KPMG

WELLESLEY COLLEGE

Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

WELLESLEY COLLEGE

Financial Statements

June 30, 2023 and 2022

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Wellesley College:

Opinion

We have audited the financial statements of Wellesley College (the College), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Boston, Massachusetts
October 24, 2023

WELLESLEY COLLEGE

Statements of Financial Position

June 30, 2023 and 2022

(In thousands)

Assets		**2023**	**2022**
Cash and cash equivalents	$	188,051	214,155
Receivables, net		11,715	12,564
Contributions receivable, net		27,929	35,772
Prepaid, inventory and other assets		6,174	7,548
Investments		2,899,823	2,858,931
Planned giving investments		51,601	51,481
Land, buildings and equipment, net		572,539	550,111
Total assets	$	3,757,832	3,730,562
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	63,987	62,324
Deferred income and advances under grants and contracts		14,145	15,644
Annuities and unitrusts payable		28,682	31,976
Asset retirement and environmental obligations		24,953	24,160
Accrued pension liability		7,668	16,019
Bonds payable		453,509	458,829
Other liabilities		17,189	20,331
Total liabilities		610,133	629,283
Net assets:			
Without donor restrictions		957,066	936,125
With donor restrictions		2,190,633	2,165,154
Total net assets		3,147,699	3,101,279
Total liabilities and net assets	$	3,757,832	3,730,562

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statement of Activities

Year ended June 30, 2023

(In thousands)

		Without donor restrictions	With donor restrictions	2023 Total
Operating revenues:				
Tuition, fees, room and board, net of financial aid of $76,983	$	108,650	—	108,650
Auxiliary operations		5,808	—	5,808
Government grants		5,923	—	5,923
Private gifts and grants		14,033	5,059	19,092
Endowment distributed for operations		39,165	70,606	109,771
Other		11,610	—	11,610
Net assets released from restrictions		69,867	(69,867)	—
Total operating revenues		255,056	5,798	260,854
Operating expenses:				
Instruction		101,412	—	101,412
Sponsored research and centers		12,168	—	12,168
Student services		59,892	—	59,892
Academic support		23,900	—	23,900
Institutional support		43,997	—	43,997
Auxiliary operations		10,186	—	10,186
Total operating expenses		251,555	—	251,555
Change in net assets from operating activities		3,501	5,798	9,299
Nonoperating activities:				
Investment return, net of spending allocation		904	4,956	5,860
Matured planned giving agreements		525	(525)	—
Gifts and pledges		7,481	13,223	20,704
Pension related changes other than net periodic pension cost		6,713	—	6,713
Net unrealized gain on interest swap		3,133	—	3,133
Other changes		(9,450)	10,161	711
Net assets released from restrictions		8,134	(8,134)	—
Total nonoperating revenues		17,440	19,681	37,121
Change in net assets		20,941	25,479	46,420
Net assets:				
Beginning of year		936,125	2,165,154	3,101,279
End of year	$	957,066	2,190,633	3,147,699

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statement of Activities

Year ended June 30, 2022

(In thousands)

	Without donor restrictions	With donor restrictions	2022 Total
Operating revenues:			
Tuition, fees, room and board, net of financial aid of $79,353	$ 103,561	—	103,561
Auxiliary operations	4,555	—	4,555
Government grants	9,652	—	9,652
Private gifts and grants	14,146	9,230	23,376
Endowment distributed for operations	33,423	65,631	99,054
Amounts transferred from endowment funds	7,302	—	7,302
Other	5,367	—	5,367
Net assets released from restrictions	67,547	(67,547)	—
Total operating revenues	245,553	7,314	252,867
Operating expenses:			
Instruction	96,107	—	96,107
Sponsored research and centers	12,529	—	12,529
Student services	58,415	—	58,415
Academic support	23,254	—	23,254
Institutional support	48,820	—	48,820
Auxiliary operations	8,741	—	8,741
Total operating expenses	247,866	—	247,866
Change in net assets from operating activities	(2,313)	7,314	5,001
Nonoperating activities:			
Investment return, net of spending allocation	(108,114)	(299,629)	(407,743)
Endowment distributed for operations	(7,302)	—	(7,302)
Matured planned giving agreements	3,662	(3,662)	—
Gifts and pledges	3,119	24,660	27,779
Pension related changes other than net periodic pension cost	7,553	—	7,553
Net unrealized gain on interest swap	10,288	—	10,288
Gain on debt extinguishment	2,892	—	2,892
Other changes	(4,991)	—	(4,991)
Net assets released from restrictions	40,753	(40,753)	—
Total nonoperating revenues	(52,140)	(319,384)	(371,524)
Change in net assets	(54,453)	(312,070)	(366,523)
Net assets:			
Beginning of year	990,578	2,477,224	3,467,802
End of year	$ 936,125	2,165,154	3,101,279

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	46,420	(366,523)
Adjustment to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		27,021	24,503
Contributions restricted for long-term purposes		(27,701)	(20,473)
Gain on donated securities received		(935)	(1,439)
Realized and unrealized net (gain) loss on investments		(114,198)	312,148
Change in discount and allowance for doubtful accounts		(1,780)	(1,116)
Pension related changes other than net periodic pension cost		(6,713)	(7,553)
Unrealized gain on interest rate swap		(3,133)	(10,288)
Gain on extinguishment of debt		—	(2,892)
Gain on disposal of land, building and equipment		—	(35)
Changes in operating assets and liabilities:			
Receivables		908	5,882
Contributions receivable		9,255	5,888
Prepaid, inventory and other assets		1,311	(1,260)
Accounts payable, accrued expenses and pension liability		(3,716)	980
Deferred income and advances under grants and contracts		(1,499)	5,417
Annuities and unitrusts payable		(3,294)	(3,136)
Other liabilities		(9)	(1,933)
Net cash used in operating activities		(78,063)	(61,830)
Cash flows from investing activities:			
Purchases of land, buildings and equipment		(45,617)	(50,532)
Proceeds from sales of land, building and equipment		—	35
Proceeds from student loans collections		922	985
Student loans issued		(613)	(415)
Purchases of investments		(120,356)	(244,740)
Proceeds from sales and maturities of investments		193,542	340,381
Net cash provided by investing activities		27,878	45,714
Cash flows from financing activities:			
Proceeds from contributions restricted for long-term purposes		27,701	20,473
Proceeds from sale of donated securities restricted for long-term purposes		935	1,439
Proceeds from bonds issued		—	53,192
Payments on bonds payable		(4,555)	(57,053)
Net cash provided by financing activities		24,081	18,051
Net change in cash and cash equivalents		(26,104)	1,935
Cash and cash equivalents:			
Beginning of year		214,155	212,220
End of year	$	188,051	214,155
Supplemental disclosure:			
Donated securities included in operating activities	$	617	4,012
Cash paid for interest		16,326	14,180
Change in capital additions included in accounts payable and accrued expenses		3,741	(4,995)

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Founded in 1870, Wellesley College (the College) is a private, nonprofit organization providing an excellent liberal arts education to women who will make a difference in the world.

(b) Basis of Presentation

The financial statements of Wellesley College have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

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:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations, but which may be designated for specific purposes by the College or otherwise be limited by contractual agreements with outside parties.

With donor restrictions – Net assets that are subject to donor-imposed stipulations that expire by the passage of time, can be fulfilled by actions of the College pursuant to the stipulations, or which may be perpetual.

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 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 unrealized gains and losses on the interest rate swap, pension related changes other than the service cost component of changes in pension obligation and matured planned giving agreements.

(c) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less. Cash equivalents included in endowment and planned giving investments are not considered cash and cash equivalents for the purpose of the statement of cash flows.

(d) Investments

Investments are generally carried at fair value. Purchases and sales of investments are recorded on the trade date of the transaction. Realized gains and losses arising from 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.

For investments made directly by the College whose values are based on quoted market prices in active markets, the market price is used to report fair value. The College’s interests in alternative investment funds such as hedge, private equity, and absolute return, are reported at the net asset value (NAV) reported by the fund managers as a practical expedient to fair value, unless it is probable that all or a portion of the investments will be sold for an amount other than NAV.

The College has established a framework for measuring fair value under GAAP. The College determines fair value based on 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. The College follows a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at measurement date.

Level 2: Quoted prices, other than those included in Level 1, that are either directly or indirectly observable for the assets or liabilities.

Level 3: Unobservable quoted prices used when little or no market data is available.

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 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 leverage as part of their strategies.

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 with donor restrictions. 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. For planned giving contracts, the contributed assets are included at fair value within planned giving investments and investments on the Statements 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 Statements of Financial Position.

(e) 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

(Continued)

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.

Wellesley's Endowment Spending Policy is based on a combination of the prior year's spending and a percentage of the latest endowment value with a weighting of 80% and 20%, respectively. Prior year spending is adjusted for Higher Education Price Index (HEPI) inflation, and 4.25% is the rate applied to the most recent endowment value on December 31. The amount of allowable spending will be capped at 5.0% or no less than 4.0% of the average of the last three fiscal year end endowment values adjusted for HEPI inflation. The Endowment Spending Policy is applied on a per unit basis. 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.

In accordance with the Massachusetts Uniform Prudent of Management of Institutional Funds Act, the College considers the following factors in making a determination to appropriate for spending or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the College
7. The College's investment policies

(f) Receivables

Accounts receivable include amounts due from students, student organizations and other miscellaneous receivables. Loans to students are carried at net realizable value. Student accounts receivable as of June 30, 2023 and 2022 were $1,161,000 and $1,633,000, respectively, and are reported net of allowances for doubtful accounts of $499,000 and $324,000, respectively. Loans receivable as of June 30, 2023 and 2022 were $5,398,000 and $5,934,000, respectively, and are reported net of allowances for doubtful loans of $157,000 and $797,000, respectively. The provisions are intended to provide for student accounts and loans that may not be collected. The remaining balance as of June 30, 2023 and 2022 consists of grants and other accounts receivable.

(g) Contributions

Contributions of cash and other assets, including unconditional promises to give, are recorded as revenue based on any donor-imposed restrictions on the date of the donors' commitment or gift. Contributions of other assets are recorded at their estimated fair value at the date of the gift. Unconditional pledges are recorded at their estimated present value, which approximates fair value, net of an allowance for uncollectible amounts. Conditional pledges are not recognized as revenue until such time as the conditions are met. Contributions to be used to acquire or construct long-lived assets are initially reported as with donor restrictions and released from restrictions when the resulting asset is placed in service.

(h) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost, or if donated, at estimated fair value at the date of donation and are presented net of accumulated depreciation. 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. Interest, depreciation, operations, and maintenance expenses have been allocated to functional expense classifications based on square footage utilized. When assets are retired or disposed, the cost and accumulated depreciation are removed from the accounts in the Statements of Financial Position and gains and losses from disposal are included in the Statements of Activities. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	Years
Buildings and Infrastructure	20–60
Building improvements	20
Furniture and equipment	4–12

(i) Student Charges

The College recognizes revenue from tuition, fees, room, and board within the fiscal year in which educational services are provided. Financial aid, in the form of scholarships and grants, includes amounts funded by the endowment, gifts and unrestricted institutional resources. This amount reduces the published price of tuition for students receiving such aid. As such, financial aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Tuition and fee revenue was $144,482,000 and $142,966,000 for the years ended June 30, 2023 and 2022, respectively, and room and board revenue was $41,150,000 and $39,948,000, respectively. Financial aid provided to students totaled $76,983,000 and $79,353,000 for the years ended June 30, 2023 and 2022, respectively.

(j) Grant Revenue

Grants and contracts awarded by federal and other sponsors, which generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The College has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions include donor restricted contributions for which purpose restrictions and conditions are met in the same reporting period. Total revenue from grants and contracts recognized in net assets without donor restrictions was $9,713,000 and $13,599,000 for the years ended June 30, 2023 and 2022, respectively, and are included in the government grants and private gifts and grants lines on the Statements of Activities. Payments received from sponsors in advance of conditions being met are reported as deferred income and advances under grants and contracts on the Statement of Financial Position, which totaled $9,054,000 and $9,237,000 on the as of June 30, 2023 and 2022, respectively.

Government grants normally provide for the recovery of direct and indirect costs. 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.

(k) Auxiliary Operations

Auxiliary operations include summer programs, 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 based on square footage.

Room and board expenses are included in the student services functional line item on the Statements of Activities.

(l) Internal Revenue Code Status

The College has been granted tax-exempt status as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

The College has no material uncertain tax provisions as of June 30, 2023 and 2022.

For fiscal years 2023 and 2022, the College was subject to the federal excise tax of 1.4% imposed on colleges and universities meeting certain criteria. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on assets subject to the tax. The current portion of the excise tax was approximately $447,000 and $2,645,000 as of June 30, 2023 and 2022, respectively. The College has made provisions for a deferred tax liability resulting from net unrealized gains on qualifying assets and estimated at the 1.4% tax rate. The deferred tax liabilities are $11,911,000 as of June 30, 2023 and $11,916,000 as of June 30, 2022 and are included within accounts payable and accrued expenses on the Statements of Financial Position.

(m) Asset Retirement and Environmental Obligations

Asset retirement and environmental obligations (ARO) are legal obligations associated with long-lived assets. The College has recognized an estimated liability for legal obligations associated with environmental asset retirements in the period in which the obligation is incurred, typically when the College becomes obligated to remediate. 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 amortized over the useful lives of the related assets. Subsequent to 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 Statements of Activities.

(n) Interest Rate Swap

In fiscal year 2008, the College entered into an interest rate swap agreement in conjunction with the issuance of 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 under the swap agreement (differences between variable and fixed rate) are recorded as interest expense in the operating section of the Statements of Activities and are allocated to the functional expense categories. The change in fair value of the swap is recorded in the nonoperating section of the Statements of Activities as net unrealized gain(loss) on interest swap.

(o) Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(p) New Accounting Pronouncements

Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures for Contributed Nonfinancial Assets*, issued by the Financial Accounting Standards Board (FASB), requires contributed non-financial assets (gifts in kind) to be presented separately under other cash contributions on the statement of activities. This ASU became effective for the College for the year ended June 30, 2022, and the College’s adoption did not have a material effect on the College’s financial statements.

(q) Reclassifications

Certain other reclassifications have been made to the 2022 information to conform to the 2023 presentation.

(2) Liquidity and Availability

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, interest and principal payments on debt, and capital renewal programs, were as follows (in thousands):

		2023	2022
Financial assets:			
Cash and cash equivalents	$	188,051	214,155
Contributions and accounts receivable, net		5,818	9,029
Approved endowment appropriation for upcoming year		122,046	109,624
Total financial assets available		315,915	332,808
Liquidity resources:			
Bank line of credit available		60,000	60,000
Total financial assets and other liquidity resources available	$	375,915	392,808

To manage liquidity, the College regularly monitors the availability of resources available to meet its general operating expenditures. Cash flows are subject to seasonal variations attributable to the timing of tuition billings, receipts of gifts and grants, pledge payments and transfers from the endowment.

In addition, as of June 30, 2023 and 2022, the College had $859 million and $858 million of board designated endowment funds, respectively. Although the College does not intend to spend from its board-designated endowment funds, these amounts could be made available with Board approval, subject to liquidity provisions of underlying investments.

(3) Contributions Receivable

Contributions receivable, net, is summarized as follows at June 30 (in thousands):

		2023	2022
Unconditional promises expected to be collected in:			
Less than one year	$	2,412	5,816
One year to five years		19,998	26,182
Over five years		1,769	1,821
Less discounts and allowance for uncollectible accounts		(2,468)	(3,880)
Total		21,711	29,939
Assets held by external trustee		6,218	5,833
Contributions receivable, net	$	27,929	35,772

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 3.0% to 4.0% as of June 30, 2023 and 2022.

(4) Investments and Fair Value Measurements

The fair values of investments at June 30, 2023 and 2022 were as follows (in thousands):

		2023	2022
Investments:			
Investments pooled:			
Cash and cash equivalents	$	184,996	178,836
Bonds		67,832	72,632
Equities		835,877	712,775
Private equity		1,075,658	1,168,470
Real assets		173,111	180,382
Absolute return		538,752	522,388
Total pooled investments		2,876,226	2,835,483
Faculty mortgages		23,374	23,227
Total pooled investments and faculty mortgages		2,899,600	2,858,710
Investments not pooled:			
Cash and cash equivalents		223	221
Total investments	$	2,899,823	2,858,931
Planned giving investments:			
Pooled income funds and annuities:			
Cash and cash equivalents	$	434	1,781
Bonds		9,023	9,903
Equities		30,510	26,491
Other Assets		10	—
Total pooled income and annuities		39,977	38,175
Charitable remainder trusts:			
Cash and cash equivalents		83	97
Bonds		1,499	1,572
Equities		6,835	8,676
Other assets		1,511	1,511
Assets held by external trustee		1,696	1,450
Total charitable remainder trusts		11,624	13,306
Total planned giving investments	$	51,601	51,481

(Continued)

The majority of College investments are invested in the College's long-term investment pool. Assets in this pool also include faculty mortgages and planned giving assets. Planned giving assets have a readily determinable fair value and are categorized in Level 1 in the fair value hierarchy.

Under the terms of certain limited partnership agreements, the College is obligated 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 approximated $329,327,000 and $348,055,000 as of June 30, 2023 and 2022, respectively.

Fair Value Disclosures

The following fair value hierarchy tables present information about the College's assets and liabilities measured at fair value on a recurring basis at June 30, 2023 and 2022 (in thousands):

Assets	**expedient**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:					
Equities	$ 835,877	—	—	—	835,877
Fixed income	—	67,832	—	—	67,832
Private equity	1,075,658	—	—	—	1,075,658
Real assets	173,111	—	—	—	173,111
Absolute return	538,752	—	—	—	538,752
Cash equivalents and other assets	—	185,219	—	23,374	208,593
Total investments at fair value	$ 2,623,398	253,051	—	23,374	2,899,823
Liabilities					
Interest rate swap agreement	$ —	—	(5,683)	—	(5,683)
Total	$ —	—	(5,683)	—	(5,683)

	2022				
Assets	**NAV as Practical expedient**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:					
Equities	$ 712,775	—	—	—	712,775
Fixed income	—	72,632	—	—	72,632
Private equity	1,168,470	—	—	—	1,168,470
Real assets	180,382		—	—	180,382
Absolute return	522,388	—	—	—	522,388
Cash equivalents and other assets	—	179,057	—	23,227	202,284
Total investments at fair value	$ 2,584,015	251,689	—	23,227	2,858,931
Liabilities					
Interest rate swap agreement	$ —	—	(8,816)	—	(8,816)
Total	$ —	—	(8,816)	—	(8,816)

Interest rate swap is 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 Statements of Financial Position 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 2.

The following table presents faculty mortgages carried at fair value as of June 30, 2023 and 2022 that are classified within Level 3 of the fair value hierarchy (in thousands):

	2023	2022
Balance beginning of year	$ 23,227	24,889
Realized and unrealized gains accrued interest	378	788
Additions	550	1,285
Payments received	(781)	(3,735)
Balance end of year	$ 23,374	23,227

Detailed liquidity of the College's investments as of June 30, 2023 and 2022 is as follows (in thousands):

	2023					
	Daily/monthly	Quarterly	Greater than quarterly and less than one year	Greater than one year	Illiquid	Total
Investments:						
Equities	$ 494,065	171,591	88,860	59,401	21,960	835,877
Fixed income	67,832	—	—	—	—	67,832
Private equity	—	—	—	—	1,075,658	1,075,658
Real assets	—	—	—	—	173,111	173,111
Absolute return	107,012	117,034	209,305	49,754	55,647	538,752
Cash and other assets	185,219	—	—	—	23,374	208,593
Total investments at fair value	$ 854,128	288,625	298,165	109,155	1,349,750	2,899,823

	2022					
	Daily/monthly	Quarterly	Greater than quarterly and less than one year	Greater than one year	Illiquid	Total
Investments:						
Equities	$ 404,217	166,397	29,177	98,888	14,096	712,775
Fixed income	72,632	—	—	—	—	72,632
Private equity	—	—	—	—	1,168,470	1,168,470
Real assets	—	—	—	—	180,382	180,382
Absolute return	122,835	117,075	197,645	57,859	26,974	522,388
Cash and other assets	179,057	—	—	—	23,227	202,284
Total investments at fair value	$ 778,741	283,472	226,822	156,747	1,413,149	2,858,931

(5) Endowment

The College's endowment consists of approximately 2,000 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, 2023, the fair market value of certain endowment funds was less than their original donated value of $15,524,000 ("underwater") by a total of $994,000. At June 30, 2022, the fair market value of certain endowment funds was less than their original donated value of $11,162,000 ("underwater) by a total of $983,000.

At June 30, 2023 and 2022, endowment net assets consisted of the following (in thousands):

		2023		
		Without donor restrictions	**With donor restrictions**	**Total**
Board designated endowment funds	$	859,066	—	859,066
Donor-restricted endowment funds:				
Historical cost		—	695,870	695,870
Appreciation		—	1,333,934	1,333,934
Total endowment net assets	$	859,066	2,029,804	2,888,870

		2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Board designated endowment funds	$	857,577	—	857,577
Donor-restricted endowment funds:				
Historical cost		—	652,873	652,873
Appreciation		—	1,336,415	1,336,415
Total endowment net assets	$	857,577	1,989,288	2,846,865

Changes in endowment net assets for the year ended June 30, 2023 and 2022 were as follows (in thousands):

		Without donor restrictions	**With donor restrictions**	**Total**
Balance June 30, 2022	$	857,577	1,989,288	2,846,865
Net investment return		39,901	68,125	108,026
Contributions and transfers		753	42,997	43,750
Distributions		(39,165)	(70,606)	(109,771)
Balance June 30, 2023	$	859,066	2,029,804	2,888,870

		Without donor restrictions	With donor restrictions	Total
Balance June 30, 2021	$	982,676	2,254,109	3,236,785
Net investment return		(95,699)	(211,175)	(306,874)
Contributions and transfers		4,496	18,814	23,310
Distributions		(33,896)	(72,460)	(106,356)
Balance June 30, 2022	$	857,577	1,989,288	2,846,865

(6) Land, Buildings and Equipment

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

		2023	2022
Land and land improvements	$	52,601	50,636
Buildings and building improvements		886,435	839,393
Equipment		16,156	14,173
Construction in progress		29,496	31,387
		984,688	935,589
Less accumulated depreciation		(412,149)	(385,478)
Total	$	572,539	550,111

Depreciation and amortization expense was $26,671,000 and $24,649,000 for the years ended June 30, 2023 and 2022, respectively.

The College recognized $1,052,000 and $1,018,000 of operating expenses relating to the accretion of environmental liabilities associated with the asset retirement obligations for the years ended June 30, 2023 and 2022, respectively. Conditional asset retirement obligations of $24,953,000 and $24,160,000 at June 30, 2023 and 2022, respectively, are presented in the liabilities section of the Statements of Financial Position.

(7) Bonds Payable and Lines of Credit

Indebtedness at June 30, 2023 and 2022 includes various bonds issued through the Massachusetts Development Finance Agency (MDFA) and other parties. Interest payments on debt totaled $15,889,000 and $14,810,000 during fiscal years 2023 and 2022, respectively.

The College has an available line of credit with a bank. The line of credit allows the College to borrow up to $60 million, with a monthly variable rate based on one-month SOFR plus 0.25%. This line of credit can be used for varying purposes and expires on March 01, 2026. As of June 30, 2023 and 2022, there were no amounts outstanding under this line of credit.

During July 2020, the College entered into a Note Purchase Agreement with New York Life providing for $150 million of senior unsecured notes at a rate of 3.00% due in periodic installments. The College will utilize the proceeds for various purposes, including but not limited to, ongoing capital expenditures.

In April of 2022, the College issued $44,960,000 in Series M tax-exempt Refunding Revenue Bonds. The proceeds, together with available funds, were used retire the Series J bonds with $49,800,000 outstanding on July 1, 2022, 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 College recognized a gain on the debt extinguishment of $2,892,000 which has been reflected in the statement of activities. The College incurred costs of $562,000 associated with the issue, which have been capitalized and are being amortized over the life of the bonds.

Balances of outstanding bonds payable at June 30 consisted of the following (in thousands):

		2023	2022
MDFA, Series I, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2021 was 0.364%.	$	57,385	57,385
MDFA, Series G, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2021 was 0.364%.		20,000	20,000
Wellesley College, Series K, Taxable Bonds, bearing interest at a rate of 2.935% to 4.196%, maturing 2042.		81,325	83,575
MDFA, Series L, Revenue Bonds, issued at an interest rate of 4.000% to 5.000%, maturing 2048.		89,610	91,915
MDFA, Series M, Revenue Bonds, issued at an interest rate of 2.500% to 5.000%, maturing 2041.		44,960	44,960
New York Life Note Agreement, issued at an interest rate of 3.00%, maturing through 2050.		150,000	150,000
Total bonds payable		443,280	447,835
Less unamortized bond issue costs		(1,727)	(1,844)
Add unamortized original issue premium		11,956	12,838
	$	453,509	458,829

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

2024	$	3,620
2025		3,785
2026		5,315
2027		5,520
2028		7,605
Thereafter		417,435
Total bonds payable	$	443,280

In order to reduce exposure to floating interest rates on the MDFA Series I variable Rate Demand Bonds, 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, 2023 and 2022, the fair value of the swap agreement was a liability of $5,683,000 and $8,816,000, respectively. The fair value of the swap 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 other liabilities on the Statements of Financial Position. The change in fair value of the swap is recorded in the nonoperating section of the Statements of Activities as net unrealized gain or loss 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 change in fair value resulted in a gain of $3,133,000 in 2023 and a gain of $10,288,000 in 2022. Additionally, the College paid net interest expense in association with the swap agreement of $336,831 and $1,882,000 for the years ended June 30, 2023 and 2022, respectively, which is recorded as interest expense and allocated to functional categories in the operating section of the Statements of Activities.

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.

(8) 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, 2023 and 2022, there is approximately $10,941,000 and $12,066,000, respectively, invested alongside the endowment, which is included within the investments totals on the Statements of Financial Position. Contributions are recognized at the dates 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 3.5% to 5.0%. The liability of $28,682,000 and $31,976,000 at June 30, 2023 and 2022, 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.

(9) Retirement Plans

The College has a defined contribution, noncontributory annuity pension plan for faculty and administrative personnel administered by TIAA. Under this plan, the College contributed $8,579,000 and $8,850,000 for the years ended June 30, 2023 and 2022, respectively.

The College also has a defined benefit pension plan for certain 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. As of December 2012, this plan is no longer accepting new participants.

The measurement dates for determining the benefit obligations and net periodic benefit cost for the defined benefit plan were June 30, 2023 and 2022.

The significant assumptions underlying the actuarial computations and changes in the benefit obligation as of and for the years ended June 30 were as follows (in thousands):

		2023	2022
Assumptions used to determine benefit obligations:			
Discount rate		5.10 %	4.60 %
Rate of compensation increase		3.00	3.00
Assumptions used to determine net periodic benefit cost:			
Discount rate		4.60 %	2.65 %
Expected return on plan assets		7.00	7.00
Rate of compensation increase		3.00	3.00
Change in projected benefit obligation:			
Benefit obligation at beginning of year	$	69,568	92,569
Service cost		1,524	2,224
Interest cost		3,100	2,402
Actuarial (gain)/loss, net of administrative expenses paid		(3,699)	(20,236)
Plan settlements		—	(4,776)
Benefits paid		(4,460)	(2,615)
Benefit obligation at end of year	$	66,033	69,568

		2023	2022
Accumulated benefit obligation	$	60,920	64,102
Change in plan assets:			
Fair value of plan assets at end of prior year	$	53,549	67,687
Actual return on plan assets, net of administrative expenses		6,421	(9,974)
Employer contributions		2,855	3,227
Plan settlements		—	(4,776)
Benefits paid		(4,460)	(2,615)
Fair value of plan assets at end of year	$	58,365	53,549
Funded status:			
Funded status	$	(7,668)	(16,019)
Components of net periodic benefit cost:			
Service cost	$	1,524	2,224
Interest cost		3,100	2,402
Expected return on plan assets		(3,557)	(4,574)
Net loss on amortization		384	839
Loss on settlement		—	749
Net periodic benefit cost	$	1,451	1,640

Estimated future benefit payments reflecting anticipated service, as appropriate, are expected to be paid as shown below (in thousands):

2024	$	4,603
2025		4,551
2026		4,278
2027		4,063
2028		3,725
2029–2032		24,846
	$	46,066

The College expects to make an employer contribution into the defined benefit plan of $3,392,000 in the 2024 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. Although this basis is consistent with prior years, assumptions vary from year to year.

The following lists the Plan's asset allocation at June 30, 2023 and 2022 (in thousands):

Asset category	Fair value at June 30 2023	Fair value at June 30 2022
Equity securities	$ 47,530	39,800
Fixed income	9,681	11,610
Cash and cash equivalents	1,154	2,139
	$ 58,365	53,549

All pension plan assets are categorized in Level 1 of the fair value hierarchy and 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.

(10) Net Assets

Net assets consist of the following at June 30, 2023 and 2022 (in thousands):

	2023	2022
Without donor restrictions:		
Board designated endowments:		
Student financial aid	$ 47,314	47,319
Professorships	157,846	153,952
Other programming	653,906	656,306
Total board designated endowments	859,066	857,577
Undesignated	(25,738)	(47,764)
Accrued pension liability	(7,668)	(16,019)
Interest rate swap liability	(5,683)	(8,816)
Net investment in plant	137,089	151,147
Total without donor restrictions	957,066	936,125

		2023	2022
With donor restrictions:			
Donor restricted endowments:			
Student financial aid	$	771,985	767,449
Professorships		560,078	560,860
Other programming		697,741	660,979
Total donor restricted endowments		2,029,804	1,989,288
Purpose restricted and other:			
Student financial aid and loans		11,848	14,023
Capital		23,432	27,379
Annuity funds		35,941	33,646
Life income funds		2,662	2,556
Other programming		33,240	55,805
Unexpended endowment income		41,932	35,754
Other		11,774	6,703
Total with donor restrictions		2,190,633	2,165,154
Total net assets	$	3,147,699	3,101,279

(11) Expenses

The Statements of Activities present expenses by functional classification. The College also summarizes its expenses by natural classification. The composition of functional expenses for the years ended June 30, 2023 and 2022 by natural classification are as follows (in thousands):

		2023					
		Salaries and wages	Employee benefits	Supplies and services	Other expenses	Depreciation, amortization and interest	Total expenses
Instruction	$	52,804	17,843	4,472	12,384	13,909	101,412
Sponsored research		5,417	1,688	1,276	3,787	—	12,168
Student services		19,888	6,631	10,839	5,148	17,386	59,892
Academic support		8,917	3,016	3,905	4,150	3,912	23,900
Institutional support		22,201	1,744	5,140	9,696	5,216	43,997
Auxiliary operations		1,750	539	2,154	2,701	3,042	10,186
Total operating expenses for 2023	$	110,977	31,461	27,786	37,866	43,465	251,555
Net periodic postretirement cost other than service cost	$	—	(73)	—	—	—	(73)

	2022						
		Salaries and wages	Employee benefits	Supplies and services	Other expenses	Depreciation, amortization and interest	Total expenses
Instruction	$	51,007	17,220	3,276	11,234	13,370	96,107
Sponsored research		5,503	1,768	1,133	4,125	—	12,529
Student services		18,522	6,191	10,195	7,187	16,320	58,415
Academic support		9,065	2,968	2,772	4,665	3,784	23,254
Institutional support		21,613	5,775	8,088	8,685	4,659	48,820
Auxiliary operations		1,567	502	1,133	2,952	2,587	8,741
Total operating expenses for 2022	$	107,277	34,424	26,597	38,848	40,720	247,866
Net periodic postretirement cost other than service cost	$	—	(584)	—	—	—	(584)

(12) Related Parties

The College has a written conflict of interest policy that requires annual reporting by each member of the Board of Trustees and senior management regarding any association, either directly or indirectly, with organizations doing business with the College. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms in the best interest of the College.

The Wellesley College Alumnae Association is a separate 501(c)(3) organization whose mission is to support the institutional priorities of Wellesley College. Endowment investments held on its behalf are included in the College's long-term investment pool and are reflected as part of the College's assets and liabilities. Assets at fair value totaled $11,505,000 and $11,515,000 at June 30, 2023 and 2022, respectively, and are included within investments on the Statements of Financial Position and a corresponding liability included within other liabilities.

The College offers a faculty mortgage program to tenured faculty members. Mortgages due from faculty of $23,374,000 and $23,227,000 at June 30, 2023 and 2022, respectively, are included in the investments balance on the Statements of Financial Position.

(13) Commitments and Contingencies

In 1975, the College identified the presence of hazardous materials from an abandoned 19th century paint factory on land acquired by the College in 1932. When federal and state superfund laws were promulgated in the 1980s the College gained responsibility for the clean-up of contaminants found. The remediation was substantially completed in 2014, but the College continues periodic monitoring and reporting under the Massachusetts Contingency Plan (MCP).

In June of 2002, the College discovered an old gas plant site. Following MA DEP MCP guidelines, the College conducted remedial activities and is now in a temporary solution conducting operation, maintenance and monitoring activities for certain chemicals in groundwater.

In 2018, the College offered a voluntary retirement program to eligible faculty and staff. Total expenses related to the program were $9,832,000, for the year ended June 30, 2018. The future payment obligations of $847,000 and $1,118,000 at June 30, 2023 and 2022, respectively, are included in accounts payable and accrued expenses on the Statements of Financial Position.

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 October 24, 2023, the date the audited financial statements were issued, 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.