WELLESLEY COLLEGE

Annual Report
2014-2015

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Wellesley College Annual Report

For the year ended June 30, 2015

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December 2015

Wellesley College is an exceptional liberal arts college that enables its gifted young women not only to have meaningful lives and successful careers, but to contribute in key ways to making our world a better place. We are a singular institution because of strategic decision-making, prudent fiscal management, and the dedication and generosity of many members of our community.

Prudent fiscal management has resulted in an endowment that is at a historic high ($1.9 billion as of June 30, 2015): it continues to provide significant support for our faculty, programs, and students. As you will read in the following report from our chief investment officer, Deborah Foye Kuenstner '80, the steady rise in our endowment is thanks to the careful and strategic management of our assets as well as the ongoing generosity of our alumnae. I am also pleased to report that 50% of our alumnae gave to Wellesley this year (a participation rate rivaled only by leading schools), raising $10.4 million in current-use funds to support the College.

Strategically, our budget is closely aligned to the values and priorities that matter most to us at the College: support for faculty and students; financial aid — including our commitment to ensuring that students graduate with low levels of debt; and the renewal of our campus and its treasured buildings. (As an important aspect of our current budgeting process, we are working to reallocate operating-budget funds and to identify new lines of revenue to support the renovation and refreshing of our campus buildings.)

Innovation and Achievement

The Wellesley experience is unparalleled—to a great extent because of the excellence of our world-class faculty. Over the past year, 41 faculty members were rewarded external research funding, including seven grants from the National Science Foundation. (One such grant will advance research in our Human Computer Interaction Lab, where faculty and students are developing a new way to make an individual's genetic data, including her health information, more accessible, usable, and interactive.)

Over the past year as well, our faculty have focused on improving the classroom experience for students and have continued to experiment with the power and reach of technology, including developing and teaching MOOCs (Massive Open Online Courses) through WellesleyX, implementing a first-of-its-kind online Italian course, and introducing an online lab for a statistics course that enables students to follow along at their own pace (therefore improving their learning). And thanks to a generous grant from the Andrew W. Mellon Foundation, we were able to fund 22 faculty proposals that blended online and classroom teaching in languages, writing, and the digital humanities (such as digital mapping techniques).

Every day, Wellesley students demonstrate their creativity, intellect, and leadership. Over the last year, 10 Wellesley students and young alumnae were named Fulbright Scholars, one student won a Goldwater Scholarship, eight students were awarded Mellon Mays Undergraduate Fellowships, one student won a Udall Scholarship, and one student won a Watson Fellowship. Wellesley athletics also had a banner year, including a national championship in Diving, a program-record number of wins for our Field Hockey team, and a third-place finish for our Crew team at the NCAA Championships—the sixth consecutive year that Crew rowed in this national competition.

Renewing Our Campus Spaces

We are investing in projects to renew our beautiful college campus—one of our greatest assets—so that it will be here to inspire and sustain future generations of Wellesley women. During FY15—which marked the second year of this multi-year effort—the first phase of renovations were completed in Founders and Green Halls to update classrooms and faculty offices, and to bring closer together faculty members from several dispersed departments. We also remodeled the Field House to enhance programs and teaching, improve efficiency, and provide more inviting facilities for the entire campus community—including a splendid new fitness center that has so far seen 15,000 visitors since its opening in January 2015. In addition, we began active work on Pendleton West in June. This particular project, our largest to date, will foster new connections between traditional practices and emerging technologies in music and the visual arts.

These renovation projects are funded from multiple sources, including targeted fundraising and debt financing. But it is by realigning our operating budget to support our highest priorities that we are ensuring that Wellesley will continue to have the capacity to invest in our campus infrastructure today and in the future.

The considerable accomplishments over this past year owe everything to the commitment and dedication of our students, faculty, staff, and alumnae around the world. Reflecting on the past nine years in this, the final year of my presidency, I feel confident that the work we have done together has positioned Wellesley for an even greater future. It deserves no less.

H. Kim Bottomly
President

Report of the Vice President for Finance and Administration and Treasurer

December 2015

Wellesley College's substantial resources enable and support its mission: "To provide an excellent liberal arts education for women who will make a difference in the world."

Financial Position

I am pleased to report that Wellesley's finances remain strong. In fiscal year 2015 (July 1, 2014 to June 30, 2015—the year just ended), financial and operating-expense performance improved once again on a number of key measures, and the College continued to make progress toward achieving its long-term financial objectives.

Wellesley's balance sheet continues to be exceptionally strong. Net assets stood at $2.12 billion, an increase of $83 million over the prior year. This gain is primarily due to positive investment performance in the endowment net of distributions to the operating budget, as well as the gain on the sale of the North 40 property (to support campus renewal). The endowment now stands at $1.9 billion in total, and $699.88 per unit; both are new records, marking full recovery following the financial crisis. Endowment per student FTE increased to $817,000—also a new high. Debt outstanding decreased slightly to $234 million, which both Moody's and S&P consider to be modest. The College's total assets are substantial, and grew to $2.48 billion.

Fundraising continues to be exceptionally strong as well. As of June 30, 2015, Wellesley reached the end of the quiet phase of its comprehensive fundraising campaign, dedicated to advancing the Wellesley Effect, with commitments of $269 million, and substantial additional gifts in the pipeline. Together, these commitments represent a very encouraging 57% of the total campaign target. The campaign's public phase launched in the fall of 2015, and will run for four more years, through June 30, 2019. In total, in FY2015, the College received gifts of $52.4 million in current use, facilities and endowment gifts, and achieved an alumnae participation rate of 50%. This marks the second year in a row that alumnae participation has been 50% or higher—a gold standard among liberal arts colleges.

For FY2015, the College took additional steps to ensure that distributions from the endowment are sustainable and preserve intergenerational equity. The Trustees approved an adjustment to the spend rule that is used to determine the distribution from the endowment that flows to the College's operating budget each year as revenue. These changes adjusted the method for forecasting inflation, reflected lower expected returns, and brought the ceiling on the payout rate down to 5%. Taken together, these had the effect of reducing the payout per endowment unit, and—compared to the prior rule—will hold down the rate of growth in endowment income in the operating budget in subsequent years. This change, together with very strong investment performance in FY2014, meant that for FY2015, the endowment distribution declined to 4.5% of the opening endowment value. (In each of the prior several years, the College distributed for operations more than 5% of the initial value of the endowment.)

As the Chief Investment Officer reports in her letter, the long-term investment pool returned 5.9% net of fees last year (the three year average return is 12.3%). This performance exceeds the College's policy-portfolio benchmark, and places Wellesley in the top quartile of investment performance for the year among endowments larger than $1 billion. (The Chief Investment Officer's report provides further details about the endowment and its performance, and additional statistics can be found in schedules C and E.)

I am pleased to report that both major rating agencies reviewed the College's 2015 financial results, and reaffirmed their ratings of Wellesley's bonds. In May, Moody's affirmed its rating of Aa1 (the second-highest possible) and indicated that the College's outlook is "stable." In October, Standard and Poors affirmed its rating of AA+ (also the second-highest possible), and also with a "stable" outlook. In addition to the strength of the College's balance sheet and its fundraising, both rating agencies cited strong student demand for the College in their ratings. For the incoming class of 2019, Wellesley accepted 30% of first-year applications and yielded 42% of those admitted. Wellesley continues to attract thousands of applicants, and to enroll nearly 600 of the most talented young women.

Financial Results

Wellesley tracks financial performance using both generally accepted accounting principles (GAAP) and the cash-basis operating budget. While the cash-basis budget better reflects the organization of the College's revenues and expenditures as well as how management organizes and actually operates the College, GAAP accounting helps call attention to the fully loaded costs of operating the College, more easily permits comparison with peer institutions, and tends to be the basis for external analysis. Over the past three years, we have refined accounting policies and practices to bring these two methods into much greater alignment, so that it is clearer how the GAAP results translate into the cash-based operating budget. Wellesley has been a leader in providing a bridge between these formats, and most peer institutions are also now beginning to adopt this approach.

The single largest difference between GAAP and the cash basis is that in the statement of activities in the audited financial statements, 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 multi-year goal to do so and continues to make progress towards this objective. It is also worth keeping in mind that under GAAP accounting, the costs of depreciation, facilities and operations, renewal of space, and debt service are all allocated to the functional expenses that are shown in the statement of activities in the audited financial statements; while total expenses are similar in Schedules A and B of the operating budget results, the costs of each individual function appear different between presentations because facility costs are broken out and shown separately rather than allocated.

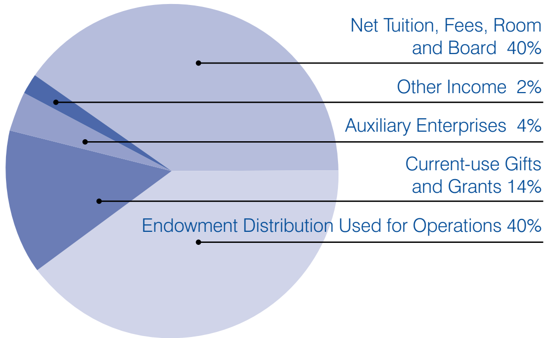
The College continues to make progress towards its multi-year goal of fully funding depreciation in the operating budget. For the second year in a row, on a GAAP basis, the College's operating budget funded a greater share of depreciation expense. This year the budget funded 55% of depreciation expense, up from 42% the year before. Capital assets funded by the operating budget increased 28% over the prior year, to $9.7 million.

The College's 2015 operating results (schedule A) produced, on a cash basis, a shortfall of $3.9 million, which was drawn from reserves. Total revenues grew 2.1%, while total expenditures increased 1.7% versus the prior year. Wellesley seeks to hold down the rate of expense growth to no more than the rate of growth in its revenues over time. The College is committed to achieving balanced operating budgets, and continues to take steps to improve financial performance in order to meet this objective. Beginning in FY2013, the College embarked on a multi-year effort to rebalance its operating budget in order to help fund the renewal of Wellesley's campus while at the same time achieving a balanced budget that supports the College's mission and key priorities. Work continues.

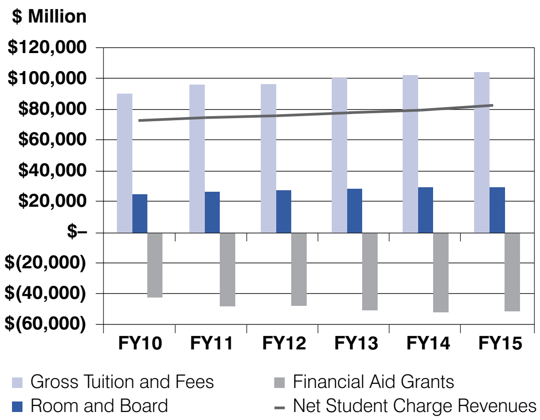
Sources of Revenue

The College has multiple revenue sources, but like most peer institutions, two of these—net student-charge revenue and distributions from the endowment used for operations—account for 80% of total revenues in the operating budget.

Total Revenue = $205.5 million



The College reports in schedules A and B net student-charge revenues, which is comprised of gross tuition and fees, plus room and board charges, net of financial aid grants, as illustrated below:



Wellesley is committed to covering the difference between the cost of attendance and the amount 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—$51.3 million in FY15— is provided in the form of grant aid.) Compared to the previous year, gross tuition, fees, and room and board increased 1.4%, while financial aid grants decreased 1.2%, and net student charge revenue was up 3.1%. (Net student-charge revenue grew faster than both revenues overall and total expenditures over the past year.) Over the past decade, net student charge revenue has increased on a real basis (that is, adjusted for CPI inflation) by 1.5% per year.

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 $107 million, such support exceeds the $98 million in revenues that the College generates from the programs it operates.

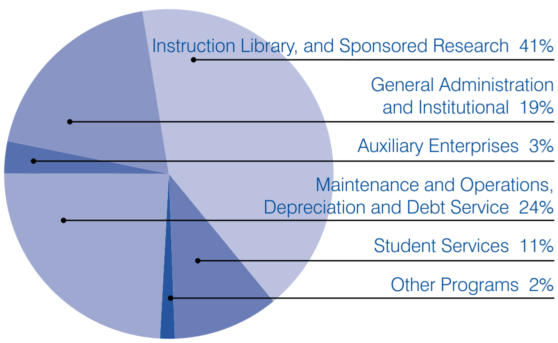
Program Revenues ($000)		
Net Student Charge Revenue	$82,371	$79,832
Federal Grants and Contracts	3,863	4,887
Auxiliary Enterprises	8,085	5,947
Other Income	3,872	3,973
Total Revenues from Operating Programs	**98,191**	**94,639**
Total Expenditures - GAAP	**(213,677)**	**(210,047)**
Deficit before Support from Alumnae and Friends	**(115,486)**	**(115,408)**
Operating Revenues from Alumnae and Friends		
Distribution from Endowment Used for Operations	$82,561	81,487
Restricted Current-use Gifts	9,517	10,223
Unrestricted Bequests	4,564	3,180
The Wellesley Fund	10,688	11,639
Total Support from Alumnae and Friends	**107,330**	**106,529**
Net Operating Results GAAP	**(8,156)**	**(8,879)**

Put another way, the total cost to educate a Wellesley student was $92,581 last year, so even those students whose families paid the full comprehensive-fee "sticker price" of $59,038 were actually the beneficiaries of more than $33,500 of support, most of which was made possible by Wellesley's alumnae and friends. This subsidy, which benefits every single Wellesley student, is in addition to the average financial-aid grant of $39,988 that is provided to students who receive financial aid.

Categories of Expenditures

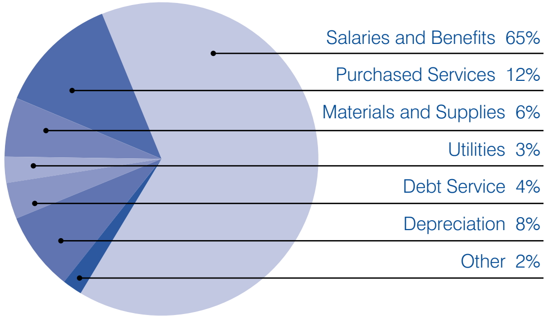
Wellesley spends, on a GAAP basis, 53% of its operating budget on academic programs, student services (including room and board) and other programs, 24% on operating, maintaining and renewing the campus, including debt service used for this purpose, 3% on auxiliary enterprises, and 19% on general administration and institutional purposes.

Total Expenses by Function = $213.7 million



It is also helpful to consider expenditures by type (often called the natural classification). As would be expected at such a labor-intensive institution, 65% of Wellesley's operating budget is devoted to salaries and benefits.

Total Expenses in Natural Categories = $213.7 million



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 over time, 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 in perpetuity the purchasing power of endowment income. The College's methodology for setting annual spending from the endowment is based on a combination of the prior year's spending adjusted for inflation (80% weight) and the endowment value (20% weight). This policy was thoroughly reviewed and slightly revised for FY2015. Following this change, the total amount spent must be within 4.0% to 5.0% of the three-year trailing average endowment market value, adjusted for higher education inflation.

The College follows a multi-year budget process that is 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 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 100% of the demonstrated financial need of all admitted students who qualify for aid. At the same time, the College continues to weigh the costs and benefits of this policy against other institutional priorities.

Over the past decade, enrolled students' need for financial aid has grown faster than income from those 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 the portion of endowment income dedicated to financial aid. Currently 59% of financial aid grants are funded by restricted funds, down from 85% in 2006 (see schedule D). As shown below, the percentage of students receiving financial aid grants has been stable over the past decade (ranging from 56% to 58%). Over this period, the size of the average financial aid grant awarded has increased from $24,486 to $39,988—an increase of 63%. (This is higher than the 44% increase in comprehensive fee "sticker price" over the same period.)

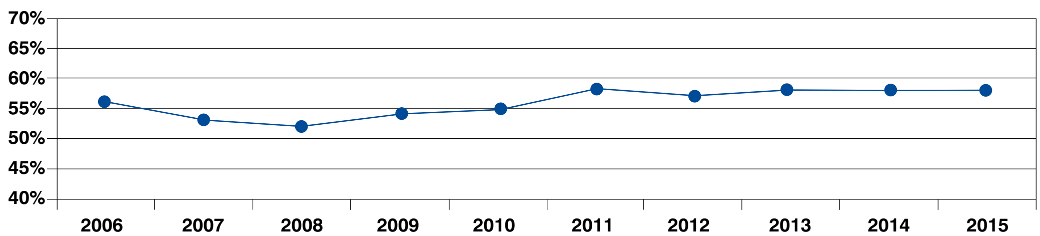
It is worth remembering that in 2008, the College chose to eliminate student loans for its neediest students, and reduced loan levels for other students on financial aid as well. Wellesley is committed to keeping student loan levels low so that financial concerns do not limit a student's choices upon graduation. In order to do so, the College increased the grant aid that it awards to make up the difference. Thus a significant portion of the reduction in grant aid that is funded by restricted sources between 2008 and 2011 is actually a result of this deliberate strategic choice by the College's Board of Trustees to replace loans with increased grant aid.

In aggregate, students and their families continue to pay between 37% and 40% of the total cost of their Wellesley education—a proportion that has remained remarkably consistent 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.

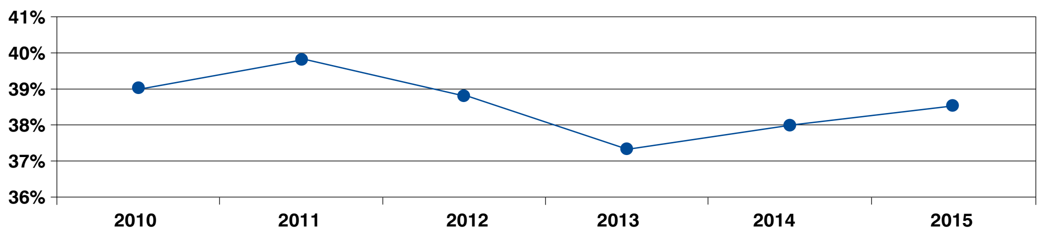
The maintenance and enhancement of the College's significant physical assets is also an important institutional priority. The College's operating budget does not currently fully fund depreciation—which is one common measure of the cost of keeping up with the maintenance and renewal of the campus each year. In order to fully fund depreciation, the College would need to provide an additional $7 million of funding in the operating budget, in addition to the $9.6 million of major maintenance and capital renewal work that it funded in the operating budget in FY15. To address this need, 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 $2.1 million (22%) over 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

Percentage of Students Receiving Financial Aid Grant Assistance



Net Student Charge Revenue as Percentage of Total Expenditures (GAAP)



improvements over the next 10-plus years based both on facilities needs and on institutional goals and priorities for the future. Despite not-insignificant investments in construction and renovation that the College has made in the past, 82% of the College's buildings have not had a major renovation in more than 25 years, and 62% 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 21st century, and for decades to come.

The first projects of W2025 have now been completed—including the full renovation and repurposing of Schneider and the second phase of improvement in Founders Hall for humanities faculty offices. Initial improvements were also made in several residence halls in FY2015. The Field House was rebuilt, and thanks to the generosity of a donor, the Butler Boathouse has been reconstructed. Finally, the renovation of Pendleton West for Music and the Arts broke ground this past summer, with completion expected in the fall of 2016. This is the single largest project in the plan so far. Looking ahead, the pace of renovation will continue to increase and expand across the campus as we prepare for renovations to the Science Center and various residence halls. Overall, the base plan approved by the Trustees is expected to cost more than $500 million, and will be funded by debt, gifts, bequests, and the operating budget.

Future Challenges and Outlook

While the US economy continues to strengthen, global markets are increasingly volatile, and expected investment returns remain relatively low compared to earlier periods. Low inflation and interest rates are generally positive for the College's budget. While Wellesley must continue to maintain its excellent faculty, staff and student body in support of its mission, the College must also keep working to align resource allocation with institutional priorities. In particular, the operating budget must continue to prioritize support for programmatic excellence, which encompasses campus facilities. The College's leadership has adopted a multi-year plan to redirect $20 million in the operating budget annually to fund campus renewal, and expects to realize steady progress towards this target over the next several years. This entails permanent expense reductions of approximately $9 million per year in steady state, both personnel and non-personnel costs, and realizing approximately $11 million in new revenues. New revenues are expected to come from fundraising, 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 2015, the College realized gains on the sale of the North 40 and the Rollins lot of $36.2 million in support of campus renewal. In the second year of implementation of this plan, the College made further headway towards cost-reduction targets and developed plans to make additional progress against this multi-year goal in the 2016 budget. Achieving this goal will continue to require prioritization and focus, difficult choices, hard work, and the support and goodwill of the entire Wellesley College community.

Members of our 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 2015

Wellesley's endowment is a key element of the College's financial strength, providing 40% of operating revenue in fiscal year 2015. On June 30, 2015, the end of the fiscal year, the Wellesley College endowment had a market value of $1.881 billion (versus $1.834 billion on June 30, 2014, an increase of $47 million). The long term investment pool portfolio earned a return of 5.9% net of all fees during the fiscal year.

Fiscal Year 2015 Developments

During fiscal year 2015, outsized moves in currencies and commodities impacted the performance of many asset classes. The U.S. dollar rose 11% against major currencies, which reduced the dollar value of non-U.S. holdings. Stock prices rose in the U.S., developed markets, and emerging markets, but dollar strength transformed foreign equities' local currency gains into losses in U.S. dollar terms. Private equity returns outpaced public market returns, although gains were more modest than in the prior fiscal year and included fewer realizations. Bond returns were lower than public equity returns, but showed a similar pattern of dollar strength offsetting modest positive local currency returns. Led by energy, commodities prices declined sharply, a development that hurt returns to natural resource investments.

The 5.9% investment return for fiscal year 2015 benefited from a significant allocation to private equity where results were strong in absolute terms and relative to widely used benchmarks. Tilts away from public equities and fixed income in favor of private equity, semi-marketable strategies and cash also added to returns.

Total Return by Asset Class Year Ended June 30, 2015

	Wellesley Return	Market Return	Benchmark/Comparative Index
U.S. Equity	6.3%	7.3%	Russell 3000
International Equity	(3.7%)	(4.5%)	International Equity Benchmark (1)
Private Equity	26.6%	18.6%	Cambridge Associates (2)
Real Assets	(0.4%)	(2.0%)	Real Assets Benchmark (3)
Semi-marketable (4)	3.5%	3.5%	Cambridge Associates Hedge Fund-of-Funds Index
Fixed Income	(6.6%)	(3.8%)	Fixed Income Benchmark (5)
Cash	1.1%	0.0%	Citigroup three month T-Bill
Total Portfolio	**5.9%**	**4.2%**	

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, Year Ended June 30, 2015

	3 Years	5 Years	7 Years	10 Years
Wellesley Portfolio	12.3%	11.4%	6.5%	8.2%
S&P 500 Index	17.3%	17.3%	9.4%	7.9%
65/35 Stock/Bond Portfolio (5)	11.8%	12.5%	8.1%	7.0%
Policy Portfolio Benchmark	10.7%	10.9%	5.9%	7.2%

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

Longer-Term Results

The endowment's investment returns are strong compared to a variety of yardsticks.

- Over most comparison periods, long-term results exceed the 7.5% to 8.0% return necessary to support College spending and maintain the endowment's purchasing power. Only the seven-year result, a period that began with the markets near pre-financial crisis highs, is below that threshold. The 10-year return has allowed for annual spending of approximately 5% 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% stocks and 35% bonds. Alternative assets, such as venture capital, growth equity and real estate, have contributed significantly to strong portfolio results.

- Investment returns have also exceeded the Policy Portfolio benchmark. The Policy Portfolio benchmark is a measure of how the College's target asset allocation would perform if returns in every asset class matched the market. The difference between the portfolio and the benchmark is a measure of the value added by the Investment Office and the College's investment managers.

- Another yardstick is performance versus peers. Over the last 1, 3, 5 and 10 years, Wellesley ranks in the top quartile in a universe of institutions with investments pools larger than $1 billion.

Policy Portfolio and Strategy Going Forward

To provide 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, 2015. An underweight to Public Equities was offset by an overweight in Private Equity and Semi-marketable strategies. Fixed income and cash combined was on target, with an underweight to bonds and an overweight to 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.

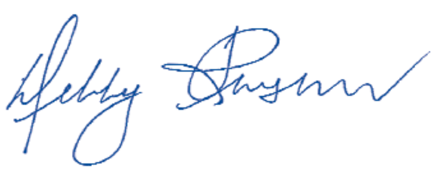
Asset Allocation as of June 30, 2015

Asset Class	Policy Portfolio	Asset Allocation
U.S. Equities	17%	13%
International Equities	17%	18%
Total Equities	34%	31%
Private Equity	19%	21%
Real Assets	14%	13%
Semi-marketable	24%	26%
Total Alternative Assets	57%	59%
Fixed Income and Cash	9%	10%
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 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.



Deborah F. Kuenstner
Chief Investment Officer

Schedules

Schedule A

Summary of Operating Revenues and Expenditures Years Ended June 30, 2015 and 2014 (in $000s)

	2015	2014	Increase (Decrease)	% Change
Operating Revenues				
Tuition and Fees	$104,427	$102,635	$1,792	1.7%
Room and Board	29,249	29,131	118	0.4%
Financial Aid	(51,305)	(51,934)	629	(1.2%)
Net Student Charge Revenue	$82,371	$79,832	$ 2,539	3.1%
Distribution from Endowment Used for Operations	$81,815	$81,487	$328	0.4%
Endowment Transfers	746	—	746	100.0%
Restricted Gifts & Grants	13,380	15,110	(1,730)	(12.9%)
Unrestricted Bequests	4,564	3,180	1,384	30.3%
The Wellesley Fund	10,688	11,639	(951)	(8.9%)
Auxiliary Enterprises	8,085	5,947	2,138	26.4%
Other Income	3,872	3,973	(101)	(2.6%)
Total Revenues (GAAP)	$205,521	$201,168	$4,353	2.1 %
Operating Expenditures (GAAP)				
Instruction and Departmental	$73,807	$73,998	($191)	(0.3%)
Library	6,384	5,941	443	6.9%
Student Services	22,809	22,913	(104)	(0.5%)
General Administration	12,784	9,712	3,072	24.0%
Institutional	28,502	27,188	1,314	4.6%
Maintenance and Operations	23,669	21,926	1,743	7.4%
Debt Service	8,054	8,152	(98)	(1.2%)
Major Maintenance and Capital Expenditures	19,812	21,315	(1,503)	(7.6%)
Sponsored Research	8,210	8,518	(308)	(3.8%)
Auxiliary Enterprises	6,687	7,155	(468)	(7.0%)
Other Programs	2,959	3,229	(270)	(9.1%)
Total Expenditures (GAAP)	$213,677	$210,047	$3,630	1.7%
GAAP Net Operating Income/(Loss)	($8,156)	($8,879)	$723	(8.9%)
Cash Basis Adjustments				
Depreciation	($17,396)	($18,053)	$657	(3.8%)
Capital Assets funded by Operations	9,669	7,577	2,092	21.6%
Principal Payments & Amortization	2,851	2,405	446	15.6%
Other Adjustments	113	689	(576)	(509.7%)
Total Adjustments	($4,763)	($7,382)	$2,619	(55.0%)
Cash Basis Addition to /(Use of) Reserves	($3,393)	($1,497)	($1,896)	55.9%

Schedule B

Ten-Year Operating Budget Financial Summary 2006–2015 (in $000s)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Percentage Change Since June 30, 2006 Nominal %	Real %
Operating Revenues												
Tuition and Fees	$71,431	$79,298	$83,447	$86,543	$90,400	$96,402	$96,702	$100,075	$102,635	$104,427	4.4%	2.3%
Room and Board	19,867	21,070	22,289	23,958	24,859	26,759	27,436	28,228	29,131	29,249	4.4%	2.3%
Financial Aid Grants	(30,873)	(33,644)	(35,009)	(39,813)	(42,669)	(47,850)	(47,889)	(50,561)	(51,934)	(51,305)	5.9%	3.8%
Net Student Charge Revenue	$60,425	$66,724	$70,727	$70,688	$72,590	$75,311	$76,249	$77,742	$79,832	$82,371	3.5%	1.5%
Endowment Distribution	$69,159	$74,496	$76,584	$81,199	$86,612	$79,107	$78,392	$79,924	$81,487	$82,561	2.1%	0.0%
Private Gifts & Grants	24,201	24,867	20,802	22,300	20,805	18,738	22,137	24,458	25,042	24,769	0.5%	(1.6%)
Government Grants	3,881	4,278	4,183	3,657	4,838	3,635	4,148	4,448	4,887	3,863	1.5%	(0.6%)
Auxiliary Operations	7,561	8,312	7,811	6,174	6,423	6,239	6,440	5,206	5,947	8,085	2.0%	(0.1%)
Other	5,102	6,070	6,030	4,060	3,725	3,118	4,336	3,736	3,973	3,872	(1.1%)	(3.2%)
Total Revenues	$170,329	$184,747	$186,137	$188,078	$194,993	$186,148	$191,702	$195,514	$201,168	$205,521	2.2%	0.1%
Operating Expenditures (GAAP)												
Instruction and Departmental	$54,661	$60,473	$64,454	$63,790	$66,600	$66,462	$68,875	$70,535	$73,998	$73,807	3.5%	1.4%
Library	5,816	6,239	6,924	6,576	5,798	5,740	5,739	5,964	5,941	6,384	1.3%	(0.8%)
Student Services	21,400	22,788	24,393	21,000	20,824	22,092	22,041	23,457	22,912	22,809	0.9%	(1.2%)
General Administration	8,558	10,551	8,531	18,839	10,654	11,689	8,656	13,649	9,712	12,784	14.0%	11.9%
Institutional	19,981	22,206	22,807	23,100	22,390	25,073	26,398	26,520	27,188	28,502	4.1%	2.0%
Maintenance and Operations	23,024	18,547	20,870	22,727	22,063	18,684	17,827	20,384	21,926	23,669	1.0%	(1.1%)
Debt Service	5,448	5,610	6,431	4,408	5,522	5,506	6,065	6,422	8,152	8,054	5.9%	3.8%
Major Maintenance and Depreciation	16,933	22,582	17,237	15,926	14,565	17,033	21,762	21,254	21,315	19,812	3.2%	1.2%
Sponsored Research and Other Programs	10,107	10,662	10,672	10,433	10,353	9,570	10,493	11,071	11,748	11,169	1.3%	(0.8%)
Auxiliary Enterprise Expenditures	5,742	6,029	6,013	7,046	7,239	7,157	8,384	8,753	7,155	6,687	2.3%	0.2%
Total Expenditures (GAAP)	$171,670	$185,687	$188,332	$193,845	$186,008	$189,006	$196,240	$208,009	$210,047	$213,677	2.5%	0.4%
GAAP Net Operating Income/(Loss)	($1,341)	($940)	($2,195)	($5,767)	$8,985	($2,858)	($4,538)	($12,495)	($8,879)	($8,156)		
Net Budget/Cash Basis Adjustments	1,341	940	2,195	5,767	(2,056)	6,915	4,990	11,000	7,382	4,763		
Cash Basis Addition to/(Use of) Reserves	—	—	—	—	$6,929	$4,057	$452	($1,495)	($1,497)	($3,393)		

* Real percentage change calculated using CPI

Schedule C

Key Facts and Statistics 2006–2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Headcount										
Faculty Teaching Strength (FTE)	231	236	241	248	246	253	260	265	264	267
Staff (FTE)	746	737	760	802	673	691	713	749	726	710
Student Enrollment (Average FTE)	2,376	2,387	2,404	2,366	2,371	2,431	2,374	2,365	2,347	2,308
Student/Faculty Ratio	8.6	8.7	9.0	8.1	8.1	8.1	7.8	7.4	7.2	6.7
Admissions and Enrollment										
Number of First-Year Student Applications	4,347	3,974	4,017	4,001	4,156	4,267	4,400	4,478	4,795	4,710
First-Year Students Admitted as a % of Applicants	33.7%	36.1%	35.7%	36.0%	35.2%	33.7%	31.0%	30.1%	28.9%	30.1%
First-Year Students Enrolled as a % of Students Admitted	41.4%	40.9%	41.1%	41.3%	40.3%	44.0%	42.0%	43.4%	42.9%	41.8%
Sticker Price										
Tuition and Fees	$31,348	$33,072	$34,994	$36,640	$38,062	$39,666	$40,660	$42,082	$43,554	$45,078
Room and Board	$9,682	$10,216	$10,826	$11,336	$11,786	$12,284	$12,590	$13,032	$13,488	$13,960
Comprehensive Fee	$41,030	$43,288	$45,820	$47,976	$49,848	$51,950	$53,250	$55,114	$57,042	$59,038
Financial Aid and Net Price										
Percentage of Students Receiving Financial Aid Grant Assistance	56%	53%	52%	54%	55%	58%	57%	58%	58%	58%
Average Financial Aid Grant as % of Comprehensive Fee	60%	61%	62%	66%	67%	69%	69%	69%	66%	68%
Average Financial Aid Grant per Aided Student	$24,486	$26,588	$28,364	$31,501	$33,497	$35,773	$36,656	$37,990	$37,523	$39,988
Net Student Charge Revenue per Student FTE	$25,431	$27,953	$29,421	$29,877	$30,616	$30,979	$32,118	$32,872	$34,015	$35,689
Cost and Share of Cost Charged and Paid										
Total College Expenditures per Student FTE	$72,252	$77,791	$78,341	$81,929	$78,451	$77,748	$82,662	$87,953	$89,496	$92,581
Comprehensive Fee as a Percentage of Total College Expenditures per Student FTE	57%	56%	58%	59%	64%	67%	64%	63%	64%	64%
Net Student Charge Revenue as a Percentage of Total College Expenditures	35%	36%	38%	36%	39%	40%	39%	37%	38%	39%
Resources/Fundraising ($000s)										
Unrestricted Gifts - Current Use	$8,761	$8,421	$8,413	$8,847	$8,847	$8,690	$9,177	$9,390	$9,731	$8,740
Restricted Gifts - Current Use	$6,479	$13,624	$9,137	$8,217	$8,330	$9,211	$8,699	$9,908	$19,977	$8,306
Endowment Gifts	$13,300	$5,501	$6,056	$4,958	$4,068	$7,810	$6,863	$3,918	$34,336	$15,285
Planned Gifts	$2,411	$1,389	$2,943	$3,389	$1,219	$1,409	$6,990	$4,329	$3,504	$1,860
Bequests	$14,305	$13,017	$4,210	$6,349	$7,555	$8,666	$5,242	$7,766	$11,464	$13,199
Facilities Gifts	$10,656	$22,227	$7,006	$6,482	$3,098	$2,315	$2,442	$7,154	$17,104	$5,088
Total Fundraising	$55,912	$64,179	$37,765	$38,242	$33,117	$38,101	$39,413	$42,465	$96,116	$52,479
Percentage of Alumnae Contributing	50%	50%	47%	44%	45%	47%	45%	49%	53%	50%
Endowment										
Endowment Market Value ($000s)	$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	$1,881,031
Endowment per Student FTE	$644,142	$761,600	$729,385	$581,955	$604,566	$666,135	$652,609	$666,527	$781,481	$815,005
Endowment Income per Student FTE	$29,107	$31,209	$31,857	$34,319	$36,530	$32,541	$33,021	$33,795	$34,720	$35,772
Endowment Income as Percentage of Total Expenditures	40%	40%	41%	42%	47%	42%	40%	38%	39%	39%
Endowment Income Used to Support Operations as a Percentage of:										
Beginning of Year Market Value	5.0%	4.7%	4.6%	5.4%	6.4%	5.8%	5.3%	5.3%	5.2%	4.5%
Other										
Gross Square Feet of Buildings	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	2,593,703
Library Collections in Volumes	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	2,067,579
Greenhouse Gas Emissions (scope 1 and 2, metric tons of CO2)	—	—	—	—	32,712	32,807	29,867	29,694	28,836	29,840

Schedule D

Total Sources of Student Financial Aid—Grants and Work Assistance 2006–2015 (in $000s)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Percentage Change (2006–2015)
Restricted Revenue											
Endowment Income	$20,178	$21,922	$22,823	$24,292	$25,920	$23,791	23,772	24,231	24,811	25,138	24.6%
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	22,178	23,922	24,823	26,292	27,920	25,791	25,772	26,231	26,811	27,138	22.4%
Restricted Annual Gifts	2,625	3,678	3,478	3,339	2,718	1,686	1,474	1,761	1,782	1,695	(35.4%)
Federal Government											
Pell Grants	945	1,110	1,203	1,402	2,018	2,467	2,058	2,055	1,925	1,929	104.1%
Supplemental Educational Opportunity Grants	388	358	339	348	337	330	307	307	301	228	(41.2%)
College Work Study Program—Federal Government Share	331	322	333	342	383	322	322	322	322	322	(2.7%)
Total Federal Government Grants	1,664	1,790	1,875	2,092	2,738	3,119	2,687	2,684	2,548	2,479	49.0%
Commonwealth of Massachusetts	239	268	268	238	143	184	171	169	$162	152	(36.4%)
Total Restricted Sources	26,706	29,658	30,444	31,961	33,519	30,780	30,104	30,845	31,303	31,463	17.8%
Unrestricted Revenue											
General College Revenues	4,822	5,890	7,826	9,249	13,049	18,675	19,843	21,771	22,555	21,771	351.5%
Total Financial Aid From All Sources	$31,528	$35,548	$38,270	$41,210	$46,568	$49,455	$49,947	$52,616	$53,858	$53,234	68.8%
% of Aid funded by Restricted Sources	84.7%	83.4%	79.6%	77.6%	72.0%	62.2%	60.3%	58.6%	58.1%	59.1%	

Note: Financial Aid shown in schedules A and B excludes Federal Pell grants, which are a pass-through.

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%
2015	$1,881,031	$699.88	2,687,647.882	$30.57	5.91%

* 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

pwc

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, 2015 and 2014, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Company'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 Company'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 as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Boston, Massachusetts
October 28, 2015

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, 2015 and 2014 (in $000s)

	2015	2014
Assets		
Cash and cash equivalents	$74,923	$34,307
Cash and cash equivalents, restricted	18,232	55,001
Accounts receivable, net	3,008	1,561
Loans receivable, net	8,644	8,620
Contributions receivable, net	61,868	44,182
Grants receivable	2,052	1,786
Prepaid, inventory and other assets	7,334	5,746
Operating investments	43,445	42,775
Investments	1,886,519	1,838,286
Planned giving investments	65,711	69,253
Land, buildings and equipment, net	312,380	296,082
Total assets	$2,484,116	$2,397,599
Liabilities		
Accounts payable and accrued expenses	$40,757	$39,921
Student deposits and deferred revenues	1,190	2,129
Advances under grants and contracts	5,945	6,055
Annuities and unitrusts payable	30,988	31,120
Asset retirement and environmental obligations	21,884	21,066
Accrued pension liability	22,117	15,550
Bonds payable	234,553	237,404
Government loan advances	4,569	4,569
Total liabilities	$362,003	$357,814
Net Assets		
Unrestricted	$653,496	$630,158
Temporarily restricted	933,579	900,646
Permanently restricted	535,038	508,981
Total net assets	$2,122,113	$2,039,785
Total liabilities and net assets	$2,484,116	$2,397,599

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

Statement of Activities

For the year ended June 30, 2015 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Operating revenues				
Tuition and fees	$104,427	—	—	$104,427
Room and board	29,249	—	—	29,249
Less: Financial aid				
Donor sponsored	(27,386)	—	—	(27,386)
Institutionally sponsored	(23,919)	—	—	(23,919)
Net tuition and fees	82,371	—	—	82,371
Auxiliary operations	8,085	—	—	8,085
Government grants	3,863	—	—	3,863
Private gifts and grants	20,675	4,094	—	24,769
Investment return designated for operations	39,865	41,950	—	81,815
Amounts transferred from endowment funds	713	33	—	746
Other	3,872	—	—	3,872
Net assets released from restrictions	45,805	(45,805)	—	—
Total operating revenues	205,249	272	—	205,521
Operating expenses				
Instruction and departmental research	96,091	—	—	96,091
Sponsored research and other programs	11,168	—	—	11,168
Library	11,481	—	—	11,481
Student services	36,822	—	—	36,822
General administration	14,923	—	—	14,923
General institutional	30,935	—	—	30,935
Auxiliary operations	12,257	—	—	12,257
Total operating expenses	213,677	—	—	213,677
Change in net assets from operating activities	(8,428)	272	—	(8,156)
Nonoperating activities				
Investment return, net of spending allocation	$8,349	$3,494	$3,287	$15,130
Endowment return distributed for operations	(713)	(33)	—	(746)
Matured planned giving agreements	1,692	(1,762)	62	(8)
Gifts and pledges	14	27,658	19,984	47,656
Pension related changes other than net periodic pension cost	(5,670)	—	—	(5,670)
Net realized/unrealized gain on interest swap	(2,121)	—	—	(2,121)
Gain on sale of property	36,243	—	—	36,243
Net assets released from restrictions	2,529	(2,529)	—	—
Transfers between restrictions	(8,557)	5,833	2,724	—
Total nonoperating revenues	31,766	32,661	26,057	90,484
Net change in net assets	23,338	32,933	26,057	82,328
Net assets				
Beginning of year	630,158	900,646	508,981	2,039,785
End of year	$653,496	$933,579	$535,038	$2,122,113

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	42,476	(42,476)	—	—
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.

Statements of Cash Flows

For the years ended June 30, 2015 and 2014 (in $000s)

	2015	2014
Cash flows from operating activities		
Change in net assets	$82,328	$256,292
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	16,431	17,256
Contributions restricted for investments	(45,597)	(48,952)
Donated securities received	(11,339)	(4,994)
Realized and unrealized gains on investments	(92,477)	(284,213)
Change in discount and allowance for doubtful accounts	(3,777)	(2,343)
Pension related changes other than net periodic pension costs	5,670	(810)
Unrealized loss (gain) on interest swap	2,121	1,018
Gain on sale of plant and equipment	(36,243)	(936)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,447)	(279)
Contributions receivable, net	(13,909)	12,754
Grants receivable	(266)	(111)
Prepaid, inventory and other assets	(1,588)	(480)
Accounts payable and accrued expenses	430	7,263
Student deposits and deferred revenue	(939)	(431)
Advances under grants and contracts	(110)	(415)
Annuities and unitrusts payable	(132)	(2,197)
Net cash used in operating activities	(100,844)	(51,578)
Cash flows from investing activities		
Purchase of plant and equipment	(32,592)	(17,708)
Proceeds from sale of plant and equipment	37,478	1,163
Proceeds from student loans collections	353	524
Student loans issued	(377)	($430)
Decrease (increase) in restricted cash for construction funds	36,769	—
Decrease (increase) in restricted cash for plant and equipment	—	—
Purchases of investments	(560,639)	(607,656)
Proceeds from sales and maturities of investments	606,228	634,027
Net cash provided by (used in) investing activities	87,220	9,920
Cash flows from financing activities		
Proceeds from contributions for:		
Investment in endowment	20,395	38,589
Investment in planned giving	699	2,306
Plant and equipment	24,502	8,057
Proceeds from sale of donated securities restricted for endowment	11,339	4,994
Payments on bonds and notes payable	(2,695)	(9,655)
Net cash provided by financing activities	54,240	44,291
Net (decrease) increase in cash and cash equivalents	40,616	2,633
Cash and cash equivalents		
Beginning of year	34,307	31,674
End of year	$74,923	$34,307
Contributed securities	$11,339	$4,994
Cash paid for interest	8,025	8,047
Capital additions included in accounts payable and accrued expenses	11	680
Net change in securities lending	($263)	($721)

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

Wellesley College
Notes to the Financial Statements

June 30, 2015 and 2014

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 assetswhose 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 years ended June 30, 2015 or June 30, 2014.

(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 2013, the Board of Trustees approved a revised Endowment Spending Policy effective for the year ended June 30, 2015. Wellesley's revised Endowment Spending Policy is based on a combination of the prior year's spending and latest known 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 last known value of the endowment. The amount of allowable spending will be capped at 5.0% or no less than 4.0% of the average of the last three endowment values adjusted for HEPI inflation. The Endowment Spending Policy is applied on a per unit basis. 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 2015 and 2014, are reported net of allowances for doubtful accounts of $373,000. Loans receivable for 2015 and 2014, are reported net of allowances for doubtful loans of $709,000 and $722,000, 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, 2015 and 2014. 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 that recognizes the 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 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 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 and is treated as another component of debt service. 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.

In April 2015, the FASB issued a standard on Simplifying the Presentation of Debt Issuance Costs. This standard requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. The College early adopted this accounting standard in fiscal year 2015.

(q) Reclassifications
Certain amounts from the 2014 financial statements have been reclassified to conform to the 2015 presentation.

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

Unconditional promises expected to be collected in:	2015	2014
Less than one year	$3,380	$11,046
One year to five years	52,792	27,436
Over five years	15,500	11,727
	71,672	50,209
Less: Discounts and allowance for uncollectible accounts	9,804	6,027
Net contributions receivable	$61,868	$44,182

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 5.1% to 2.6% at June 30, 2015 and 2014.

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

	2015	2014
Land and land improvements	$50,093	$50,226
Buildings and building improvements	459,640	457,575
Equipment	8,235	8,159
Construction in progress	45,427	15,062
	563,395	531,022
Less: Accumulated depreciation	251,015	234,940
	$312,380	$296,082

Depreciation expense was $16,587,000 and $16,638,000 for the years ended June 30, 2015 and 2014, respectively.

The College recognized $922,000 and $855,000 of operating expenses relating to the accretion of environmental liabilities associated with the asset retirement obligations for the years ended June 30, 2015 and 2014, respectively. Conditional asset retirement obligations of $21,884,000 and $21,066,000 at June 30, 2015 and 2014, respectively, are presented in the Statement of Financial Position.

During June of 2015, the College sold 47 acres of land to the Town of Wellesley in support of campus renewal efforts. The College also sold 1.706 acres to a private developer in February of 2015. The net proceeds from these transactions are presented in the Statement of Activities as gain on sale of property.

4. Investments

The book and market values of investments at June 30, 2015 and 2014 were as follows:

	2015 Book Value	2015 Market Value	2014 Book Value	2014 Market Value
Endowment investments				
Investments pooled				
Cash and cash equivalents	$113,386	$113,386	$66,949	$66,949
Bonds	63,579	61,743	57,788	68,172
Equities	340,229	576,088	320,360	606,188
Private equity	296,294	386,791	268,638	349,799
Real assets	284,813	241,569	283,972	247,863
Absolute return	357,091	478,563	354,955	472,275
Other assets	851	851	851	851
Total pooled investments	1,456,243	1,858,991	1,353,513	1,812,097
Faculty mortgage Subvention	3	3	—	—
Faculty mortgages	27,272	27,312	25,976	25,976
Total pooled investments and faculty mortgages	1,483,518	1,886,306	1,379,489	1,838,073
Investments not pooled				
Cash and cash equivalents	213	213	213	213
Total investments not pooled	213	213	213	213
Total endowment investments	1,483,731	1,886,519	1,379,702	1,838,286
Other investments				
Restricted construction funds	45,000	43,445	45,000	42,775
Total other investments	45,000	43,445	45,000	42,775
Total investments	$1,528,731	$1,929,964	$1,424,702	$1,881,061
Planned giving investments				
Separate Pooled Funds				
Cash and cash equivalents	$1,237	$1,237	$1,119	$1,119
Bonds	13,598	13,952	14,273	14,603
Equities	22,186	25,663	19,241	28,311
Total pooled funds	$37,021	$40,852	$34,633	$44,033
Unitrusts				
Cash and cash equivalents	$341	$341	$282	$282
Bonds	4,026	4,133	4,034	4,130
Equities	4,539	8,833	4,951	9,409
Other assets	1,887	1,887	1,887	1,887
Assets held by trustees	9,643	9,643	9,512	9,512
Total funds not pooled	20,436	24,837	20,666	25,220
Total planned giving investments	$57,457	$65,689	$55,299	$69,253

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 $35,398,000 and $40,095,000 at June 30, 2015 and 2014, respectively. Bonds include commingled funds with a market value of $43,243,000 and $47,069,000 and hedge funds with a market value of $18,500,000 and $21,103,000 at June 30, 2015 and 2014, respectively. Equities include separate accounts with a market value of $63,899,000 and $98,013,000 and commingled funds with a market value of $215,140,000 and $182,703,000 and hedge funds with a market value of $294,698,000 and $318,973,000 at June 30, 2015 and 2014, respectively.

The College's investment return from endowment and planned giving investments was as follows for the years ended June 30, 2015 and 2014 ($000s):

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest (net of expenses of $13,955)	$913	($1,116)	$3,287	$3,084
Net realized and unrealized gains/losses	34,788	59,073	—	93,861
Total return on endowment and planned giving investments	35,701	57,957	3,287	96,945
Investment return designated for current operations	(26,999)	(54,816)	—	(81,815)
	$8,702	$3,141	$3,287	$15,130

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

The total return consisting of realized and unrealized gains and losses and dividends and interest net of investment management and custodial fees was 5.91% and 18.80% for the fiscal years ended June 30, 2015 and 2014, 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 indirectl y; and
- Level 3—Unobservable inputs in which there is little or no market data.

The following fair value hierarchy tables present 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, 2015 and 2014.

2015	Level 1	Level 2	Level 3	Total
Investments				
Equities	$63,899	$509,838	$2,351	$576,088
Bonds	—	61,743	—	61,743
Private equity	—	—	386,670	386,670
Real assets	—	—	241,060	241,060
Absolute return	79,250	187,021	212,292	478,563
Cash and other assets	81,497	35,399	28,116	145,012
Planned giving investments	—	56,068	9,643	65,711
Total assets at fair value	$224,646	$850,069	$880,132	$1,954,847
Interest rate swap	—	—	12,683	12,683
Total liabilities at fair value	—	—	$12,683	$12,683

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

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.

The following tables present the assets and liability carried at fair value as of June 30, 2015 and 2014 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 had been reclassified from Level 3 to Level 2, for the year ended June 30, 2014. There were no Level 3 to Level 2 reclassifications for the year ended June 30, 2015. 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, 2015 and 2014. Assets had been transferred from Level 3 to Level 2 as a result of changes in the portfolio's liquidity and expirations of the lockup provision. The transfer amount shown for the years ended June 30, 2015 and 2014 is the market value of the transferred assets as of June 30, 2015 and 2014, respectively.

2015	Balance July 1, 2014	Realized and Unrealized Gains/losses	Purchases	Sales	Transfer in/(out) of level 3	Balance, June 30, 2015
Equities	$6,499	$450	—	—	—	$6,949
Private equity	349,799	83,268	73,781	—	—	506,848
Real assets	247,863	(26)	33,264	—	—	281,101
Absolute return	212,297	5,847	7,714	—	—	225,858
Cash and other assets	851	1,605	—	(1,605)	—	851
Planned giving investments	9,512	(3,145)	139	(536)	3,673	9,643
Interest rate swap — asset/liability	(10,562)	(2,121)	—	—	—	(12,683)
Balances at June 30, 2014	$816,259	$85,878	$114,898	($2,141)	$3,673	$1,018,567

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

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, 2015 and 2014 is $101,233,000 and $158,354,000, respectively.

The College uses Net Asset Value (NAV) or its equivalent to determine the fair value of certain investments, which may not have a readily determined fair value. These investments also have various redemption restrictions and redemption terms. The following investments are measured at NAV as of June 30, 2015 and 2014.

2015 Investment	NAV In Funds	Unfunded Commitments	Timing to draw Commitments	Redemption terms/Restrictions
Private equity	$386,670	$187,884	1 to 12 years	Funds are private equity, no ability to redeem.
Real assets	241,060	121,272	1 to 12 years	Funds are private equity, no ability to redeem.
Equities	512,188	—	—	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	61,743	—	—	93% of NAV is redeemable within 90 days; remaining 7% has a multi-year redemption period.
Absolute return	478,562	10,153	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	63,515	—	—	22% of NAV is redeemable within 90 days: 16% is redeemable within a year; 62% of NAV has a multi-year redemption period.
	$1,743,738	$319,309		

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	—	—	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		

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 were as follows as of June 30:

	2015	2014
Investments in pooled funds and faculty mortgages, market value	$1,886,306	$1,838,073
Total number of units	2,695,201	2,654,998
Market value per unit	699.88	692.31
Distribution per unit	30.57	31.21

The following are the components of the pooled and nonpooled endowment funds at market value at June 30, 2015 and 2014 ($000s):

	Units	Pooled Endowment	Nonpooled Endowment	Total Endowment
2015 Funds				
Endowment and similar funds				
Endowment funds	1,745,256	$1,221,461	—	$1,221,461
Term funds	99,326	69,303	213	69,516
Quasi-endowment	850,619	595,329	—	595,329
Total	2,695,201	$1,886,093	$213	$1,886,306
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

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 $17,070,000 and $16,249,000 at June 30, 2015 and 2014, respectively.

Mortgages due from faculty of $27,321,000 and $25,976,000 at June 30, 2015 and 2014, 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 $5,332,000 and $3,936,000 at June 30, 2015 and June 30, 2014, 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, 2015 and 2014 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 Massachusetts governor on August 5, 2010, the Authority was merged into the Massachusetts Development Finance Agency (MDFA). Interest payments on debt totaled $6,230,000 and $6,252,000 during fiscal years 2015 and 2014, 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 allowed 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, 2015 and 2014, restricted cash included $18,232,000 and $55,001,000, respectively, 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 allowed 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, 2015 and 2014, operating investments included $43,445,000 and $42,775,000, 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%. This line of credit expires on March 23, 2016. As of June 30, 2015 and 2014, there were no amounts outstanding under this line of credit. 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, 2017. There were no amounts outstanding as of June 30, 2015 and 2014. Based on the repayment and maturity terms under the LOC, if they failed to remarket in their entirety, as of June 30, 2015 the aggregate scheduled principal payments would be as follows: $85,185,000, $84,185,000, $83,185,000, $82,185,000 in fiscal years 2016, 2017, 2018, and 2019, respectively.

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

	2015	2014
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%.	7,800	8,700
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.	95,900	97,695
Total debt	230,885	233,580
Less unamortized bond issue costs	(1,420)	(1,452)
Add unamortized original issue premium	5,088	5,276
	$234,553	$237,404

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

2016	$2,855
2017	3,020
2018	3,175
2019	3,325
2020	1,200
Thereafter	217,310
Total bonds and notes payable	$230,885

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, 2015 and 2014, the market value of the swap agreement amounted to a liability of $12,683,000 and $10,562,000, 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 $2,121,000 in 2015 and a loss of $1,018,000 in 2014, 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, 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, 2015 and 2014. The change in fair value of the swap is recorded in the nonoperating section of the Statement of Activities as net realized/unrealized 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 College has outstanding debt at June 30, 2015 as follows: fixed rate debt of $145,700,000 and variable rate debt of $85,185,000. 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, 2015 approximates $155,491,000. 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, 2015 and 2014, there is approximately $5,332,000 and 3,936,000, respectively, 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 from 4% to 6%. The liability of $30,988,000 and $31,120,000 at June 30, 2015 and 2014, 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 $8,676,000 and $8,554,000, respectively, for the years ended June 30, 2015 and 2014.

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 date of determining the benefit obligations and net periodic benefit cost for the defined benefit plan were June 30, 2015 and 2014.

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

	2015	2014
Assumptions used to determine benefit obligations		
Discount rate	4.400%	4.200%
Rate of compensation increase	3.000%	3.000%
Assumptions used to determine net periodic benefit cost		
Discount rate	4.200%	4.700%
Expected return on plan assets	7.200%	7.200%
Rate of compensation increase	3.000%	3.000%
Change in projected benefit obligation ($000s)		
Benefit obligation at end of prior year	$65,397	$59,119
Service cost	2,150	1,894
Interest cost	2,699	2,731
Actuarial (gain) loss, net of administrative expenses paid	3,815	4,259
Benefits paid	(2,577)	(2,606)
Benefit obligation at end of year	$71,484	$65,397
Accumulated benefit obligation	$62,454	$56,640
Change in plan assets ($000s)		
Fair value of plan assets at end of prior year	$49,847	$42,998
Actual return on plan assets, net of administrative expenses	1,097	7,455
Employer contributions	1,000	2,000
Benefits paid	(2,577)	(2,606)
Fair value of plan assets at end of year	$49,367	$49,847
Funded status ($000s)		
Funded status	($22,117)	($15,550)
Components of net periodic benefit cost ($000s)		
Service cost	$2,150	$1,894
Interest cost	2,699	2,731
Expected return on plan assets	(3,558)	(3,086)
Amortization of prior service cost	55	59
Net loss (gain) on amortization	551	642
Net periodic benefit cost	$1,897	$2,240
New net actuarial (gain) loss	$6,276	($109)
Net (loss) gain on amortization	(551)	(642)
Amortization of prior service cost	(55)	(59)
Total	$5,670	($810)
Amounts recognized in the statement of financial position consist of a liability	($22,117)	($15,550)
Other changes in plan assets and benefit obligations recognized in unrestricted net assets ($000s)		
Net prior service cost	103	158
Net actuarial loss	19,373	13,647
Total	$19,476	$13,805

The amounts expected to be recognized as amortization of prior net service cost and the (gain)/losses to be recognized as a component of net periodic cost in the year are $55,000 and $968,000, respectively.

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

2016	$2,519
2017	2,833
2018	3,002
2019	3,302
2020	3,222
2021-2025	$21,918

The College does not expect to make an employer contribution into the defined benefit plan in the 2016 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, 2015 and 2014:

Asset Category	Value at June 30, 2015	2015	2014
Equity securities	$31,424	64%	63%
Real estate investment trust	2,930	6	7
Commodities	–	–	4
Fixed income	12,045	24	23
Cash and cash equivalents	$2,979	6	3
Total	$49,378	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, 2015 and 2014:

($000s)	2015	2014
Unrestricted		
Designated for specific purposes and plant	$72,865	$84,769
Quasi-endowment	580,631	545,389
	653,496	630,158
Temporarily restricted		
Endowment and similar funds including pledges	805,617	791,838
Annuity, life income and unitrusts including pledges	38,440	40,479
Other restricted	89,522	68,329
	933,579	900,646
Permanently restricted		
Endowment including pledges	535,038	508,981
	535,038	508,981
	$2,122,113	$2,039,785

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, 2015, endowment net assets consisted of the following ($000s):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	—	$776,743	$508,922	$1,285,665
Board-designated and other unrestricted funds	595,366	—	—	595,366
	$595,366	$776,743	$508,922	$1,881,031

Changes in endowment net assets for the year ended June 30, 2015, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$590,794	$761,067	$482,316	$1,834,177
Investment income, net of expenses	1,487	3,019	—	4,506
Net appreciation (realized and unrealized)	31,650	64,259	—	95,909
Subtotal	623,931	828,345	482,316	1,934,592
Contributions and transfers to endowment	(1,566)	3,214	26,606	28,254
Appropriation of endowment assets for expenditure	(26,999)	(54,816)	—	(81,815)
Endowment net assets at end of year	$595,366	$776,743	$508,922	$1,881,031

At June 30, 2014, endowment net assets consisted of the following:

	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

Changes in endowment net assets for the year ended June 30, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, 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, end of year	$590,754	$761,067	$482,316	$1,834,137

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 $90,000 and $132,000, respectively, for the years ended June 30, 2015 and 2014. 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. There were no expenses in 2015 for remediation work for Lower Waban Brook. Total expenses to the Lower Waban Brook remedial project were $95,000 as of June 30, 2014. A liability of $2,494,000 has been recorded as of June 30, 2015 and 2014, respectively, and is included in the Statement of Financial Position within accounts payable and accrued expenses.

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 $325,005,000 and $235,581,000 as of June 30, 2015 and 2014, respectively, for the following:

($000s)	2015	2014
Alternative investments	$319,309	$219,652
Construction contracts	$5,696	$15,929
	$325,005	$235,581

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 2016.

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

TThe College has assessed the impact of subsequent events through October 28, 2015, 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

2014–2015

Wellesley College, 106 Central Street, Wellesley, Massachusetts 02481