability to redeem the investment at the valuation date as well as any unfunded commitments. The College adopted additional FASB guidance on enhanced disclosure on certain investments as of June 30, 2010. This provides enhanced disclosure on investments for which fair value is estimated through the use of net asset value, or its equivalent, as a practical expedient.

The College adopted FASB guidance on enhanced disclosure of pension assets as of June 30, 2010. The guidance calls for disclosure of how investment allocation decisions are made, the valuation techniques used to measure the fair value of the investments as well as any significant concentration of risk within the assets. This disclosure is required for each major category of plan asset.

The College adopted FASB guidance related to derivative instruments. The College has one such instrument. The guidance requires disclosure of the objective for using the instrument be disclosed including underlying risk and accounting designation. Further disclosure is required of the risk that the College is intending to manage as well as the fair value of the instrument.

2. Contributions Receivable

Contributions receivable, net, is summarized as follows at June 30 ($000s):

Unconditional promises expected to be collected in:	2011	2010
Less than one year	$3,086	$6,681
One year to five years	46,513	43,427
Over five years	3,458	1,377
Total	53,057	51,485
Less discounts and allowance for uncollectible accounts	5,277	5,808
Net contributions receivable	$47,780	$45,677

Contributions receivable expected to be collected within one year are recorded at their net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured at the time of the contribution using rates indicative of the market and credit risk associated with the contribution. Discount rates used to calculate the present value of contributions receivable ranged from 2.0% to 5.10%, and 2.50% to 5.10% at June 30, 2011 and 2010, respectively.

3. Land, Buildings and Equipment

Investment in land, buildings and equipment consists of the following at June 30 ($000s):

	2011	2010
Land and land improvements	$50,226	$46,560
Buildings and building improvements	427,289	394,229
Equipment	8,641	12,440
Construction in progress	9,520	26,040
	495,676	479,269
Less: accumulated depreciation	188,116	176,820
	$307,560	$302,449

Depreciation expense was $15,644,000 and $14,319,000 for the years ended June 30, 2011 and 2010, respectively.

The College recognized $815,000 and $783,000 of operating expenses relating to the accretion of liabilities recorded for the years ended June 30, 2011 and 2010, respectively. Conditional asset retirement obligations of $18,951,000 and $18,529,000 at June 30, 2011 and 2010, respectively, are the College's asset retirement obligation presented in the Statement of Financial Position.

4. Investments

The book and market values of investments at June 30, 2011 and 2010 are shown in Table 4 on page 31.

"Other assets" include long-term and semi-marketable alternative investments. Long-term alternative assets include private equity funds such as venture capital and buyout funds, as well as more traditional investments in oil and gas and real estate properties.

The semi-marketable alternative asset investments include equity hedge funds, risk arbitrage, distressed securities and commodity hedge funds. The College's investments in these strategies use minimal, if any, leverage as part of their strategies.

Included in bonds and equities are alternative investment vehicles including hedge funds with a market value of $295,521,000 and $238,950,000 and commingled funds with a market value of $244,671,000 and $199,564,000 at June 30, 2011 and 2010, respectively, whose holdings are bonds and equities.

The College is currently invested in exchange-traded futures contracts. The College uses these instruments to maintain target exposures to certain equity markets. At June 30, 2011, the College had long futures exposures with a net ending fair value of $42,818,000. The net gain from these derivative instruments at June 30, 2011 was $6,826,000, and is included in the investment return on Statement of Activities.

The College's investment return from endowment and planned giving investments for the years ended June 30, 2011 and 2010 ($000s) appears in Table 5 on page 32.

The total return consisting of realized and unrealized gains and losses and dividends and interest net of investment management and custodial fees was 20.36% and 9.34% for the fiscal years ended June 30, 2011 and 2010, respectively.

At June 30, 2011 and 2010 investment securities having a fair value of $1,188,000 and $3,639,000 respectively, were loaned to various brokerage firms through a securities lending agent. The loaned securities are returnable on demand and are collateralized by cash deposits. The College has recorded the fair value of the collateral received of $1,217,000 and $3,743,000 and an offsetting liability for the return of the collateral on the Statement of Financial Position at June 30, 2011 and 2010, respectively.

5. Fair Value Disclosures

The College has established a framework for measuring fair value under generally accepted accounting principles (GAAP). Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, the College follows a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1—Observable inputs such as quoted prices in active markets;
- Level 2—Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3—Unobservable inputs in which there is little or no market data.

Table 6 on page 32 presents information about the College's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at June 30, 2011 and 2010.

Interest rate swaps are valued at the present value of the series of net cash flows resulting from the exchange of fixed-rate payments for floating rate payments over the remaining life of the contract from balance sheet date. Each floating rate payment is calculated based on forward market rates at valuation date for each respective payment date. Inputs to determine discount factors and forward rates include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain inputs are unobservable; therefore the fair value is categorized as level 3.

Table 7 on page 33 presents the assets and liability carried at fair value as of June 30, 2011 and 2010 that are classified within level 3 of the fair value hierarchy. The table reflects gains and losses for the year, including gains and losses on assets and liabilities that were transferred to level 3 during the year, for all assets and liabilities categorized as level 3. Additionally, both observable and unobservable inputs may be used to determine the fair value of positions that the College has classified within the level 3 category. As a result, the unrealized gains and losses for assets and liabilities within level 3 may include changes in fair value that were attributable to both observable and unobservable inputs.

As a result of the reissued FASB accounting standards related to estimating fair value of investments, per below, $8,814,000 and $40,135,000, has been reclassified from level 3 to level 2, for the years ended June 30, 2011 and June 30, 2010, respectively. The College also reclassified $13,128,000 from level 3 to level 1, for the year ended June 30, 2011. The College had no transfers from level 2 to level 1 in the current year.

Table 4: Book and Market Values of Investments

June 30, 2011 and 2010 (in $000s)

	2011 Book Value	2011 Market Value	2010 Book Value	2010 Market Value
Endowment Investments				
Investments pooled				
Cash and cash equivalents	$32,587	$32,587	$58,452	$58,452
Bonds	97,402	152,839	130,841	191,113
Equities	415,718	605,496	420,122	487,954
Other assets	640,176	708,950	573,303	569,277
Total pooled investments	1,185,883	1,499,872	1,182,718	1,306,796
Faculty mortgages	23,580	23,580	23,249	23,249
Total pooled investments and faculty mortgages	1,209,463	1,523,452	1,205,967	1,330,045
Investments not pooled				
Cash and cash equivalents	231	231	199	199
Total investments not pooled	231	231	199	199
Total endowment investments	$1,209,694	$1,523,683	$1,206,166	$1,330,244
Planned Giving Investments				
Separate pooled funds				
Cash and cash equivalents	$205	$205	$168	$168
Bonds	5,098	5,620	4,583	4,781
Equities	7,766	10,900	7,739	9,032
Total pooled funds	13,069	16,725	12,490	13,981
Unitrusts				
Cash and cash equivalents	992	992	848	848
Bonds	11,913	12,070	14,025	14,007
Equities	30,414	33,914	30,654	28,365
Other assets	887	887	887	887
Assets held by Trustees	8,262	8,262	6,583	6,583
Total funds not pooled	52,468	56,125	52,997	50,690
Total planned giving investments	$65,537	$72,850	$65,487	$64,671

Table 5: Investment Returns from Endowment and Planned Giving

For years ended June 30, 2011 and 2010 (in $000s)

2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest (net of expenses of $9,728)	$3	$(2,545)	$225	$(2,317)
Net realized and unrealized gains/losses	98,920	170,016	—	268,936
Total return on endowment and planned giving investments	98,923	167,471	225	266,619
Investment return designated for current operations	(38,312)	(40,795)	—	(79,107)
	$60,611	$126,676	$225	$187,512
2010				
Dividends and interest (net of expenses of $9,930)	$(180)	$(3,303)	$710	$(2,773)
Net realized and unrealized gains/losses	43,715	76,809	—	120,524
Total return on endowment and planned giving investments	43,535	73,506	710	117,751
Investment return designated for current operations	(41,855)	(44,757)	—	(86,612)
	$1,680	$28,749	$710	$31,139

Table 6: Assets and Liabilities

Measured at Fair Value (in $000s)

2011	Level 1	Level 2	Level 3	Total
Investments				
Equities	$187,257	$395,253	$22,986	$605,496
Bonds	26,858	125,981	—	152,839
Private equity	—	—	302,276	302,276
Real assets	—	—	245,188	245,188
Absolute return	—	35,809	124,796	160,605
Cash and other assets	32,818	—	24,461	57,279
Planned giving investments	13,128	—	59,722	72,850
Total assets at fair value	$260,061	$557,043	$779,429	$1,596,533
Interest rate swap	$—	$—	$4,933	$4,933
Total liabilities at fair value	$—	$—	$4,933	$4,933

2010	Level 1	Level 2	Level 3	Total
Investments				
Equities	$153,409	$314,498	$20,047	$487,954
Bonds	64,389	126,724	—	191,113
Private equity	—	—	252,834	252,834
Real assets	—	—	201,847	201,847
Absolute return	—	31,318	82,390	113,708
Cash and other assets	58,651	—	24,137	82,788
Planned giving investments	—	—	64,671	64,671
Total assets at fair value	$276,449	$472,540	$645,926	$1,394,915
Interest rate swap	$—	$—	$6,816	$6,816
Total liabilities at fair value	$—	$—	$6,816	$6,816

Table 7: Assets and Liability

Carried at Fair Value as of June 30, 2011 and 2010 (in $000s)

2011	Balance July 1, 2010	Realized and Unrealized Gains/losses	Purchases	Sales	Transfer in/(out) of level 3	Balance, June 30, 2011
Equities	$20,047	$1,804	$12,229	$(2,280)	$(8,814)	$22,986
Private equity	252,834	65,367	166,335	(182,260)	—	302,276
Real assets	201,847	25,843	43,037	(25,539)	—	245,188
Absolute return	82,390	14,108	35,000	(6,702)	—	124,796
Cash and other assets	24,137	1,820	1,553	(3,049)	—	24,461
Planned giving investments	64,671	9,445	843	(2,109)	(13,128)	59,722
Interest rate swap—asset/liability	(6,816)	1,883	—	—	—	(4,933)
Balance, June 30, 2011	$639,110	$120,270	$258,997	$(221,939)	$(21,942)	$774,496

2010	Balance July 1, 2009	Realized and Unrealized Gains/losses	Purchases	Sales	Transfer in/(out) of level 3	Balance, June 30, 2010
Equities	$24,145	$4,719	$—	$—	$(8,817)	$20,047
Private equity	275,231	24,435	33,299	(80,131)	—	252,834
Real assets	197,478	(13,806)	29,478	(11,303)	—	201,847
Absolute return	128,058	13,969	5,000	(33,319)	(31,318)	82,390
Cash and other assets	21,533	1,023	10,725	(9,144)	—	24,137
Planned giving investments	63,085	(1,158)	2,744	—	—	64,671
Interest rate swap—asset/liability	(4,176)	(2,640)	—	—	—	(6,816)
Balance, June 30, 2010	$705,354	$26,542	$81,246	$(133,897)	$(40,135)	$639,110

Table 8: Investments Measured At NAV

As of June 30, 2011 and 2010 (in $000s)

2011 Investment	NAV In Funds	Unfunded Commitments	Timing to draw Commitments	Redemption terms/Restrictions
Private equity	$302,276	$101,699	1 to 10 years	Funds are private equity, no ability to redeem.
Real assets	245,188	70,792	1 to 10 years	Funds are private equity, no ability to redeem.
Equities	418,239	1,748	1 to 10 years	84% of NAV is redeemable within 90 days; 5% of NAV is redeemable within a year; remaining 11% has a multi-year redemption period.
Bonds	125,981	—		55% of NAV is redeemable within 90 days; the remaining 45% has a multi-year redemption period.
Absolute return	160,605	—		26% of NAV is redeemable within 90 days: 47% is redeemable within a year; 27% of NAV are redeemed investments.
Cash and other assets	24,261	—		No ability to redeem.
Total	$1,276,550	$174,239		

2010 Investment	NAV In Funds	Unfunded Commitments	Timing to draw Commitments	Redemption terms/Restrictions
Private equity	$252,834	$95,895	1 to 10 years	Funds are private equity, no ability to redeem.
Real assets	201,847	86,724	1 to 10 years	Funds are private equity, no ability to redeem.
Equities	334,545	—	1 to 10 years	86% of NAV redeemable within 90 days 4% of NAV redeemable within one year. Remaining 10% has multi-year redemption.
Bonds	126,724	—		45% of NAV is redeemable within 90 days. Remaining 55% has a multi-year redemption.
Absolute return	113,708	—		28% of NAV is redeemable within 90 days. 60% is redeemable within one year. 12% of NAV has been redeemed subsequent to year end and prior to October 31, 2010.
Total	$1,029,658	$182,619		

Table 9: Pooled Funds

As of June 30, 2011 and 2010

	2011	2010
Investments in pooled funds and faculty mortgages, market value ($000s)	$1,523,452.00	$1,330,045.00
Total number of units	2,505,295	2,482,647
Market value per unit	$608.09	$535.74
Distribution per unit	$31.68	$35.08

Table 10: Components of Pooled and Nonpooled Endowment Funds at Market Value

As of June 30, 2011 and 2010 (in $000s)

	Pooled Units	Nonpooled Endowment	Total Endowment	Endowment
2011 Funds				
Endowment and similar funds:				
Endowment funds	1,591,507	$967,779	$—	$967,779
Term funds	88,231	53,660	231	53,891
Quasi-endowment	825,557	502,013	—	502,013
Total	2,505,295	$1,523,452	$231	$1,523,683
2010 Funds				
Endowment and similar funds:				
Endowment funds	1,568,080	$840,078	$—	$840,078
Term funds	75,959	40,694	199	40,893
Quasi-endowment	838,608	449,273	—	449,273
Total	2,482,647	$1,330,045	$199	$1,330,244

The amount of total gains or losses for the year included in Investment Return in the Statement of Activities attributed to the change in unrealized gains or losses relating to assets still held at June 30, 2011 and 2010 are $199,897,000 and $91,865,000, respectively.

The College uses Net Asset Value (NAV) or its equivalent to determine the fair value of certain investments, which may not have a readily determined fair value. These investments also have various redemption restrictions and redemption terms. The following investments are measured at NAV as of June 30, 2011 and 2010. (See Table 8 on the previous page.)

Beneficial interests in outside trusts held by third parties are valued at the present value of distributions expected to be received over the term of the agreement. Inputs used to value the College's interest in these trust are considered unobservable and are categorized as level 3.

6. Pooled Funds

Endowment and similar fund assets are pooled on a unit market value basis whenever possible. Funds are added to or withdrawn from the pool at the unit market value at the beginning of the fiscal quarter in which the transaction takes place. (See Table 9 on the previous page.) he components of the pooled and nonpooled endowment funds at market value at June 30, 2011 and 2010 are shown in Table 10 above.)

7. Related Parties

The College acts as fiscal agent and investment advisor for the Wellesley College Alumnae Association and a retired president of the College. Endowment investments held on their behalf are included in the College's general pool of investments and are reflected either as part of the College's net assets or a pension liability. The market value of the assets totaled $14,139,000 and $12,615,000 at June 30, 2011 and 2010, respectively.

Mortgages due from faculty of $23,580,000 and $23,249,000 at June 30, 2011 and 2010, respectively, are included within investments on the Statement of Financial Position.

8. Notes and Bonds Payable

Indebtedness at June 30, 2011 and 2010 includes various bonds issued through the Massachusetts Health and Education Facilities Authority (MHEFA). Interest payments on debt totaled $2,748,000 and $2,787,000 during fiscal years 2011 and 2010, respectively.

During January 2008, the College issued $57,385,000 in Series I tax-exempt variable rate demand bonds. The proceeds will be used for major asset preservation and modernization projects and were used to retire the Series F bonds, with $30.0 million outstanding, on July 1, 2009, the earliest possible call date. The refunding allows the College to realize the present value savings through a restructuring of the College's debt. At June 30, 2011 and 2010, restricted cash includes $1,806,000 and $13,006,000, respectively of construction funds held by trustees that will be drawn down to fund various construction projects.

The Series I bonds, which mature in 2039, currently bear variable interest rates payable monthly. Interest on the bonds is calculated on the basis of twelve thirty-day months for a 360-day year. Pending the redemption of the Series F bonds, proceeds of the Series I bonds were deposited into a refunding account established under the indenture and held by the Trustee and were invested in authorized investments as directed by the College. At June 30, 2009, the trust fund of $31,069,000 was available to service principal and interest obligations, which was fully repaid on July 1, 2009. Since the refunded bonds are no longer deemed to be outstanding for financial reporting purposes, neither the debt nor the irrevocable trust assets are included in the Statement of Financial Position.

The College has a line of credit with a bank. The College may borrow up to $40 million with various terms and interest rates at LIBOR plus 1/5 of 1%. There is no amount outstanding on the line of credit as of June 30, 2011 and 2010.

Balances of outstanding bonds and notes payable at June 30 consisted of the following ($000s):

	2011	2010
MHEFA, Series I, Variable Rate Demand Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2011 was 0.02%.	$57,385	$57,385
MHEFA, Series H, Revenue Bonds issued at an interest rate of 4.0% to 5.0% maturing July 2033.	51,870	52,650
MHEFA, Series G, Variable Rate Demand Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2011 was 0.02%.	20,000	20,000
MHEFA, Series E, Variable Rate Demand Bonds, bearing interest at a daily rate, maturing July 2022. The rate at June 30, 2011 was 0.04%.	11,200	11,900
Notes Payable Promissory Note, principal maturing November 2011. The rate at June 30, 2011 was 1.67%.	7,174	7,483
Total debt	147,629	149,418
Less unamortized bond issue costs	(797)	(838)
Add unamortized original issue premium	889	953
	$147,721	$149,533

The total of the College's bonds and notes payable described above matures as follows ($000s):

2012	$8,879
2013	1,725
2014	1,940
2015	2,260
2016	2,470
Thereafter	130,355
Total bonds and notes payable	$147,629

In order to reduce exposure to floating interest rates on variable rate debt, in January 2008, the College entered into an interest rate swap agreement, with a term through 2039. This swap effectively locks in a fixed rate of 3.239% per annum. The agreement has a notional amount of $57,385,000. At June 30, 2011 and 2010, the market value of the swap agreement amounted to a liability of $4,933,000 and $6,816,000, respectively. The fair value of the swaps is the estimated amount that the College would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties. The value of the interest rate swap is reflected within accounts payable and accrued expenses on the Statement of Financial Position. The change in fair value resulted in a gain of $1,883,000 in 2011 and a loss of $2,640,000 in 2010 reflected in nonoperating activities on the Statement of Activities. Additionally, the College paid net interest expense in association with the swap agreement of $1,761,000 and $1,758,000 which is reflected as part of the net realized/unrealized loss on interest swap for the years ended June 30, 2011 and 2010, respectively. This financial instrument necessarily involves counterparty credit exposure and the College's own nonperformance risk. The counterparty for this swap agreement is a major financial institution that meets the College's criteria for financial stability and credit-worthiness.

The College has outstanding at June 30, 2011 fixed rate debt of $51,870,000 and variable rate debt of $95,759,000. Included in variable rate debt is $57,385,000 of synthetic fixed debt which is debt that has an underlying variable rate but has an interest rate swap agreement that effectively locks in a fixed rate. The fair market value of the College's fixed rate debt at June 30, 2011 approximates $54,803,000.

The College's variable rate debt approximates fair value. Fair value for fixed and variable rate debt is based on estimates using current interest rates available for debt with equivalent maturities.

In the event that the College receives notice of any optional tender on its variable-rate bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the College will be obligated to purchase the bonds tendered with internal liquidity.

9. Annuities and Unitrusts Payable

The College has split-interest agreements consisting primarily of annuities, pooled life income funds, and charitable remainder unitrusts for which the College may or may not serve as trustee. All split-interest agreements are included in planned giving investments. Contributions are recognized at the date the trusts are established net of a liability for the present value of the estimated future cash outflows to beneficiaries. The present value of payments is discounted at a rate of return that ranges from 4% to 6%. The liability of $38,677,000 and $37,585,000 at June 30, 2011 and 2010, respectively, is adjusted during the term of the agreement for changes in actuarial assumptions. Payments of income to beneficiaries are principally funded by the investment income of the related gift annuity and unitrust investments.

10. Pension Plans

The College has a defined contribution, noncontributory annuity pension plan for faculty and administrative personnel administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA/CREF). Under this Plan, the College contributed $7,627,000 and $7,121,000 respectively, for the years ended June 30, 2011 and 2010.

The College also has a defined benefit pension plan for classified office and service employees.

The Plan provides retirement and death benefits based on the highest thirty-six months of consecutive earnings. Contributions to the plan are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974.

The measurement date of determining the benefit obligations and net periodic benefit cost was June 30, 2011 and 2010.

The significant assumptions underlying the actuarial computations at June 30 were as follows:

	2011	2010
Assumptions used to determine benefit obligations:		
Discount rate	5.500%	5.375%
Rate of compensation increase	3.500%	4.000%
Assumptions used to determine net periodic benefit cost:		
Discount rate	5.375%	6.250%
Expected return on plan assets	7.800%	7.800%
Rate of compensation increase	4.000%	4.000%
Change in projected benefit obligation ($000s)		
Benefit obligation at end of prior year	$46,621	$39,107
Service cost (including expense load)	1,629	1,306
Interest cost	2,454	2,393
Actuarial (gain) loss, net of administrative expenses paid	(2,370)	5,642
Benefits paid	(1,426)	(1,827)
Benefit obligation at end of year	$46,908	$46,621
Accumulated benefit obligation	$39,332	$37,324
Change in plan assets ($000s)		
Fair value of plan assets at end of prior year	$27,253	$23,241
Actual return on plan assets, net of administrative expenses	6,471	2,666
Employer contributions	3,000	3,173
Benefits paid	(1,426)	(1,827)
Fair value of plan assets at end of year	$35,298	$27,253

	2011	2010
Funded status ($000s)		
Funded status	$(11,610)	$(19,368)
Components of net periodic benefit cost ($000s)		
Service cost	$1,629	$1,306
Interest cost	2,454	2,393
Expected return on plan assets	(2,136)	(1,767)
Amortization of prior service cost	64	64
Cost of prior events/net loss on amortization	841	590
Net periodic benefit cost	$2,852	$2,586
New net actuarial (gain)/ loss	$(6,705)	$4,744
Net loss on benefit costs	(989)	(1,179)
Amortization of prior service cost	(64)	(64)
Total	$(7,758)	$3,501
Amounts recognized in the Statement of Financial		
Position consist of a liability	$(11,610)	$(19,368)
Amounts recognized in unrestricted net assets		
Net prior service cost	$345	$410
Net actuarial (gain)/loss	(8,103)	3,091
Total unrestricted net asset	$(7,758)	$3,501

The amount expected to be recognized as amortization of prior net service and the (gain)/loss to be recognized both as components of net periodic cost in the year are $64,500 and $319,900, respectively.

Expected benefit payments, net of participant contributions, are as follows ($000s):

2012	$1,582
2013	1,640
2014	1,758
2015	1,920
2016	2,137
2017–2021	14,315
	$23,352

The College expects to make employer contributions into the plan of $3,000,000 in the 2012 fiscal year.

In selecting the long-term rate of return on assets, the College considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefit of the Plan. This included considering asset allocation and the expected returns likely to be earned over the life of the Plan as well as assessing current valuation measures, income, economic growth and inflation forecasts, and historical risk premiums. This basis is consistent with prior years.

The investment objective and strategy of the Plan is to achieve returns above the balanced composite benchmark and maintain a level of volatility which approximates that of the composite benchmark using the following asset allocation:

Asset Category	Target Allocation
Equity securities	60%
Real estate investment trust	5%
Commodities	5%
Fixed income	27%
Cash and cash equivalents	3%
Total	100%

The following lists the Plan's asset allocation at June 30, 2011 and 2010:

Asset Category	Value at June 30, 2011	2011	2010
Equity securities	$22,201	63%	63%
Real estate investment trust	1,049	3%	3%
Commodities	2,011	5%	5%
Fixed income	9,449	27%	27%
Cash and cash equivalents	588	2%	2%
Total	$35,298	100%	100%

All pension plan assets are level 2 assets, and all plan assets are in commingled funds.

The investment strategy for the pension assets is consistent with the approach to all other investment assets. The policies and strategies governing all investments for the College are designed to achieve targeted investment objectives while managing risk prudently. Risk management strategies include maintaining a diversified portfolio based on asset class, investment approach and security holdings. For the pension plan assets, an additional strategy is to maintain sufficient liquidity to meet benefit obligations as they become current.

11. Net Assets

Net assets consist of the following at June 30, 2011 and 2010:

($000s)	2011	2010
Unrestricted		
Designated for specific purposes and plant	$142,746	$116,242
Quasi-endowment	462,428	406,232
Deficiencies in donor-restricted endowments	(472)	(5,281)
	604,702	517,193
Temporarily restricted		
Endowment and similar funds including pledges	624,232	503,990
Annuity, life income and unitrusts including pledges	32,931	26,613
Deficiencies in donor-restricted endowments	472	5,281
Other restricted	52,572	64,717
	710,207	600,601
Permanently restricted		
Endowment including pledges	433,967	416,777
	433,967	416,777
	$1,748,876	$1,534,571

12. Endowment

In August 2008, guidance was issued on endowments of not-for-profit organizations related to net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act, and additional guidance was issued on enhanced disclosures for all endowment funds, which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds.

The College's endowment consists of approximately 3,000 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designed by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

See Table 19 on the following page for the endowment net asset composition by type of fund at June 30, 2011.

See Table 20 on the following page for changes in endowment net assets for the year ended June 30, 2011.

See Table 21 on the following page for the endowment net asset composition by type of fund at June 30, 2010.

See Table 22 on the following page for changes in endowment net assets for the year ended June 30, 2010.

13. Commitments and Contingencies
In 1975 the College identified the presence of soil tainted with various hazardous materials on the site of an abandoned 19th century paint factory acquired by the College in 1932. For the purposes of investigation and potential cleanup, the site has been segmented into various sub-areas, as follows: (1) the "Upper/Wetland/Pond" portion consisting of the former upland site of the paint factory, Paint Shop Pond, adjacent wetlands and Upper Waban Brook; (2) Lake Waban; and (3) Lower Waban Brook.

In 1991, the College arranged for the excavation of contaminated soils from two waste piles and a waste-water settling basin formerly associated with the paint factory. After the contaminated material was removed, the area was capped and seeded. These actions were undertaken in accordance with plans approved by the Department of Environmental Protection (DEP) on July 5, 1991. The College has continued to work with the DEP and has completed the process of remediating and restoring approximately 30 acres of land referred to as the Upland site. The College began in April 2001 excavating and consolidating contaminated soils from the upland, wetland, and pond ("Upland/Wetland/Pond") portions of the site. The soils have been treated and consolidated on site under a permanent engineered barrier. The capped area has been developed into three playing fields, an eight lane all weather track, and a softball field and was completed in October 2002. The cost of this project was $32.8 million; $10 million has been funded from a HEFA bond issuance and the remainder from unrestricted endowment. Costs associated with the campus improvement project are capitalized as land improvements. Costs incurred to remediate this property are charged to expense when they can be estimated. Ongoing expenses associated with the monitoring and maintenance of the engineered barrier are charged to operations. Total expenses for this project were $75,000 and $112,000, respectively for the years ended June 30, 2011 and 2010. The College has purchased an insurance policy to cover cost overruns associated with the Upland/Wetland/Pond project as well as the assessment, monitoring, and, if necessary, remediation of contaminated groundwater located under the Uplands/Wetlands/Pond area. In September 2004, the College submitted a report to DEP recommending that no remedial action be taken in respect of the groundwater portion of the site beyond periodic monitoring of hexavalent chromium concentrations. DEP has not yet responded to this report.

In 2001, the Commonwealth of Massachusetts and the College entered an agreement pursuant to which the Commonwealth agreed to share in the cost of dredging the Northern Shoreline and Western Cove portion of Lake Waban, with the Commonwealth's share capped at $1.4 million. The dredging project was completed in 2002 at a total cost of approximately $1.2 million. Additional reimbursable costs of approximately $100,000 were incurred after the completion of dredging. In three payments made in 2005 and 2006, the Commonwealth reimbursed the College a total of approximately $1.06 million, fully satisfying the Commonwealth's reimbursement obligations under the 2001 cost-sharing agreement. In a report filed with DEP in May 2005, the College recommended that no remedial action be taken in portions of Lake Waban beyond the Northern Shoreline and Western Cove, apart from periodic monitoring of water quality and fish-growth patterns. DEP responded favorably to this report in a letter dated October 2005. The periodic monitoring program was initiated in 2008. The cost of this program is insignificant.

The Lower Waban Brook remedial project was originally anticipated to be undertaken in 2009 and was estimated to cost $3,600,000. Early project designs based upon risk assessments and feasibility studies performed prior to 2000 were not embraced by all constituents as satisfactory. Additional hydrological data gathering has been undertaken in keeping with proposals still under review with DEP, with the intent to develop an updated feasibility study and remedy

Table 19: Endowment Net Asset Composition by Type of Fund
As of June 30, 2011 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$—	$609,751	$411,919	$1,021,670
Board-designated and other unrestricted funds	502,013	—	—	502,013
	$502,013	$609,751	$411,919	$1,523,683

Table 20: Endowment Net Assets
For the year ended June 30, 2011 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$449,273	$482,983	$397,988	$1,330,244
Investment income, net of expenses	3	4	—	7
Net appreciation (realized and unrealized)	81,111	178,054	—	259,165
Subtotal	530,387	661,041	397,988	1,589,416
Contributions and transfers to endowment	(2,269)	1,712	13,931	13,374
Appropriation of endowment assets for expenditure	(26,105)	(53,002)	—	(79,107)
Endowment net assets, end of year	$502,013	$609,751	$411,919	$1,523,683

Table 21: Endowment Net Asset Composition by Type of Fund
As of June 30, 2010 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$—	$482,983	$397,988	$880,971
Board-designated and other unrestricted funds	449,273	—	—	449,273
	$449,273	$482,983	$397,988	$1,330,244

Table 22: Endowment Net Assets
For the year ended June 30, 2010 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$429,813	$467,002	$390,469	$1,287,284
Investment income, net of expenses	(180)	(268)	—	(448)
Net depreciation (realized and unrealized)	44,251	72,606	—	116,857
Subtotal	473,884	539,340	390,469	1,403,693
Contributions and transfers to endowment	4,645	999	7,519	13,163
Appropriation of endowment assets for expenditure	(29,256)	(57,356)	—	(86,612)
Endowment net assets, end of year	$449,273	$482,983	$397,988	$1,330,244

selection process. It is desirable but not yet clear whether a new process will result in material increases to previous project cost estimates. For the years ending June 30, 2011 and 2010, total expenses to the Lower Waban Brook remedial project were $26,000 and $100,000, respectively. A liability of $2,799,000 and $2,825,000 has been recorded as of June 30, 2011 and 2010, respectively and is included in the Statement of Financial Position within accounts payable and accrued expenses.

Outstanding commitments amounted to approximately $174,417,000 and $191,549,000 as of June 30, 2011 and 2010, respectively for the following:

	2011	2010
Alternative investments	$174,239,000	$182,619,000
Construction contracts	178,000	8,930,000
	$174,417,000	$191,549,000

Under the terms of certain limited partnership agreements, the College is obliged to periodically advance additional funding for private equity investments. Such commitments generally have fixed expiration dates or other termination clauses. The College maintains sufficient liquidity in its investment portfolio to cover such calls.

The College built a gas-fired cogeneration plant capable of producing 7.5 megawatts of electricity. The plant supplies electricity for the entire campus. The College pays the Town of Wellesley $111,000 annually as a guarantee for back-up power, at cost, to the College. This contract is in force until May 2013.

The College has several legal cases pending that have arisen in the normal course of its operations. The College believes that the outcome of these cases will have no material adverse effect on the financial position of the College.

Board of Trustees

2010–2011