WELLESLEY COLLEGE

Annual Report

2013–2014

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Wellesley College Annual Report

For the year ended June 30, 2014

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December 2014

I am pleased to submit the annual financial report of Wellesley College for Fiscal Year 2014, a year marked by growth and innovation as well as by strong financial management.

Our continued financial strength is an important part of the Wellesley story. The reports that follow by Ben Hammond, vice president for finance and administration and treasurer, and Deborah Foye Kuenstner '80, chief investment officer, provide more detail about the financial status of the College and the performance of the endowment. Prudent fiscal management and the unwavering generosity of our alumnae and friends reinforce Wellesley's status as the world's premier women's college and a global center of women's leadership.

Wellesley has always been and will always be a unique institution. The values we stand for, the spirit of Wellesley, the work that we do, these all have a tangible, lasting impact on women, and consequently on the world. Our mission—to provide an excellent liberal arts education for the women who will make a difference in the world—has never been more critical than it is today.

In a year marked by significant change, Wellesley led the way forward, working to shape the new era in which the College will carry out its mission. Some highlights follow.

The Virtual Classroom

Wellesley was the first liberal arts college to partner with Harvard and MIT's online learning collaborative, edX. We are excited to explore how the highly personalized, discussion-based learning experience that has been so successful at Wellesley for nearly 150 years can be translated into an online learning environment.

Nearly 19,000 people from around the globe registered for our first course, Introduction to Human Evolution, by its first class. Three more courses followed, extending access to education to women all over the world while giving our faculty the opportunity to help shape the emerging online learning environment.

Online courses will not replace the intimate classroom experience that is the hallmark of a Wellesley education, but what we learn from WellesleyX will be an important complement to the classroom experience and contribute to our campus-based model.

My inTuition: Wellesley's Quick College Cost Estimator

Wellesley unveiled My inTuition, its new college cost estimator, to rave reviews from the national press, a powerful endorsement of this breakthrough tool that helps families easily understand the true cost of a Wellesley education.

An innovation by Wellesley economist Phillip B. Levine, My inTuition is the first tool to give users a quick, realistic estimate of their college costs—and it often demonstrates that not only is Wellesley within reach for any qualified student, it may be her most affordable option. Helping families to better understand college costs is a crucial first step to helping more Americans enter into and succeed in higher education.

Commitment to STEM

Wellesley continues to graduate more women who go on to earn doctorate degrees in the sciences than any other liberal arts college. This year the College redoubled its efforts to engage even more students in the STEM fields. Early in 2014, when invited to participate in the White House's College Pipeline Initiative, Wellesley committed support and resources to help students from low-income families to thrive in the science fields.

Our newly launched program stresses early exposure to inquiry-based, high-impact approaches to learning science. Students have unparalleled opportunities to work side by side with leading scientists who are also dedicated teachers and mentors—and to coauthor and publish research before graduation.

Campus Renewal Progress

The natural and built environments that comprise Wellesley's campus have long been recognized as masterpieces; no college has been more celebrated for creating an indelible sense of place. Following several years of important planning work, last year we reached an important milestone in our plan to refresh the lovely spaces in which we work and live—the physical embodiment of the Wellesley experience.

As FY14 came to a close, we reopened the Schneider Center, which now houses a full range of student services. In its newest incarnation, Schneider is home to student service offices for the registrar, class deans, student financial services, the student aid society, housing, transportation, and international studies. The interior has been configured to best serve the needs of students today while retaining and highlighting the building's large open space, with its soaring windows and wooden trusses

New Quantitative Analysis Institute

Last year, Wellesley opened an innovative institute on campus designed to integrate statistics more deeply into research, teaching, and learning at the College. The Quantitative Analysis Institute (QAI) provides new courses, workshops, lectures, and support in statistical work for both students and faculty. A rarity in higher education, the QAI works with faculty members to develop quantitative exercises designed for applied courses, organizes faculty workshops around statistical topics, creates opportunities for cross-disciplinary collaboration, and offers statistical consulting for both faculty and student research projects.

These innovations highlight a year of breakthroughs for Wellesley. In fact by all measures—dollars, donors, programmatic progress—2014 was a very productive year for the College. That our alumnae participation rate increased to 53.4%, the highest level in more than a decade in a year when many peer schools experienced a decline, is a testament to the support that Wellesley is so fortunate to enjoy.

All these important steps forward were made possible by the dedication of our entire community. I am grateful for the efforts of all who care so deeply and work so hard—our faculty, staff, alumnae, parents, and friends. And I thank you for your sustained commitment to Wellesley and for your continued belief in the power of a liberal arts education for women.

H. Kim Bottomly
President

Report of the Vice President for Finance and Administration and Treasurer

December 2014

This Annual Report of the finances of Wellesley College covers the fiscal year ending June 30, 2014. In addition to the audited financial statements, it presents the College's operating budget, as well as key financial and operating facts and statistics.

Results of Fiscal Year 2014

The College's finances, and in particular its balance sheet, remain strong. The College's net assets stood at $2.039 billion, an increase of $256 million. Investment returns in excess of endowment distributions for operations accounted for 81 percent of this increase, and gifts and pledges accounted for the rest. Total liabilities decreased slightly to $358 million, reflecting the paydown of a line of credit and bond principal payments, and remained modest against total assets of $2.39 billion. Wellesley's endowment per student increased from $704,000 to $817,000, a gain of 16 percent. Total gifts and pledges for the year (both current use and capital) were $83.3 million, an increase of 77 percent over the prior year. Finally, endowment distributions for operations were 5.2 percent and 5 percent of the one-year and three-year average beginning endowment market value. (The Chief Investment Officer's report provides further details about the endowment, and additional statistics can be found in schedules C and E.)

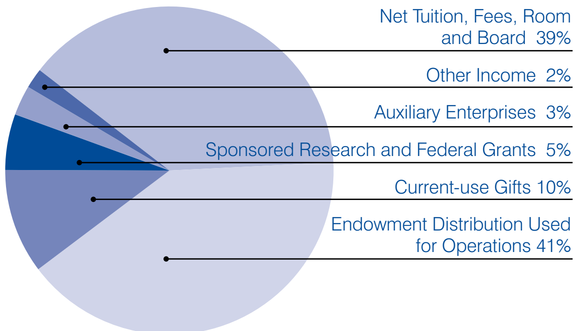
As in past years, however, operating expenses exceeded operating revenues, as shown in the statement of activities contained in the College's audited financial statements, which are prepared using generally accepted accounting principles (GAAP). This year the shortfall was $8.9 million, or 4.2 percent of operating expenses of $210 million. This operating deficit declined in both magnitude and percentage terms from the prior year, and reflects progress the College is making toward achieving long-term financial sustainability. One of the significant differences between GAAP and the College's operating budget is that under GAAP, expenses include depreciation of the College's buildings and other physical assets, whereas the College does not yet fully fund depreciation in its operating budget, although it has set a multiyear goal to do so. The shortfall in the College's current funding of asset renewal in the operating budget is approximately the same magnitude as the operating shortfall on a GAAP basis. This year, the College's operating budget funded $10.2 million of major maintenance and capital expenditures; however, only $7.6 million was eligible to be capitalized (the remaining amount was expensed, and thus should not be considered as contributing to the renewal of the College's capital assets). Since the College reported total depreciation expenses of $16.6 million in the audited financial statements, the amount of depreciation that was not funded in the operating budget was $9 million. This year saw an improvement in both capital spending funded by the operating budget and the percentage of depreciation expense that is funded by the operating budget over the prior year.

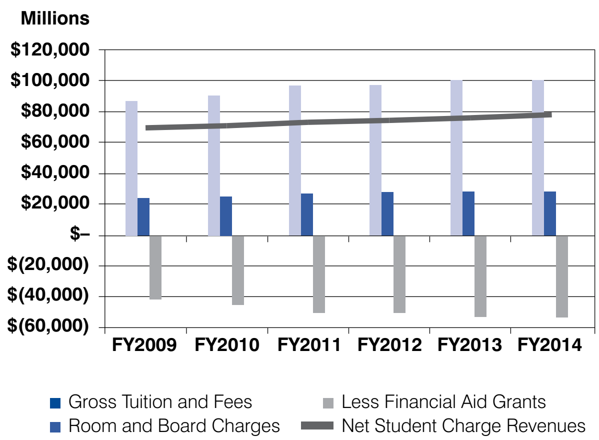
The College's 2014 operating budget (schedule A), which is shown on a cash basis, reflects revenues of $201.2 million and expenditures of $202.7 million, resulting in a deficit of $1.5 million, which was covered by the use of reserves. By policy, the College is committed to balanced operating budgets where revenues equal or exceed expenditures. Wellesley uses reserves to fund initiatives in the operating budget that are intended to either reduce future operating costs or increase future operating revenues. The College invested $1.5 million in such activities in the operating budget in FY14, which were effectively funded "below the line" by the use of reserves. Had the College not made such investments, the operating budget would have been balanced on a cash basis. Total revenues grew 4.9 percent, while total expenditures increased 4.8 percent compared with the prior year. Wellesley is committed to holding down the rate of expense growth to no more than the rate of growth in its revenues over time. The College is embarking on a multiyear effort to rebalance its operating budget in order to help fund the renewal of Wellesley's campus while continuing to achieve a balanced budget that supports the College's mission and key priorities.

Sources of Revenue

The College has multiple revenue sources, but like most peer institutions, two of these, net student charge revenue and distributions from the endowment used

Total Revenue = $201.2 million





	FY2014
Program Revenues ($000)	
Net Student Charge Revenue	$77,908
Sponsored Research and Federal Grants and Contracts	$11,066
Auxiliary Enterprises	$5,947
Other Income	$3,972
Total Revenues from Operating Programs	**98,893**
Total Expenditures	**($202,666)**
Deficit before Support from Alumnae and Friends	**($103,773)**
Operating Revenues from Alumnae and Friends	
Distribution from Endowment Used for Operations	$81,487
Restricted Current-use Gifts	$8,364
Unrestricted Bequests	$3,180
The Wellesley Fund (Unrestricted Current-use Gifts)	$9,244
Total Support from Alumnae and Friends	**$102,275**
Net Operating Results before Use of Reserves	**($1,498)**

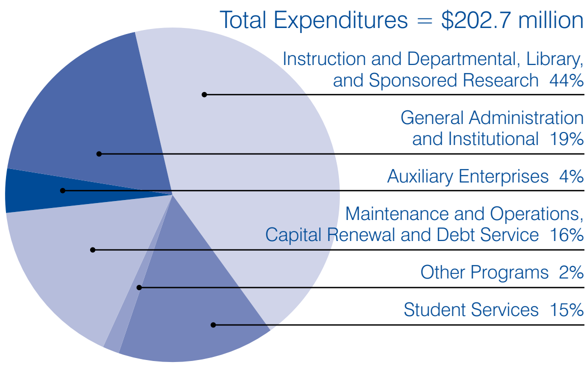
for operations, account for 80 percent of total revenues in the operating budget.

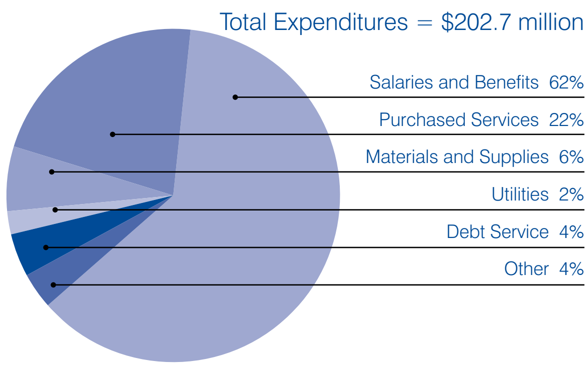
You may recall that last year the College shifted the presentation of its operating budget in schedules A and B to show net student charge revenues, which is gross tuition and fees plus room and board charges, net of financial aid grants, as illustrated at left.

Wellesley is a residential liberal arts college. More than 97 percent of students live and eat their meals on campus, therefore room and board is a core component of the education Wellesley provides, and is more appropriately thought of alongside tuition as part of the comprehensive fee than as a stand-alone auxiliary service.

While net student charge revenue has increased over the past decade, it has grown more slowly than tuition and room and board, because financial aid grants provided to students under Wellesley's policy of need-blind admissions and dedication to fully meeting demonstrated need have increased faster. Wellesley is committed to covering the difference between the cost of attendance and what an admitted student and her family can afford to pay. (Although some of this need is met through loans and work study jobs, the vast majority is provided in the form of grant aid.) Compared with the previous year, gross tuition, fees, and room and board increased 2.7 percent, financial aid grants increased 2.3 percent, and net student charge revenue was up 2.9 percent. Once again, net student charge revenue grew more slowly than both revenues overall and total expenditures over the past year, but over the past decade, the rate of growth in net student charges averaged 3.8 percent, exceeding the rate of increase of both total revenues and total expenditures. In real terms (that is, in constant dollars, or adjusted for inflation), the increase in net student charge revenue was approximately 1 percent last year, and averaged 1.7 percent growth per year over the past decade.

The extent to which the College depends on the support of its alumnae and friends—both in current-use gifts and in the income earned from previous gifts to the endowment— can hardly be overstated, as the following re-ordered and simplified schedule illustrates. At $102 million, such support exceeds the $99 million in revenues that the College generates from the programs it operates.





Put another way, the full cost to educate a Wellesley student was $90,259 last year. So even those students whose families paid the full comprehensive fee "sticker price" of $57,042 were actually the beneficiaries of more than $33,000 of support from the College, most of which was made possible by Wellesley's alumnae and friends. This subsidy, which benefits every Wellesley student, is almost as large again as the average financial aid grant of $37,523 that is provided to students who receive financial aid.

Categories of Expenditures

Wellesley spends 61 percent of its operating budget on academic programs, student services (including room and board), and other programs; 16 percent on operating, maintaining, and renewing the campus, including debt service used for this purpose; 4 percent on auxiliary enterprises; and 19 percent on general administration and institutional purposes.

It is also helpful to consider expenditures by type. As would be expected at such a labor-intensive institution, 62 percent of Wellesley's operating budget was devoted to salaries and benefits.

Financial Principles

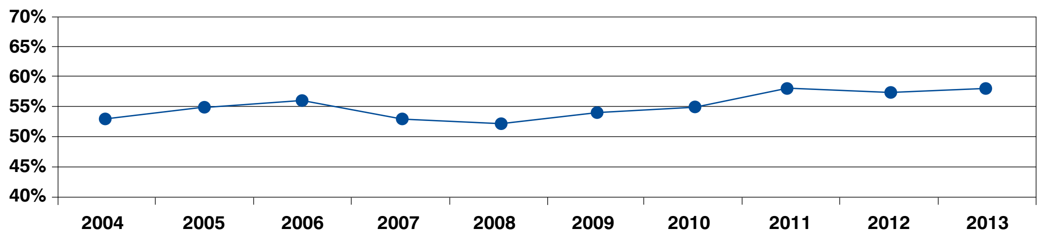
The College operates under a set of financial principles that include preserving the purchasing power of the endowment, ensuring that income and expenses and their rates of increase are in balance, and creating reserves to mitigate unanticipated shocks to a balanced budget. It is committed to funding in the operating budget the full cost of "keeping up" the campus, although it is not yet fully able to do so.

The College's endowment-spending policy seeks to balance the need for a strong, stable, and growing income stream from the endowment to support operations with the objective of maintaining the purchasing power of income from the endowment in perpetuity. The methodology for setting annual spending from the endowment is based on a combination of the prior year's spending (80 percent) and the endowment value (20 percent). Per the policy, for FY2014 the total amount spent must be within 4 percent to 5.5 percent of the three-year trailing average endowment market value, adjusted for inflation.

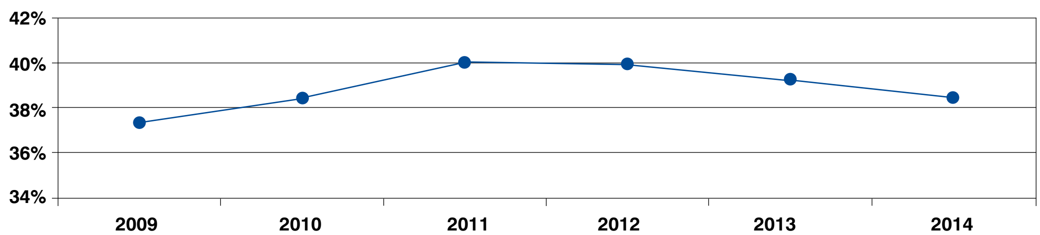
The College follows a multiyear budget process built around institutional priorities, allowing for inclusiveness and institution-wide input. The Provost and the Provost Budget Committee, which he chairs, are charged with ensuring that the College's operating budget allocates resources to accomplish its mission—to provide an excellent liberal arts education for women who will make a difference in the world—and highest institutional priorities. The President and her Senior Staff, as well as the Budget Advisory Committee, which is composed of faculty, staff, and students, participate actively in the development of the College's budget priorities and planning.

Institutional Values and Priorities

One of the College's highest institutional values is Wellesley's need-blind admission policy. Wellesley considers domestic students for admission on the basis of their talents and personal qualities, without regard to their financial situation, and it is committed to meeting all admitted, aided students' full financial need. At the same time, the College continues to evaluate the costs and benefits of this policy against other institutional priorities. Over the past decade, Percentage of Students Receiving Financial Aid Grant Assistance



Net Student Charge Revenue as Percentage of Total Expenditures



enrolled students' need for financial aid has grown faster than income from restricted funds dedicated to financial aid. Thus a smaller share of the financial aid grants that the College awards is funded by restricted gifts and endowment income dedicated to financial aid. Currently 58 percent of financial aid grants are funded by restricted funds, down from 80 percent in 2008 (see schedule D). As shown below, the percentage of students receiving financial aid grants has increased slightly over the past decade (from 53 percent to 58 percent) within a relatively narrow band, and the size of the average financial aid grant awarded has risen from $22,945 to $37,523, an increase of 64 percent. This is somewhat higher than the 46 percent increase in comprehensive fee "sticker price" over this same period.

Yet in aggregate, students and their families continue to pay between 34 percent and 40 percent of the total cost of their Wellesley education, and this proportion has remained relatively steady over more than a decade. This is a new measure that the College has begun to track closely over time in assessing its financial aid policies.

The maintenance and enhancement of the College's significant physical assets is also an important institutional priority. The College's operating budget does not currently fully fund depreciation, which is one common measure of the cost of keeping up with the maintenance and renewal of the campus each year. In order to fully fund depreciation, the College will need to provide an additional $9 million each year in the operating budget in addition to the $7.6 million of major maintenance and capital renewal work eligible to be capitalized that it funded in the operating budget in FY14. The College is implementing a phased-in approach to increasing funding for campus renewal, with the amount set aside in the operating budget increasing each fiscal year. This will ensure that the College is able to "keep up" fully with the maintenance and renewal of its historic and beloved campus. Total spending on major maintenance and capital expenditures increased $3.4 million (33 percent) versus the prior year.

In April 2013, the trustees approved Wellesley 2025: A Plan for Campus Renewal. W2025 is a long-term plan establishing a prioritized schedule of capital improvements over the next 11-plus years based on both facilities needs and institutional goals and priorities for the future. Despite not-insignificant investments in construction and renovation that the College has made in the past, 82 percent of the College's buildings have not had a major renovation in more than 25 years; 62 percent have not had a major renovation in more than 50 years. In some parts of the campus the College's infrastructure systems are more than 75 years old. The planning process established programmatic priorities to ensure that Wellesley's campus and facilities will meet the needs of students and faculty in the twenty-first century, and for decades to come. The first project of W2025, the renovation of the Schneider Center, began in the summer of 2013 and was completed this past summer. The first phase of renovations in Founders and Green for several humanities departments was also completed this summer, and the renovation of the Field House is well underway. Planning for other major projects, including the renovation of Pendleton West for music and the arts, is proceeding apace. The pace of renovation will continue to increase and expand across the campus. Overall, the base plan approved by the trustees is expected to cost $365 million in 2012 dollars, and will be funded by debt, gifts, and rebalancing the operating budget.

Future Challenges and Outlook

The College is operating in a U.S. economy that is still recovering, as well as in a changing and uncertain environment for higher education globally. While Wellesley must continue to maintain its excellent faculty, staff, and student body in support of its mission, the College must also rebalance its operating budget to substantially reinvest in and renew its aging campus and buildings. The College has adopted a multiyear plan to free up $20 million in the operating budget annually by the end of fiscal year 2018 to fund W2025 and expects to realize steady progress toward this target each year over the next four years. This entails permanent expense reductions of approximately $9 million per year in steady state, both personnel and non-personnel costs, and approximately $11 million in new revenues. New revenues are expected to come from fund-raising, better utilization of the core campus, especially during the summer, proceeds from sale of "fringe" real estate assets that are not part of the College's core campus, and other new programs. In 2014, the first year of implementation of this plan, the College achieved initial progress toward several cost reduction targets and developed concrete plans to achieve additional progress towards this multiyear goal in the 2015 budget and beyond.

Further progress will continue to require prioritization and focus, difficult choices, hard work, and the support and goodwill of the entire Wellesley College community.

Throughout this year's annual report we have continued steps begun last year to enhance transparency and make clearer Wellesley's finances as well as key facts and statistics about the College. New members of the financial leadership of the College have helped make this possible. I am pleased to welcome to Wellesley Jeff Dubois, our new assistant vice president for budget, financial planning, and campus services, and to recognize the promotion of Melissa Fletcher, Wellesley's assistant vice president for finance and controller. I trust that our work will help members of the Wellesley community better understand the College's finances and the enviable resources that support its mission, as well as some of the challenges that lie ahead.

Members of this community who have questions or suggestions regarding the finances of Wellesley College are welcome to contact me at any time.

Ben Hammond
Vice President for Finance and Administration and Treasurer

Report of the Chief Investment Officer

December 2014

Wellesley's endowment is an important element of the College's financial strength, providing 41 percent of revenue in Fiscal Year 2014. On June 30, 2014, the end of the fiscal year, the Wellesley College endowment had a market value of $1.834 billion (versus $1.576 billion on June 30, 2013, an increase of $258 million). Investment return earned by the endowment portfolio for this fiscal year, net of investment management fees, was 18.8 percent.

Fiscal Year 2014 Developments

Fueled by continued accommodative monetary policy around the world, global equity markets performed strongly during the 12-month period ending on June 30, 2014. Equity market returns were strong in the United States, developed economies, and emerging economies. Private equity returns were also robust, with especially strong returns in venture capital. Natural resource assets also had excellent results.

Returns in global bond markets were positive this fiscal year, but returns were more muted than in other markets.

Longer-Term Results

Over most comparison periods, long-term results exceed the 7.5 percent to 8 percent return necessary to support College spending and maintain the endowment's purchasing power. The seven-year result, a period that began with the markets near pre-financial crisis highs, is below that threshold. The 10-year return, however, has allowed for annual spending of approximately 5 percent and maintained purchasing power. Over the last 10 years, the College's well-diversified portfolio has outperformed U.S. equity investments, represented by the S&P 500, as well as a hypothetical portfolio of 65 percent stocks and 35 percent bonds. Alternative assets, such as buyout and venture capital, have contributed significantly to strong portfolio results.

Total Return by Asset Class Year Ended June 30, 2014

	Wellesley Return	Market Return	Benchmark/Comparative Index
U.S. Equity	27.8%	25.2%	Russell 3000
International Equity	19.1%	21.3%	International Equity Benchmark (1)
Private Equity	30.7%	26.4%	Cambridge Associates (2)
Real Assets	14.7%	14.0%	Real Assets Benchmark (3)
Semi-marketable (4)	13.0%	9.5%	Cambridge Associates Hedge Fund-of-Funds Index
Fixed Income	4.1%	5.8%	Fixed Income Benchmark (5)
Cash	(2.6%)	0.0%	Citigroup three month T-Bill
Total Portfolio	**18.8%**	**17.1%**	

1 International Equity Benchmark is a weighted average of the MSCI EAFE and MSCI EM indices.

2 Private Equity results are measured against the Cambridge Associates Private Equity, Growth Equity, Venture Capital, and Distressed indices.

3 Real Assets Benchmark is a weighted average of the NCREIF Timber, Cambridge Associates Real Estate, and the Cambridge Associates Natural Resources Index (x-Timber).

4 Semi-marketable investments include strategies focused on absolute return.

5 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, 2014

	3 Years	5 Years	7 Years	10 Years
Wellesley Portfolio	10.4%	12.1%	5.9%	8.8%
S&P 500 Index	16.6%	18.8%	6.2%	7.8%
65/35 Stock/Bond Portfolio [5]	12.1%	14.0%	6.3%	7.1%
Policy Portfolio Benchmark	9.7%	12.2%	5.6%	7.8%

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

Policy Portfolio and Strategy Going Forward

To achieve the objective of providing strong operating support while preserving purchasing power, the endowment is invested across diverse asset classes, strategies, geographies, and managers. The Policy Portfolio, established by the Wellesley College Investment Committee, guides asset allocation. The Investment Committee and Investment Office team regularly review the expectations upon which the Policy Portfolio is based, with the goal of refining target allocations in order to improve the portfolio's risk/return characteristics.

The table below compares the Policy Portfolio and the actual asset allocation on June 30, 2014. Most categories were close to target at the end of the fiscal year. Exposure to semi-marketable strategies—investment partnerships focused on absolute return strategies—was slightly above target. This overweight position was funded by a small underweight to fixed income and cash. The portfolio has sufficient exposure to liquid investments to maintain the endowment's financial support of the College's operations and to provide for portfolio liquidity needs.

Asset Allocation as of June 30, 2014

Asset Class	Policy Portfolio	Asset Allocation
U.S. Equities	17%	17%
International Equities	17%	17%
Total Equities	34%	34%
Private Equity	19%	19%
Real Assets	14%	14%
Semi-marketable	24%	26%
Total Alternative Assets	57%	59%
Fixed Income and Cash	9%	7%
Total Portfolio	100%	100%

In executing the investment strategy, the Investment Office team works to add value within asset classes through long-term partnerships with strong performing, highly ethical investment managers. Across the portfolio, our managers must have an uncompromising focus on integrity, which not only ensures alignment with the College's values, but protects long-term returns as these types of managers put their clients' interests first. In addition, we look for managers with a sustainable investment edge. Typical characteristics of Wellesley managers include long investment horizons; a bias toward fundamental, bottom-up investing; a focus on value; relatively concentrated portfolios that often show little resemblance to benchmarks; and strong organizations.

The Investment Office and the Investment Committee remain focused on long-term growth to ensure that the endowment continues to support the College's mission. 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 at any time.

Debby Kuenstner

Deborah F. Kuenstner
Chief Investment Officer

Schedules

Schedule A

Summary of Operating Revenues and Expenditures Years Ended June 30, 2014 and 2013 (in $000s)

	2014	2013	Increase (Decrease)	% Change
Operating Revenues				
Tuition and Fees	$102,635	$100,075	$2,560	2.5%
Room and Board	$29,131	$28,224	$907	3.1%
Financial Aid Grants	($53,858)	($52,616)	($1,242)	2.3%
Net Student Charge Revenue	$77,908	$75,683	$2,225	2.9%
Distribution from Endowment Used for Operations	$81,487	$77,848	$3,639	4.5%
Restricted Gifts for Current Use	$8,364	$5,905	$2,459	29.4%
Unrestricted Bequests	$3,180	$3,000	$180	5.7%
The Wellesley Fund	$9,244	$8,537	$707	7.6%
Total Support from Alumnae and Friends	$102,275	$95,290	$6,985	6.8%
Sponsored Research	$8,518	$7,698	$820	9.6%
Federal and State Grants	$2,548	$2,684	($136)	(5.3%)
Auxiliary Enterprises	$5,947	$5,207	$740	12.4%
Other Income	$3,973	$4,832	($860)	(21.6%)
Total Revenues	$201,168	$191,394	$9,774	4.9%
Operating Expenditures				
Instruction and Departmental	$73,998	$70,001	$3,997	5.4%
Sponsored Research	$8,518	$7,698	$820	9.6%
Library	$5,941	5,704	$237	4.0%
Student Services	$30,755	$31,153	($398)	(1.3%)
General Administration	$11,000	$10,703	$297	2.7%
General Institutional	$27,188	$26,366	$822	3.0%
Maintenance and Operations	$12,576	$12,596	($20)	(0.2%)
Debt Service	$10,557	$10,136	$421	4.0%
Major Maintenance and Capital Expenditures	$10,241	$6,855	$3,386	33.1%
Auxiliary Enterprises	$8,663	$8,303	$360	4.2%
Other Programs	$3,229	$3,374	($145)	(4.5%)
Total Expenditures	$202,666	$192,889	$9,777	4.8%
Surplus (Deficit) from Operations	($1,498)	($1,495)	($3)	0.2%
Addition to (Use of) Reserves	($1,498)	($1,495)	($3)	0.2%

Schedule B

Ten-Year Operating Budget Financial Summary 2005–2014

											Average Annual Percentage Change Since June 30, 2005	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Nominal %	Real %
Operating Revenues												
Tuition and Fees	$66,989	$71,431	$79,298	$83,447	$86,543	$90,400	$96,402	$96,702	$100,075	$102,635	4.9%	2.8%
Room and Board	$18,489	$19,867	$21,070	$22,289	$23,958	$24,859	$26,759	$27,436	$28,224	$29,131	5.2%	3.1%
Financial Aid Grants	($29,732)	($31,818)	($34,754)	($36,212)	($41,215)	($44,687)	($50,317)	($49,947)	($52,616)	($53,858)	6.9%	4.8%
Net Student Charge Revenue	$55,746	$59,480	$65,614	$69,524	$69,286	$70,572	$72,844	$74,191	$75,683	$77,908	3.8%	1.7%
Distribution from Endowment Used for Operations	$65,919	$67,762	$72,595	$75,392	$79,155	$83,196	$78,304	$75,007	$77,848	$81,487	2.5%	0.4%
Restricted Gifts for Current Use	$6,071	$5,429	$6,377	$6,769	$7,051	$6,341	$4,757	$4,282	$5,905	$8,364	5.7%	3.6%
Unrestricted Gifts and Bequests	$12,024	$10,049	$10,606	$10,671	$10,741	$10,825	$11,274	$12,282	$11,537	$12,424	0.6%	(1.5%)
Federal and State Grants and Contracts - Restricted	$8,979	$8,048	$8,789	$8,322	$8,567	$9,896	$8,609	$9,740	$10,382	$11,066	2.8%	0.7%
Sales and Services of Auxiliary Enterprises	$7,290	$7,561	$8,312	$7,811	$6,174	$6,423	$6,239	$6,439	$5,207	$5,947	(1.5%)	(3.6%)
Other	$3,661	$5,316	$6,467	$6,716	$4,619	$3,308	$4,040	$4,414	$4,832	$3,973	3.8%	1.7%
Total Revenues	$159,690	$163,645	$178,760	$185,205	$185,593	$190,561	$186,067	$186,355	$191,394	$201,168	2.6%	0.5%
Operating Expenditures												
Instruction and Departmental	$51,503	$54,892	$60,763	$65,219	$64,508	$68,114	$66,988	$69,005	$70,001	$73,998	4.2%	2.1%
Sponsored Research and Other Programs	$11,104	$10,167	$10,712	$10,672	$10,433	$10,354	$9,569	$10,492	$11,072	$11,747	0.8%	(1.3%)
Library	$5,922	$6,094	$6,247	$6,458	$6,632	$5,798	$5,638	$5,739	$5,704	$5,941	0.2%	(1.9%)
Student Services	$25,330	$28,538	$29,713	$31,743	$28,567	$28,666	$29,971	$29,886	$31,153	$30,755	2.4%	0.3%
General Administration	$8,310	$8,680	$12,611	$13,164	$15,513	$12,856	$10,714	$10,309	$10,703	$11,000	4.6%	2.5%
General Institutional	$21,558	$21,178	$22,647	$23,470	$24,441	$22,986	$25,644	$26,263	$26,366	$27,188	2.7%	0.6%
Maintenance and Operations	$13,089	$16,123	$15,038	$15,542	$15,970	$14,104	$14,409	$13,099	$12,596	$12,576	0.0%	(2.1%)
Debt Service	$7,513	$7,078	$7,907	$7,135	$7,163	$6,831	$6,098	$6,547	$10,136	$10,557	5.3%	3.2%
Major Maintenance and Capital Expenditures	$7,678	$5,003	$6,916	$5,596	$5,280	$6,680	$5,841	$6,113	$6,855	$10,241	6.5%	4.4%
Auxiliary Enterprise Expenditures	$7,681	$5,889	$6,199	$6,205	$7,081	$7,243	$7,138	$8,450	$8,303	$8,663	2.0%	(0.1%)
Total Expenditures	$159,688	$163,642	$178,753	$185,204	$185,588	$183,632	$182,010	$185,903	$192,889	$202,666	2.7%	0.6%
Excess of Revenues over Expenditures	$2	$3	$7	$1	$5	$6,929	$4,057	$452	($1,495)	($1,498)		
Excess of Revenues over Expenditures as a Percentage of Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%	2.2%	0.2%	(0.8%)	(0.7%)		

Schedule C

Key Facts and Statistics 2005–2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Headcount										
Faculty Teaching Strength (FTE)	224	231	236	241	248	246	253	260	265	264
Staff (FTE)	763	746	737	760	802	673	691	713	749	726
Student Enrollment (Average FTE)	2,169	2,193	2,196	2,234	2,212	2,200	2,287	2,250	2,239	2,245
Student/Faculty Ratio	9.7	9.5	9.3	9.3	8.9	8.9	9.0	8.7	8.4	8.5
Admissions and Enrollment										
Number of First-Year Student Applications	3,944	4,347	3,974	4,017	4,001	4,156	4,267	4,400	4,599	4,710
First-Year Students Admitted as a % of Applicants	37.5%	33.7%	36.1%	35.7%	36.0%	35.2%	33.7%	31.0%	29.0%	30.1%
First-Year Students Enrolled as a % of Students Admitted	41.7%	41.4%	40.9%	41.1%	41.3%	40.3%	44.0%	42.0%	43.3%	41.8%
Sticker Price										
Tuition and Fees	$29,796	$31,348	$33,072	$34,994	$36,640	$38,062	$39,666	$40,660	$42,082	$43,554
Room and Board	$9,202	$9,682	$10,216	$10,826	$11,336	$11,786	$12,284	$12,590	$13,032	$13,488
Comprehensive Fee	$38,998	$41,030	$43,288	$45,820	$47,976	$49,848	$51,950	$53,250	$55,114	$57,042
Financial Aid and Net Price										
Percentage of Students Receiving Financial Aid Grant Assistance	55%	56%	53%	52%	54%	55%	58%	57%	58%	58%
Average Financial Aid Grant as % of Comprehensive Fee	64%	60%	61%	62%	66%	67%	69%	69%	69%	66%
Average Financial Aid Grant per Aided Student	$22,945	$24,486	$26,588	$28,364	$31,501	$33,497	$35,773	$36,656	$37,990	$37,523
Net Student Charge Revenue per Student FTE	$25,701	$27,123	$29,879	$31,121	$31,323	$32,078	$31,851	$32,974	$33,810	$34,697
Cost and Share of Cost Charged and Paid										
Total College Expenditures per Student FTE	$73,623	$74,620	$81,399	$82,902	$83,901	$83,469	$79,585	$82,624	$86,169	$90,259
Comprehensive Fee as a Percentage of Total College Expenditures per Student FTE	53%	55%	53%	55%	57%	60%	65%	64%	64%	63%
Net Student Charge Revenue per Student as a Percentage of Total College Expenditures per Student FTE	35%	36%	37%	38%	37%	38%	40%	40%	39%	38%
Resources/Fundraising ($000s)										
Unrestricted Gifts	$8,024	$8,761	$8,421	$8,413	$8,847	$8,847	$8,690	$9,177	$9,390	$9,731
Restricted Gifts	$10,493	$6,479	$13,624	$9,137	$8,217	$8,330	$9,211	$8,699	$9,908	$19,977
Endowment Gifts	$648	$13,300	$5,501	$6,056	$4,958	$4,068	$7,810	$6,863	$3,918	$34,336
Planned Gifts	$1,626	$2,411	$1,389	$2,943	$3,389	$1,219	$1,409	$6,990	$4,329	$3,504
Bequests	$36,295	$14,305	$13,017	$4,210	$6,349	$7,555	$8,666	$5,242	$7,766	$11,464
Facilities Gifts	$31,531	$10,656	$22,227	$7,006	$6,482	$3,098	$2,315	$2,442	$7,154	$17,104
Total Fundraising	$88,617	$55,912	$64,179	$37,765	$38,242	$33,117	$38,101	$39,413	$42,465	$96,116
Number of Alumnae Donors	15,450	15,113	15,160	14,561	13,527	14,177	14,562	13,388	15,017	16,396
Percentage of Alumnae Contributing	51%	50%	50%	47%	44%	45%	47%	45%	49%	53%
Unrestricted Gifts and Total Bequests as % of Total Expenditures	28%	14%	12%	7%	8%	9%	10%	8%	9%	10%
Endowment										
Endowment Market Value ($000s)	$1,275,767	$1,412,604	$1,672,473	$1,629,447	$1,287,284	$1,330,045	$1,523,451	$1,468,370	$1,576,337	$1,834,137
Endowment per Student FTE	$588,182	$644,142	$761,600	$729,385	$581,955	$604,566	$666,135	$652,609	$704,193	$816,851
Endowment Income per Student FTE	$30,391	$30,899	$33,058	$33,748	$35,784	$37,816	$34,239	$33,336	$34,777	$36,291
Endowment Income as Percentage of Total Expenditures	41%	41%	41%	41%	43%	45%	43%	40%	40%	40%
Endowment Income Used to Support Operations as a Percentage of:										
Beginning of Year Market Value	5.1%	5.0%	4.7%	4.6%	5.4%	6.4%	5.8%	5.3%	5.1%	5.2%
Three Year Average Market Value	5.2%	5.1%	4.9%	4.7%	4.9%	5.5%	5.9%	5.8%	4.9%	5.0%
Other										
Gross Square Feet of Buildings	2,643,000	2,643,000	2,600,000	2,598,000	2,594,031	2,587,761	2,592,757	2,592,797	2,592,797	2,593,703
Library Collections in Volumes	1,571,517	1,594,395	1,604,787	1,600,258	1,458,179	1,702,321	1,683,644	1,892,255	1,935,793	1,981,764

Schedule D

Total Sources of Student Financial Aid—Grants and Work Assistance 2005–2014 (in $000s)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Percentage Change (2005–2014)
Restricted Revenue											
Endowment Income	$18,881	$20,178	$21,922	$22,823	$24,292	$25,920	$23,791	$23,772	$24,231	$24,811	31.4%
Endowment Income—Special Supplement	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	0.0%
Total Restricted Endowment Income	$20,881	$22,178	$23,922	$24,823	$26,292	$27,920	$25,791	$25,772	$26,231	$26,811	28.4%
Restricted Annual Gifts	$3,008	$2,625	$3,678	$3,478	$3,339	$2,718	$1,686	$1,474	$1,761	$1,782	(40.8%)
Federal Government											
Pell Grants	$1,046	$945	$1,110	$1,203	$1,402	$2,018	$2,467	$2,058	$2,055	$1,925	84.0%
Supplemental Educational Opportunity Grants	$401	$388	$358	$339	$348	$337	$330	$307	$307	$301	(24.9%)
College Work Study Program—Federal Government Share	$359	$331	$322	$333	$342	$383	$322	$322	$322	$322	(10.3%)
Total Federal Government Grants	$1,806	$1,664	$1,790	$1,875	$2,092	$2,738	$3,119	$2,687	$2,684	$2,548	41.1%
Commonwealth of Massachusetts	$238	$239	$268	$268	$238	$143	$184	$171	$169	$162	(31.8%)
Total Restricted Revenue	$25,933	$26,706	$29,658	$30,444	$31,961	$33,519	$30,780	$30,104	$30,845	$31,303	20.7%
Unrestricted Revenue											
General College Revenues	$3,751	$4,822	$5,890	$7,826	$9,249	$13,049	$18,675	$19,843	$21,771	$22,555	501.3%
Total Restricted and Unrestricted Revenues	$29,684	$31,528	$35,548	$38,270	$41,210	$46,568	$49,455	$49,947	$52,616	$53,858	81.4%

Schedule E

General Endowment Pool Annual Total Return Since Inception

Year Ended	Market Value ($000s)	Ending Unit Value	Number of Units	Distribution Per Unit	Total Return %
		$100.00			
1970	$92,600	$107.13	864,370.391	$5.50	12.26%
1971	$121,050	$138.68	872,872.801	$5.70	33.57%
1972	$136,273	$154.80	880,316.537	$5.90	15.44%
1973	$126,928	$139.30	911,184.494	$6.00	(5.70%)
1974	$109,672	$116.43	941,956.540	$7.30	(10.15%)
1975	$111,340	$116.82	953,090.224	$7.05	6.36%
1976	$115,922	$119.77	967,871.754	$7.00	8.36%
1977	$119,152	$122.86	969,819.307	$7.30	8.52%
1978	$111,852	$116.54	959,773.468	$7.68	0.44%
1979	$119,151	$119.70	995,413.534	$8.05	9.45%
1980	$133,168	$119.32	1,116,057.660	$9.30	7.76%
1981	$134,871	$121.64	1,108,771.786	$9.11	10.20%
1982	$127,842	$110.90	1,152,768.260	$10.72	0.90%
1983	$167,556	$135.78	1,234,025.630	$10.40	29.60%
1984	$156,258	$123.60	1,264,223.301	$9.00	(2.41%)
1985	$201,793	$149.44	1,350,327.891	$9.09	27.98%
1986	$260,481	$188.93	1,378,716.985	$8.41	32.40%
1987	$294,574	$207.66	1,418,539.921	$8.90	14.72%
1988	$290,270	$198.53	1,462,096.409	$10.25	0.90%
1989	$319,235	$211.06	1,512,531.981	$11.10	12.78%
1990	$352,537	$222.70	1,583,013.022	$11.30	11.20%
1991	$371,464	$231.81	1,602,450.283	$11.30	9.23%
1992	$409,082	$252.95	1,617,244.515	$11.02	14.50%
1993	$475,797	$281.83	1,688,241.138	$11.37	15.50%
1994	$475,961	$278.97	1,706,136.861	$14.00	4.00%
1995	$520,108	$305.01	1,705,216.222	$16.15	15.20%
1996	$595,950	$336.88	1,769,027.547	$17.02	18.24%
1997	$677,932	$371.67	1,824,015.928	$19.60	17.17%
1998	$780,203	$410.41	1,901,037.745	$21.00	15.22%
1999	$887,036	$446.73	1,985,619.949	$22.00	14.96%
2000	$1,253,008	$610.15	2,053,599.759	$23.50	42.85%
2001	$1,135,925	$543.88	2,088,558.138	$24.75	(6.62%)
2002	$1,031,991	$484.59	2,129,616.789	$26.04	(5.19%)
2003	$1,043,476	$479.33	2,176,949.989	$26.88	4.85%
2004	$1,179,988	$521.95	2,260,729.955	$26.16	15.18%
2005	$1,275,529	$550.55	2,316,826.810	$27.88	11.46%
2006	$1,412,410	$595.46	2,371,964.532	$28.96	13.97%
2007*	$1,672,235	$691.71	2,417,537.696	$30.74	22.70%
2008	$1,629,331	$668.81	2,436,164.232	$31.55	1.22%
2009	$1,287,082	$523.84	2,457,013.592	$33.18	(16.97%)
2010	$1,330,045	$535.74	2,482,631.500	$35.08	9.34%
2011	$1,523,452	$608.09	2,505,306.780	$31.68	20.36%
2012	$1,468,370	$579.48	2,533,944.226	$31.11	0.75%
2013	$1,576,337	$616.39	2,557,369.523	$31.36	12.47%
2014	$1,834,137	$692.31	2,649,300.169	$31.21	18.80%

* For reporting purposes, beginning in 2007, Total Return is reported based on the general investment pool excluding faculty mortgages, and is net of investment fees.

Audited Financial Statements

Report of Independent Auditors

To the Board of Trustees of Wellesley College:

We have audited the accompanying financial statements of Wellesley College (the "College") which comprise the statement of financial position as of June 30, 2014 and 2013 and the related statements of activities and cash flows for the years then ended.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wellesley College at June 30, 2014 and 2013 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Boston, Massachusetts
November 4, 2014

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, 2014 and 2013 (in $000s)

	2014	2013
Assets		
Cash and cash equivalents	$34,307	$31,674
Cash and cash equivalents, restricted	$55,001	$55,001
Accounts receivable, net	$1,561	$1,282
Loans receivable, net	$8,620	$8,714
Contributions receivable, net	$44,182	$54,593
Grants receivable	$1,786	$1,675
Prepaid, inventory and other assets	$5,746	$5,266
Operating investments	$42,775	$44,892
Investments	$1,838,286	$1,580,403
Planned giving investments	$69,253	$67,178
Collateral received for securities lending	$263	$984
Land, buildings and equipment, net	$296,082	$296,272
Total assets	$2,397,862	$2,147,934
Liabilities		
Accounts payable and accrued expenses	$39,921	$32,779
Student deposits and deferred revenues	$2,129	$2,560
Line of Credit	—	$7,240
Advances under grants and contracts	$6,055	$6,470
Annuities and unitrusts payable	$31,120	$33,317
Asset retirement and environmental obligations	$21,066	$20,427
Accrued pension liability	$15,550	$16,120
Liability under securities lending transactions	$263	$984
Bonds payable	$237,404	$239,975
Government loan advances	$4,569	$4,569
Total liabilities	$358,007	$364,441
Net Assets		
Unrestricted	$630,158	$583,366
Temporarily restricted	$900,646	$745,062
Permanently restricted	$508,981	$455,065
Total net assets	$2,039,785	$1,783,493
Total liabilities and net assets	$2,397,862	$2,147,934

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

Statement of Activities

For the year ended June 30, 2014 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Operating revenues				
Tuition and fees	$102,635	—	—	$102,635
Room and board	$29,131	—	—	$29,131
Less: Financial aid				
Donor sponsored	($27,756)	—	—	($27,756)
Institutionally sponsored	($24,177)	—	—	($24,177)
Net tuition and fees	$79,833	—	—	$79,833
Auxiliary operations	$5,947	—	—	$5,947
Government grants	$4,887	—	—	$4,887
Private gifts and grants	$19,661	$5,381	—	$25,042
Investment return designated for operations	$39,474	$42,013	—	$81,487
Other	$3,972	—	—	$3,972
Net assets released from restrictions	$42,746	($42,746)	—	—
Total operating revenues	$196,250	$4,918	—	$201,168
Operating expenses				
Instruction and departmental research	$92,177	—	—	$92,177
Sponsored research and other programs	$11,747	—	—	$11,747
Library	$10,100	—	—	$10,100
Student services	$43,223	—	—	$43,223
General administration	$11,457	—	—	$11,457
General institutional	$29,172	—	—	$29,172
Auxiliary operations	$12,171	—	—	$12,171
Total operating expenses	$210,047	—	—	$210,047
Change in net assets from operating activities	($13,797)	$4,918	—	($8,879)
Nonoperating activities				
Investment return, net of spending allocation	$57,410	$144,216	$5,527	$207,153
Matured planned giving agreements	$3,048	($5,691)	$2,643	—
Gifts and pledges	—	$12,480	$45,746	$58,226
Pension related changes other than net periodic pension cost	$810	—	—	$810
Net realized/unrealized gain on interest swap	($1,018)	—	—	($1,018)
Net assets released from restrictions	$339	($339)	—	—
Total nonoperating revenues	$60,589	$150,666	$53,916	$265,171
Net change in net assets	$46,792	$155,584	$53,916	$256,292
Net assets				
Beginning of year	$583,366	$745,062	$455,065	$1,783,493
End of year	$630,158	$900,646	$508,981	$2,039,785

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

Statement of Activities

For the year ended June 30, 2013 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Operating revenues				
Tuition and fees	$100,075	—	—	$100,075
Room and board	$28,224	—	—	$28,228
Less: Financial aid				
Donor sponsored	($26,388)	—	—	($26,388)
Institutionally sponsored	($24,173)	—	—	($24,173)
Net tuition and fees	$77,738	—	—	$77,738
Auxiliary operations	$5,206	—	—	$5,206
Government grants	$4,448	—	—	$4,448
Private gifts and grants	$17,253	$7,205	—	$24,458
Investment return designated for operations	$38,739	$41,185	—	$79,924
Other	$3,736	—	—	$3,736
Net assets released from restrictions	$45,463	($45,463)	—	—
Total operating revenues	$192,583	$2,927	—	$195,510
Operating expenses				
Instruction and departmental research	$89,925	—	—	$87,925
Sponsored research and other programs	$11,071	—	—	$11,071
Library	$9,943	—	—	$9,943
Student services	$42,960	—	—	$42,960
General administration	$15,317	—	—	$15,317
General institutional	$28,418	—	—	$28,418
Auxiliary operations	$12,375	—	—	$12,375
Total operating expenses	$208,009	—	—	$208,009
Change in net assets from operating activities	($15,426)	$2,927	—	($12,499)
Nonoperating activities				
Investment return, net of spending allocation	$30,054	66,985	$58	$97,097
Matured planned giving agreements	$2,138	(4,619)	$2,481	—
Gifts and pledges	$1,734	$11,802	$9,253	$22,789
Pension related changes other than net periodic pension cost	$9,952	—	—	$9,952
Net realized/unrealized gain on interest swap	$6,709	—	—	$6,709
Net assets released from restrictions	$965	($965)	—	—
Total nonoperating revenues	$51,552	$73,203	$11,792	$136,547
Net change in net assets	$36,126	$76,130	$11,792	$124,048
Net assets				
Beginning of year	$547,240	$668,932	$443,273	$1,659,445
End of year	$583,366	$745,062	$455,065	$1,783,493

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

Statements of Cash Flows

For the years ended June 30, 2014 and 2013 (in $000s)

	2014	2013
Cash flows from operating activities		
Change in net assets	$256,292	$124,048
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	$17,256	$15,636
Contributions restricted for investments	($48,952)	($18,629)
Donated securities received	($4,994)	($1,135)
Realized and unrealized gains on investments	($284,213)	($172,476)
Change in discount and allowance for doubtful accounts	($2,343)	$563
Pension related changes other than net periodic pension costs	($810)	($9,952)
Unrealized loss (gain) on interest swap	$1,018	($6,709)
Gain on sale of plant and equipment	($936)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	($279)	($425)
Contributions receivable, net	$12,754	($6,672)
Grants receivable	($111)	$152
Prepaid, inventory and other assets	($480)	($2,097)
Accounts payable and accrued expenses	$7,263	($1,055)
Student deposits and deferred revenue	($431)	($1,201)
Advances under grants and contracts	($415)	$1,237
Annuities and unitrusts payable	($2,197)	($2,817)
Net cash used in operating activities	($51,578)	($81,532)
Cash flows from investing activities		
Purchase of plant and equipment	($17,708)	($12,453)
Proceeds from sale of plant and equipment	$1,163	—
Proceeds from student loans collections	$524	$393
Student loans issued	($430)	($473)
Decrease (increase) in restricted cash for construction funds	—	$161
Decrease (increase) in restricted cash for plant and equipment	—	$2,428
Purchases of investments	($607,656)	($489,986)
Proceeds from sales and maturities of investments	$634,027	$554,479
Net cash provided by (used in) investing activities	$9,920	$54,549
Cash flows from financing activities		
Proceeds from contributions for:		
Investment in endowment	$38,589	$8,130
Investment in planned giving	$2,306	$3,608
Plant and equipment	$8,057	$6,891
Proceeds from sale of donated securities restricted for endowment	$4,994	$1,135
Payments on bonds and notes payable	($9,655)	($1,648)
Net cash provided by financing activities	$44,291	$18,116
Net (decrease) increase in cash and cash equivalents	$2,633	($8,867)
Cash and cash equivalents		
Beginning of year	$31,674	$40,541
End of year	$34,307	$31,674
Contributed securities	$4,994	$1,135
Cash paid for interest	$8,047	$8,129
Capital additions included in accounts payable and accrued expenses	$680	$938
Net change in securities lending	($721)	$21

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

Wellesley College
Notes to the Financial Statements

June 30, 2014 and 2013

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 College 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 Development Finance Agency Series J 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 and 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, and are included in annuities and unitrusts payable on the Statement of Financial Position.

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.

The College recognized no deficiencies of donor-restricted endowment funds for the year ended June 30, 2014. Deficiencies of $352,000 for donor-restricted endowment funds, resulting from declines in market value, were offset by an allocation from unrestricted net assets to temporarily restricted net assets for the year ended June 30, 2013.

(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.

In October 2010, the Board of Trustees approved a revised Endowment Spending Policy effective for the year ended June 30, 2012. Wellesley's revised Endowment Spending Policy is based on a combination of the prior year's spending and prior year's endowment value with a weighting of 80% and 20%, respectively. The amount of allowable spending will be capped at 5.5% or no less than 4.0% of the average of the last three endowment values adjusted for inflation, with a target of approximately 4.5% of the prior year endowment market value. The sources of the payout are endowment earned income (interest and dividends), both current and previously reinvested income and a portion of realized gains. Investment return earned in prior years may be utilized if current year income is less than current year spend. 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 2014 and 2013, are reported net of allowances for doubtful accounts of $373,000 and $253,000, respectively. Loans receivable for 2014 and 2013, are reported net of allowances for doubtful loans of $722,000 and $713,000, 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. Interest, depreciation, operations, and maintenance expenses have been allocated to functional expense classifications based on square footage utilized. 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 funded through private gifts, grants and endowment income (donor sponsored). Additional grants, when necessary, are funded through unrestricted institutional resources (Institutional sponsored).

(k) Auxiliary Operations
Auxiliary operations include the Nehoiden Golf Club and 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 the direct expenses of running these operations, as well as an allocation for depreciation, debt service and physical plant maintenance and operation.

Room and board revenue, previously reported as part of auxiliary operations, is reported independently as a separate line item for the years ended June 30, 2014 and 2013. The correlating room and board expenses are included in the student services functional line item on the Statement of Activities.

(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 and Environmental Obligations
Asset retirement and environmental obligations ("ARO") are legal obligations associated with long lived assets. The College recognizes the fair value of a liability for the legal obligations associated with environmental asset retirements in the period in which the obligation is incurred. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to the initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The College adjusts the ARO liabilities when the related obligations are settled. 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
In fiscal year 2008, the College has entered into an interest rate swap agreement on the Massachusetts Development Finance Agency, Variable Rate Revenue Bonds, Series I in order to convert the variable rate debt to fixed rate, thereby 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 is recorded in the operating section of the Statement of Activities as an allocation to the functional expense categories. The change in fair value of the swap is recorded in the nonoperating section of the Statement of Activities as net realized/unrealized gain 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
In October 2012, the FASB issued a new cash flow disclosure requirement related to the disclosure of the classification of sale of proceeds of donated assets. The new guidance requires entities to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if the sale of donated financial assets were without any not-for-profit imposed limitations on the sale, and the assets were converted nearly immediately into cash. The College adopted this accounting standard in fiscal year 2014.

Reclassifications
Certain amounts from the 2013 financial statements have been reclassified to conform to the 2014 presentation.

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

Unconditional promises expected to be collected in:	2014	2013
Less than one year	$11,046	$25,623
One year to five years	$27,436	$32,407
Over five years	$11,727	$247
	$50,209	$58,277
Less: Discounts and allowance for uncollectible accounts	$6,027	$3,684
Net contributions receivable	$44,182	$54,593

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 2.6% to 5.10% at June 30, 2014 and 2013.

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

	2014	2013
Land and land improvements	$50,226	$50,226
Buildings and building improvements	$457,575	$450,997
Equipment	$8,159	$8,676
Construction in progress	$15,062	$5,157
	$531,022	$515,056
Less: Accumulated depreciation	$234,940	$218,784
	$296,082	$296,272

Depreciation expense was $16,638,000 and $15,792,000 for the years ended June 30, 2014 and 2013, respectively.

The College recognized $855,000 and $865,000 of operating expenses relating to the accretion of environmental liabilities associated with the asset retirement obligations for the years ended June 30, 2014 and 2013, respectively. Conditional asset retirement obligations of $21,066,000 and $20,427,000 at June 30, 2014 and 2013, respectively, are presented in the Statement of Financial Position.

4. Investments
The book and market values of investments at June 30, 2014 and 2013 are shown in Table 4 on page 36.

The absolute return 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 the Cash, Bonds and Equity portfolios are various investment vehicles including separate accounts, commingled funds, and hedge funds. Cash includes hedge funds with a market value of $40,095,000 and $42,165,000 at June 30, 2014 and 2013, respectively. Bonds include commingled funds with a market value of $47,069,000 and $44,169,000 and hedge funds with a market value of $21,103,000 and $24,324,000 at June 30, 2014 and 2013, respectively. Equities include separate accounts with a market value of $98,013,000 and $99,505,000 and commingled funds with a market value of $182,703,000 and $151,911,000 and hedge funds with a market value of $318,973,000 and $241,847,000 at June 30, 2014 and 2013, respectively.

The College is no longer invested in exchange-traded futures contracts. The College has used these instruments in the past to maintain target exposures to certain equity markets. The College had long futures exposures with a net ending fair value of $9,666,000, at June 30, 2013. The net gain from these derivative instruments for the fiscal years ended June 30, 2014 and 2013 were $940,000 and $334,000, respectively, and are included in the investment return on the Statement of Activities.

The College's investment return from endowment and planned giving investments are shown in Table 5 on page 37 for the years ended June 30, 2014 and 2013.

The total return consisting of realized and unrealized gains and losses and dividends and interest net of investment management and custodial fees was 18.80% and 12.47% for the fiscal years ended June 30, 2014 and 2013, respectively.

As of June 30, 2014 and 2013 investment securities having a fair value of 252,000 and $946,000, were loaned to various brokerage firms through a securities lending agent. The loaned securities were returnable on demand and are collateralized by cash deposits. The College has recorded the fair value of the collateral received of $263,000 and $984,000 as an offsetting liability for the return of the collateral on the Statement of Financial Position at June 30, 2014 and 2013, 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 37 presents information about the College's assets and liabilities measured at fair value on a recurring basis based upon the least observable level of significant input to the valuations at June 30, 2014 and 2013.

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 38 presents the assets and liability carried at fair value as of June 30, 2014 and 2013 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.

Consistent with the FASB accounting standards reissued in May 2011, related to estimating fair value of investments, $107,501,000 and $5,057,000, has been reclassified from Level 3 to Level 2, for the years ended June 30, 2014 and 2013, respectively. The College had no reclassifications from Level 3 to Level 1 and no transfers from Level 2 to Level 1 for the years ended June 30, 2014 and 2013. Assets have been transferred from Level 3 to Level 2 as a result of changes in the portfolios liquidity and expirations of the lockup provision. The transfer amount shown for the years ended June 30, 2014 and 2013 is the market value of the transferred assets as of June 30, 2014 and 2013, respectively.

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, 2014 and 2013 is $158,354,000 and 75,239,000, 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. Table 8 on page 39 presents investments measured at NAV as of June 30, 2014 and 2013.

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.

Pooled funds as of June 30, 2014 and 2013 are shown in Table 9 on page 39.

The components of the pooled and nonpooled endowment funds at market value at June 30, 2014 and 2013 are shown in Table 10 on page 40.

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 $16,249,000 and $15,129,000 at June 30, 2014 and 2013, respectively.

Mortgages due from faculty of $25,976,000 and $26,070,000 at June 30, 2014 and 2013, respectively, are included within investments on the Statement of Financial Position.

The College had Charitable Gift Annuities invested alongside the endowment with a market value of $3,936,000 and $3,846,000 at June 30, 2014 and June 30, 2013, respectively. These assets are included within the investments total on the Statement of Financial Position.

8. Bonds and Payable Lines of Credit
Indebtedness at June 30, 2014 and 2013 includes various bonds issued through the former Massachusetts Health and Education Facilities Authority (the Authority). On October 1, 2010, pursuant to certain provisions of Chapter 240 of the Acts of 2010 of the Massachusetts Legislature, signed into law by the

Table 4: Book and Market Values of Investments

June 30, 2014 and 2013 (in $000s)

	2014 Book Value	2014 Market Value	2013 Book Value	2013 Market Value
Endowment investments				
Investments pooled				
Cash and cash equivalents	$66,949	$66,949	$59,432	$59,432
Bonds	$57,788	$68,172	$40,940	$68,493
Equities	$320,360	$606,188	$315,220	$523,009
Private equity	$268,638	$349,799	$255,993	$295,908
Real assets	$283,972	$247,863	$297,436	$242,670
Absolute return	$354,955	$472,275	$280,362	$363,757
Other assets	$851	$851	$851	$851
Total pooled investments	$1,353,513	$1,812,097	$1,250,234	$1,554,120
Faculty mortgages	$25,976	$25,976	$26,070	$26,070
Total pooled investments and faculty mortgages	$1,379,489	$1,838,073	$1,276,304	$1,580,190
Investments not pooled				
Cash and cash equivalents	$213	$213	$213	$213
Total investments not pooled	$213	$213	$213	$213
Total endowment investments	$1,379,702	$1,838,286	$1,276,517	$1,580,403
Other investments				
Restricted construction funds	$45,000	$42,775	$45,000	$44,892
Total other investments	$45,000	$42,775	$45,000	$44,892
Total investments	$1,424,702	$1,881,061	$1,321,517	$1,625,295
Planned giving investments				
Separate Pooled Funds				
Cash and cash equivalents	$1,119	$1,119	$579	$579
Bonds	$14,273	$14,603	$10,109	$10,015
Equities	$19,241	$28,311	$27,004	$32,787
Total pooled funds	$34,633	$44,033	$37,692	$43,381
Unitrusts				
Cash and cash equivalents	$282	$282	$265	$265
Bonds	$4,034	$4,130	$3,891	$3,983
Equities	$4,951	$9,409	$5,823	$9,027
Other assets	$1,887	$1,887	$1,887	$1,887
Assets held by trustees	$9,512	$9,512	$8,635	$8,635
Total funds not pooled	$20,666	$25,220	$20,501	$23,797
Total planned giving investments	$55,299	$69,253	$58,193	$67,178

Table 5: Investment Returns from Endowment and Planned Giving

For years ended June 30, 2013 and 2012 (in $000s)

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest (net of expenses of $13,912)	$2,759	$2,540	$5,527	$10,826
Net realized and unrealized gains/losses	$81,190	$196,624	—	$277,814
Total return on endowment and planned giving investments	$83,949	$199,164	$5,527	$288,640
Investment return designated for current operations	($26,539)	($54,948)	—	($81,487)
	$57,410	$144,216	$5,527	$207,153
2013				
Dividends and interest (net of expenses of $12,568)	$2,707	$2,298	$58	$5,063
Net realized and unrealized gains/losses	$53,722	$118,236	—	$171,958
Total return on endowment and planned giving investments	$56,429	$120,534	$58	$177,021
Investment return designated for current operations	($26,375)	($53,549)	—	($79,924)
	$30,054	$66,985	$58	$97,097

Table 6: Assets and Liabilities

Measured at Fair Value (in $000s)

2014	Level 1	Level 2	Level 3	Total
Investments				
Equities	$98,013	$501,676	$6,499	$606,188
Bonds	—	$68,172	—	$68,172
Private equity	—	—	$349,799	$349,799
Real assets	—	—	$247,863	$247,863
Absolute return	$76,420	$183,557	$212,298	$472,275
Cash and other assets	$67,162	$42,775	$851	$110,788
Planned giving investments	—	$59,741	$9,512	$69,253
Total assets at fair value	$241,595	$855,921	$826,822	$1,924,338
Interest rate swap	—	—	$10,562	$10,562
Total liabilities at fair value	—	—	$10,562	$10,562

2013	Level 1	Level 2	Level 3	Total
Investments				
Equities	$124,679	$379,392	$18,938	$523,009
Bonds	—	$68,493	—	$68,493
Private equity	$946	—	$294,962	$295,908
Real assets	—	$13,836	$228,834	$242,670
Absolute return	$61,585	$70,917	$231,255	$363,757
Cash and other assets	$59,645	$44,892	$851	$105,388
Planned giving investments	—	$58,543	$8,635	$67,178
Total assets at fair value	$246,855	$636,073	$783,475	$1,666,403
Interest rate swap	—	—	$9,544	$9,544
Total liabilities at fair value	—	—	$9,544	$9,544

Table 7: Assets and Liability

Carried at Fair Value as of June 30, 2014 and 2013 (in $000s)

2014	Balance July 1, 2013	Realized and Unrealized Gains/losses	Purchases	Sales	Transfer in/(out) of level 3	Balance, June 30, 2014
Equities	$18,938	$2,322	—	($14,761)	—	$6,499
Private equity	$294,962	$85,276	$50,202	($80,641)	—	$349,799
Real assets	$228,833	$34,064	$34,164	($49,198)	—	$247,863
Absolute return	$231,255	$34,978	$69,189	($15,624)	($107,501)	$212,297
Cash and other assets	$851	$2,560	—	($2,560)	—	$851
Planned giving investments	$8,635	$2,344	$1,271	($1,539)	($1,199)	$9,512
Interest rate swap — asset/liability	($9,544)	($1,018)	—	—	—	($10,562)
Balances at June 30, 2014	$773,930	$160,526	$154,826	$(164,323)	$(108,700)	$816,259

2013	Balance July 1, 2012	Realized and Unrealized Gains/losses	Purchases	Sales	Transfer in/(out) of level 3	Balance, June 30, 2013
Equities	$18,990	($204)	$152	—	—	$18,938
Private equity	$291,083	$38,856	$50,035	($85,012)	—	$294,962
Real assets	$227,997	$17,898	$19,183	($36,244)	—	$228,834
Absolute return	$178,135	$25,028	$38,045	($4,896)	($5,057)	$231,255
Cash and other assets	$852	$6,796	—	($6,797)	—	$851
Planned giving investments	$9,878	($4,363)	$2,465	($1,267)	$1,922	$8,635
Interest rate swap — asset/liability	($16,253)	$6,709	—	—	—	($9,544)
Balances at June 30, 2013	$710,682	$90,720	$109,880	$(134,216)	$(3,135)	$773,931

Table 8: Investments Measured At NAV

As of June 30, 2014 and 2013 (in $000s)

2014 Investment	NAV In Funds	Unfunded Commitments	Timing to draw Commitments	Redemption terms/Restrictions
Private equity	$349,799	$137,262	1 to 12 years	Funds are private equity, no ability to redeem.
Real assets	$247,863	$78,205	1 to 12 years	Funds are private equity, no ability to redeem.
Equities	$508,175	—	1 to 12 years	89% of NAV is redeemable within 90 days; 3% of NAV is redeemable within a year; remaining 8% has a multi-year redemption period.
Bonds	$68,172	—		93% of NAV is redeemable within 90 days; remaining 7% has a multi-year redemption period.
Absolute return	$472,275	$4,185	1 to 4 years	38% of NAV is redeemable within 90 days; 46% of NAV is redeemable within a year; remaining 16% has a multi-year redemption period.
Other assets	$66,908	—		22% of NAV is redeemable within 90 days: 16% is redeemable within a year; 62% of NAV has a multi-year redemption period.
	$1,713,192	$219,652		

2013 Investment	NAV In Funds	Unfunded Commitments	Timing to draw Commitments	Redemption terms/Restrictions
Private equity	$294,962	$87,295	1 to 10 years	Funds are private equity, no ability to redeem.
Real assets	$242,669	$98,797	1 to 10 years	Funds are private equity, no ability to redeem.
Equities	$398,330		1 to 10 years	89% of NAV is redeemable within 90 days; 3% of NAV is redeemable within a year; remaining 8% has a multi-year redemption period.
Bonds	$68,492	—		93% of NAV is redeemable within 90 days; remaining 7% has a multi-year redemption period.
Absolute return	$363,756	$9,238	1 to 4 years	38% of NAV is redeemable within 90 days; 46% of NAV is redeemable within a year; remaining 16% has a multi-year redemption period.
Other assets	$45,743	—		22% of NAV is redeemable within 90 days: 16% is redeemable within a year; 62% of NAV has a multi-year redemption period.
	$1,413,952	$195,330		

Table 9: Pooled Funds

As of June 30, 2014 and 2013 (in $000s)

	2014	2013
Investments in pooled funds and faculty mortgages, market value	$1,838,073	$1,580,190
Total number of units	$2,654,998	$2,563,627
Market value per unit	$692.31	$616.39
Distribution per unit	$31.21	$31.36

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

As of June 30, 2014 and 2013 (in $000s)

	Units	Pooled Endowment	Nonpooled Endowment	Total Endowment
2014 Funds				
Endowment and similar funds:				
Endowment funds	$1,705,519	$1,180,742	—	$1,180,742
Term funds	$96,675	$66,929	$213	$67,142
Quasi-endowment	$852,804	$590,402	—	$590,402
Total	$2,654,998	$1,838,073	$213	$1,838,286
2013 Funds				
Endowment and similar funds:				
Endowment funds	$1,625,532	$1,001,961	—	$1,001,961
Term funds	$96,705	$59,607	$213	$59,820
Quasi-endowment	$841,390	$518,622	—	$518,622
Total	$2,563,627	$1,580,190	$213	$1,580,403

Massachusetts governor on August 5, 2010, the Authority was merged into the Massachusetts Development Finance Agency (MDFA). Interest payments on debt totaled $6,252,000 and $6,352,000 during fiscal years 2014 and 2013, respectively.

During January 2008, the College issued $57,385,000 in Series I tax-exempt variable rate demand bonds. The proceeds have been 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.

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.

During April 2012, the College issued $49,800,000 in Series J tax-exempt bonds. The bonds mature in 2042. The proceeds will be used for major asset preservation and modernization projects. The College incurred bond issue costs of $499,000 associated with the issue which have been capitalized and are being amortized over the life of the bonds. At June 30, 2014 and 2013, restricted cash included $55,001,000 of construction funds held by trustees that will be drawn down to fund various construction projects.

During April 2012, the College issued $99,210,000 in Series K taxable bonds. The bonds mature in 2042. The proceeds will be used for major asset preservation and modernization projects and were used to retire $50,040,000 of Series H bond debt. The refunding allows the College to realize the present value savings in restructuring of the College's debt. The College incurred costs of $525,000 associated with the issue which have been capitalized and are being amortized over the life of the bonds. At June 30, 2014 and 2013, operating investments included $42,775,000 and $44,892,000, respectively, of construction funds that will be drawn down to fund various construction projects.

The College has two lines of credit with different banks. The College may borrow up to $40 million with various terms and interest rates at LIBOR plus 1/5 of 1%. There were no amounts outstanding under this line of credit as of June 30, 2014, and $7,240,000 was outstanding as of June 30, 2013. The second line of credit was entered into in February 2013. The College may borrow up to $50 million with various terms and interest rates. This line of credit expires on February 10, 2015. There were no amounts outstanding as of June 30, 2014 and 2013.

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

	2014	2013
MDFA, Series I, Variable Rate Demand Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2014 was 0.03%.	$57,385	$57,385
MDFA, Series G, Variable Rate Demand Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2014 was 0.03%.	$20,000	$20,000
MDFA, Series E, Variable Rate Demand Bonds, bearing interest at a daily rate, maturing July 2022. The rate at June 30, 2014 was 0.03%.	$8,700	$9,600
MDFA, Series J, Revenue Bonds, issued at an interest rate of 5.0%, maturing 2042.	$49,800	$49,800
Wellesley College, Series K, Taxable Bonds, bearing interest at a rate of 0.782% to 4.196%, maturing 2042.	$97,695	$99,210
Total debt	$233,580	$235,995
Less unamortized bond issue costs	($1,452)	($1,484)
Add unamortized original issue premium	$5,276	$5,464
	$237,404	$239,975

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

2015	$2,695
2016	$2,855
2017	$3,020
2018	$3,175
2019	$3,325
Thereafter	$218,510
Total bonds and notes payable	$233,580

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, 2014 and 2013, the market value of the swap agreement amounted to a liability of $10,562,000 and $9,544,000, 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 loss of $1,018,000 in 2014 and a gain of $6,709,000 in 2013 which is reflected in the nonoperating activities section of the Statement of Activities. Additionally, the College paid net interest expense in association with the swap agreement of $1,795,000 and $1,777,000 which is recorded in the operating section of the Statement of Activities as an allocation to the functional expense categories for the years ended June 30, 2014 and 2013, respectively. The change in fair value of the swap is recorded in the nonoperating section of the Statement of Activities as net realized/unrealized gain on interest swap. 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 debt at June 30, 2014 fixed rate debt of $147,495,000 and variable rate debt of $86,085,000. 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, 2014 approximates $152,814,000. 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. Split-interest agreements are included in planned giving investments, and at June 30, 2014, there is approximately $3,936,000 invested alongside the endowment, which are included within the investments total on the Statement of Financial Position. 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 $31,120,000 and $33,317,000 at June 30, 2014 and 2013, 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. Retirement 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 $8,554,000 and $8,331,000, respectively, for the years ended June 30, 2014 and 2013.

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 for the defined benefit plan were June 30, 2014 and 2013.

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

	2014	2013
Assumptions used to determine benefit obligations		
Discount rate	4.200%	4.700%
Rate of compensation increase	3.000%	3.000%
Assumptions used to determine net periodic benefit cost		
Discount rate	4.700%	4.000%
Expected return on plan assets	7.200%	7.200%
Rate of compensation increase	3.000%	3.500%
Change in projected benefit obligation ($000s)		
Benefit obligation at end of prior year	$59,119	$62,928
Service cost	$1,894	$2,275
Interest cost	$2,731	$2,542
Actuarial (gain) loss, net of administrative expenses paid	$4,259	($6,820)
Benefits paid	($2,606)	($1,806)
Benefit obligation at end of year	$65,397	$59,119
Accumulated benefit obligation	$56,640	$50,675
Change in plan assets ($000s)		
Fair value of plan assets at end of prior year	$42,998	$37,456
Actual return on plan assets, net of administrative expenses	$7,455	$4,348
Employer contributions	$2,000	$3,000
Benefits paid	($2,606)	($1,806)
Fair value of plan assets at end of year	$49,847	$42,998
Funded status ($000s)		
Funded status	($15,550)	($16,120)
Components of net periodic benefit cost ($000s)		
Service cost	$1,894	$2,275
Interest cost	$2,731	$2,542
Expected return on plan assets	($3,086)	($2,745)
Amortization of prior service cost	$59	$64
Net loss (gain) on amortization	$642	$1,463
Net periodic benefit cost	$2,240	$3,599
New net actuarial (gain) loss	($109)	($8,424)
Net (loss) gain on amortization	($642)	($1,464)
Amortization of prior service cost	($59)	($64)
Total	($810)	($9,952)
Amounts recognized in the statement of financial position consist of a liability	($15,550)	($16,120)
Other changes in plan assets and benefit obligations recognized in unrestricted net assets ($000s)		
Net prior service cost	$158	$216
Net actuarial loss	$13,647	$14,399
Total	$13,805	$14,615

The amounts expected to be recognized as amortization of prior net service and the (gain)/loss to be recognized as components of net periodic cost in the year are $59,000 and $642,000. respectively.

2015	$2,270
2016	$2,461
2017	$2,779
2018	$3,095
2019	$3,229

The College expects to make employer contributions into the plan of $1,000,000 in the 2015 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, 2014 and 2013:

Asset Category	Value at June 30, 2014	2014	2013
Equity securities	$31,410	63%	62%
Real estate investment trust	$3,697	7%	4%
Commodities	$2,182	4%	4%
Fixed income	$11,065	23%	26%
Cash and cash equivalents	$1,493	3%	4%
Total	$49,847	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, 2014 and 2013:

($000s)	2013	2012
Unrestricted		
Designated for specific purposes and plant	$84,769	$97,586
Quasi-endowment	$545,389	$486,132
Deficiencies in donor-restricted endowments	—	($352)
	$630,158	$583,366
Temporarily restricted		
Endowment and similar funds including pledges	$791,838	$646,205
Annuity, life income and unitrusts including pledges	$40,479	$36,975
Deficiencies in donor-restricted endowments	—	$352
Other restricted	$68,329	$61,530
	$900,646	$745,062
Permanently restricted		
Endowment including pledges	$508,981	$455,065
	$508,981	$455,065
	$2,039,785	$1,783,493

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 designated by the Board of Trustees to function as endowments (quasi funds). 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.

At June 30, 2014, the endowment net assets shown in Table 19 on page 45.

At June 30, 2014, endowment net asset composition by type of fund are shown in Table 21 on page 45.

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 wastewater 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 $132,000 and $144,000, respectively, for the years ended June 30, 2014 and 2013. 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 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, 2014 and 2013 total expenses to the Lower Waban Brook remedial project were $95,000 and $188,000, respectively. A liability of $2,494,000 and $2,589,000 has been recorded as of June 30, 2014 and 2013, respectively, and is included in the Statement of Financial Position within accounts payable and accrued expenses.

Table 19: Endowment Net Asset Composition by Type of Fund

As of June 30, 2014 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	—	$761,067	$482,316	$1,243,383
Board-designated and other unrestricted funds	$590,754	—	—	$590,754
	$590,754	$761,067	$482,316	$1,834,137

Table 20: Endowment Net Assets

For the year ended June 30, 2014 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$518,630	$625,935	$431,772	$1,576,337
Investment income, net of expenses	$3,219	$6,535	—	$9,754
Net appreciation (realized and unrealized)	$90,849	$184,452	—	$275,301
Subtotal	$612,698	$816,922	$431,772	$1,861,392
Contributions and transfers to endowment	$4,595	($908)	$50,544	$54,231
Appropriation of endowment assets for expenditure	($26,539)	($54,947)	—	($81,486)
Endowment net assets at end of year	$590,754	$761,067	$482,316	$1,834,137

Table 21: Endowment Net Asset Composition by Type of Fund

As of June 30, 2013 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	—	$625,935	$431,772	$1,057,707
Board-designated and other unrestricted funds	$518,630	—	—	$518,630
	$518,630	$625,935	$431,772	$1,576,337

Table 22: Endowment Net Assets

For the year ended June 30, 2013 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$483,161	$562,710	$422,711	$1,468,582
Investment income, net of expenses	$2,931	$5,951	—	$8,882
Net appreciation (realized and unrealized)	$54,471	$110,592	—	$165,063
Subtotal	$540,563	$679,253	$422,711	$1,642,527
Contributions and transfers to endowment	$4,442	$231	$9,061	$13,734
Appropriation of endowment assets for expenditure	($26,375)	($53,549)	—	($79,924)
Endowment net assets, end of year	$518,630	$625,935	$431,772	$1,576,337

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.

Outstanding commitments amounted to approximately $235,581,000 and $195,947,000 as of June 30, 2014 and 2013, respectively, for the following:

($000s)	2014	2013
Alternative investments	$219,652	$195,330
Construction contracts	$15,929	$617
	$235,581	$195,947

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 2015

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.

14. Subsequent Events

The College has assessed the impact of subsequent events through November 4, 2014, the date the audited financial statements were available for issuance, and has concluded that there are no such events that require adjustment to the audited financial statements or disclosure in the notes of the audited financial statements.

Board of Trustees

2013–2014

Wellesley College, 106 Central Street, Wellesley, Massachusetts 02481