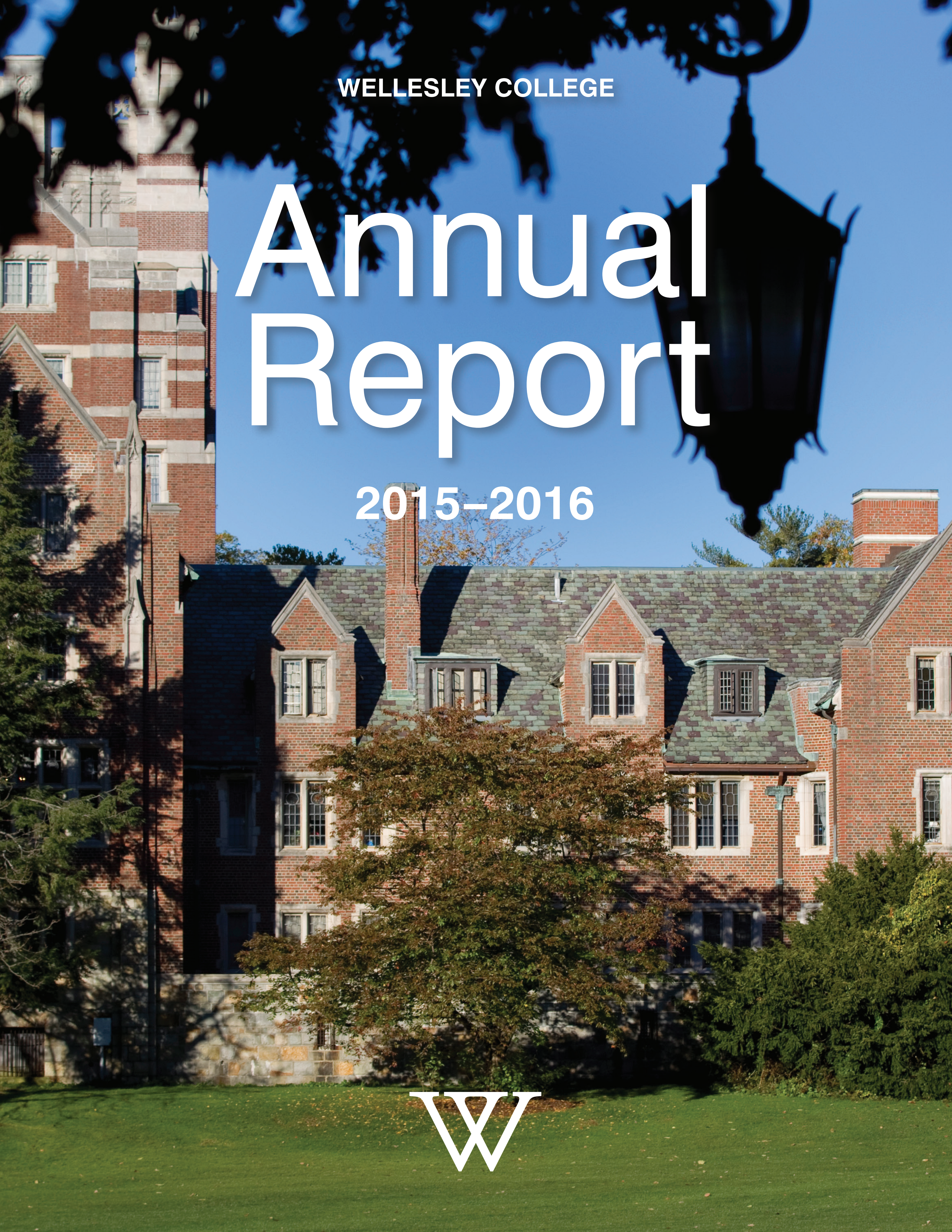
WELLESLEY COLLEGE

Annual Report

2015–2016



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Wellesley College Annual Report

For the year ended June 30, 2016

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December 2016

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

Wellesley's finances remain strong. In fiscal year 2016 (from July 1, 2015 to June 30, 2016), financial and operating-expense performance improved once again, and the College made progress toward its long-term goal of generating a surplus from operations.

Wellesley's balance sheet continues to be exceptionally robust. The College's total assets are an impressive $2.42 billion. Net assets stood at $2.03 billion, down $93 million from the last fiscal year. (This is primarily due to endowment spending in excess of investment returns.) The endowment total now stands at $1.8 billion, down slightly from the prior-year high. Endowment per student full-time equivalent (FTE) comes to $761,000, generating revenue of $35,500 per student. Outstanding debt decreased slightly to $232 million.

Fundraising efforts continue to be remarkably successful. On June 30, 2016, Wellesley completed the first year of the four-year public phase of its comprehensive fundraising campaign, dedicated to advancing the Wellesley Effect, with firm commitments of $383 million and with substantial additional gifts in the pipeline. (These commitments represent 77 percent of the total campaign target.) In FY2016, the College received cash gifts of $60 million—for current-use needs, facilities, and endowment—and achieved an enviable alumnae participation rate of 48 percent.

Wellesley's endowment spending policy smoothes distributions so as to insulate the operating budget from unstable financial markets, as well as ensures that such distributions are sustainable and preserve intergenerational equity in each endowed fund. Changes made for FY2015 to preserve real purchasing power did, however, have the effect of holding down the rate of growth in endowment income compared with prior years. Owing to this decline in growth rate, the endowment distribution declined to 4.4 percent of the beginning endowment value in FY2016.

As the chief investment officer reports in her letter, the long-term investment pool returned -1.5 percent net of fees last year (the three-year average return is 7.7 percent). While this return is disappointing in absolute terms and means that the College did not cover the distribution from the endowment with investment return, this result nevertheless surpassed the College's policy-portfolio benchmark, and in fact places Wellesley just shy of 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 Standard and Poor's just reviewed the College's 2016 audited financial results and reaffirmed its rating of Wellesley's bonds as AA+ (the second-highest possible), with a "stable" outlook. In addition to the strength of the College's balance sheet and its fundraising, S&P cited strong student demand for the College in its ratings. For the incoming class of 2020, Wellesley accepted 28 percent of first-year applications (a new record high) and yielded 43 percent of those admitted, an outstanding result. Wellesley continues to attract thousands of applicants, and to enroll nearly 600 young women of exceptional promise.

Financial Results

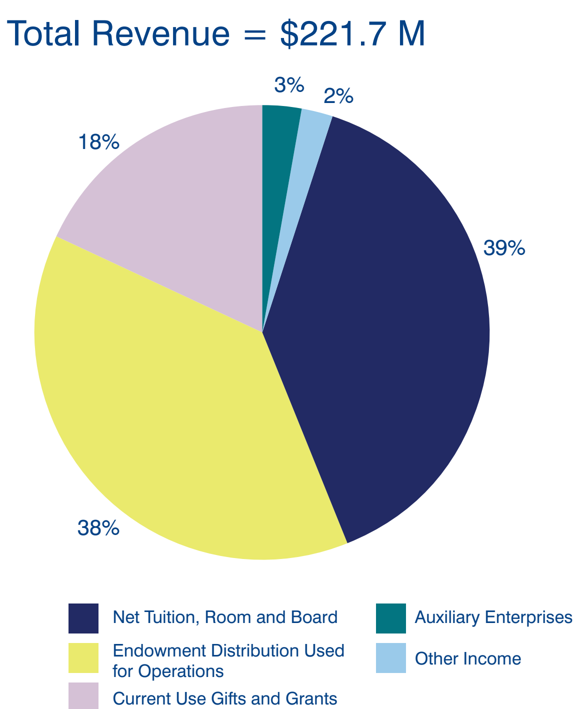
Beginning in FY2013, the College embarked on a multiyear effort to rebalance its operating budget in order to help fund the renewal of Wellesley's campus while at the same time achieving a balanced budget that supports the College's mission and key priorities. The

College continues to make progress towards this goal, but does not yet fully fund depreciation. As a result, GAAP operating results show a deficit of $3.6 million in 2016, and a small surplus of $51,000 on a cash basis (schedule A).

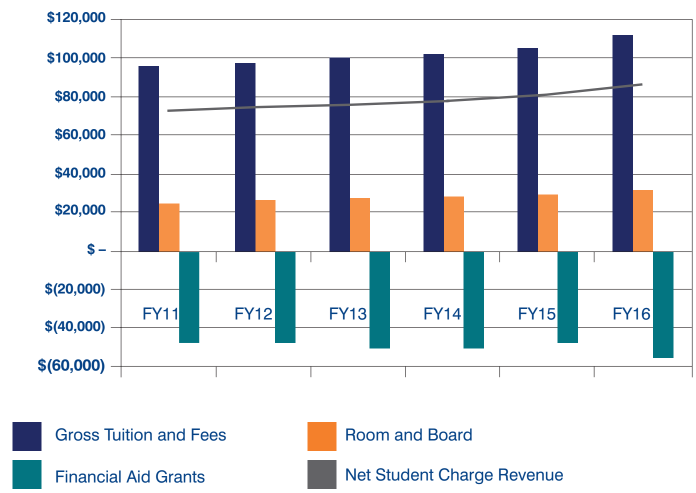
Total revenues grew 7.3 percent, while total expenditures increased 5.2 percent versus the prior year. For the second year in a row, the College's operating budget funded capital equal to 70 percent of depreciation expense. Capital assets (including principal repayment on debt for campus renewal) funded by the operating budget were in excess of $12 million. Overall, Wellesley seeks to hold down the rate of expense growth to no more than the rate of growth in its revenues over time, is committed to achieving balanced operating budgets, and continues to take steps to improve financial performance in order to meet this objective.

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 nearly 80 percent of total revenues in the operating budget.



The College reports in schedules A and B net student-charge revenues, comprising 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—$56.9 million in FY2016—is provided in the form of grant aid.) Compared with the previous year, gross tuition, fees, and room and board increased 7.5 percent, while financial aid grants increased 10 percent, with net student-charge revenue up 4.9 percent. Over the past decade, net student-charge revenue has increased on a real basis (that is, adjusted for CPI inflation) by 1.8 percent 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 schedule on the following page illustrates. At $118 million, such support exceeds the $103 million in revenues that the College generates from the programs it operates.

Put another way, the total cost to educate a Wellesley student was $96,000 last year, so even those students whose families paid the full comprehensive fee of $61,340 were actually the beneficiaries of nearly $35,000 of support—principally in the form of earnings from the College's endowment, and made possible primarily by Wellesley's alumnae and friends. This subsidy, which benefits every single Wellesley student, is in addition to the average financial-aid grant of $41,188 that is provided to those students who receive financial aid.

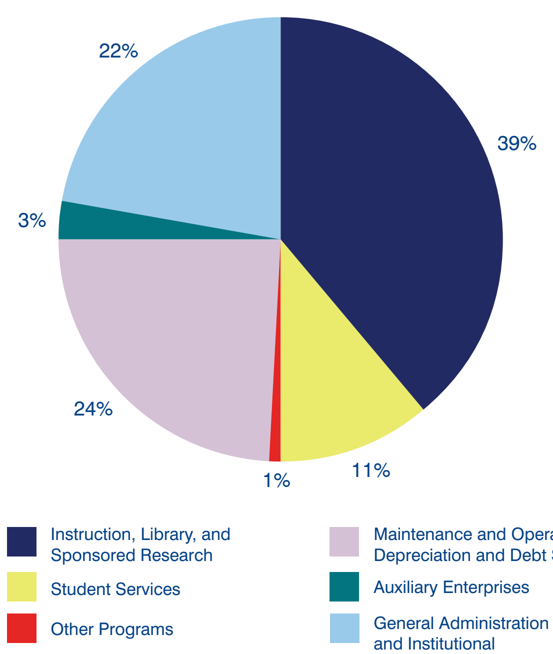
Program Revenues (000)	
Net Student Charge Revenue	$86,641
Federal Grants and Contracts	6,032
Auxiliary Enterprises	6,500
Other Income	3,937
Total Revenues from Operating Programs	**103,110**
Total Expenditures	**(22,280)**
Deficit before Support from Alumnae and Friends	**(122,486)**
Operating Revenues from Alumnae and Friends	
Distribution from Endowment Used for Operations	$83,403
Restricted Current-use Gifts	17,427
Unrestricted Bequests	7,434
The Wellesley Fund	10,296
Total Support from Alumnae and Friends	**118,560**
Net GAAP Operating Results	**(3,612)**

Categories of Expenditures

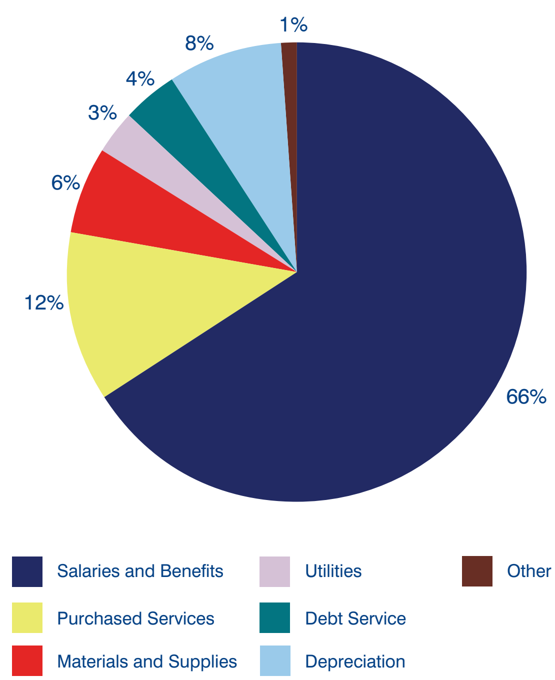
Wellesley spends, on a GAAP basis, 51 percent of its operating budget on academic programs, student services (including room and board), and other programs; 24 percent on operating, maintaining, and renewing the campus, including debt service used for this purpose; 3 percent on auxiliary enterprises; and 22 percent on general administrative and institutional purposes.

It is also helpful to consider expenditures by type (often called The Natural Classification). As would be expected at such a labor-intensive institution, and as can be seen in the chart below, 66 percent of Wellesley's operating budget is devoted to salaries and benefits.

Total Expenses = $225.3 M



Total Expenses = $225.3 M



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 in a position to do so.

The College's endowment-spending policy seeks to balance the need for a strong, stable, and growing income stream to support operations, with the objective of maintaining—in perpetuity—the purchasing power of endowment income at the level of the individual fund. 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 percent weight) and the endowment value (20 percent weight). This policy was thoroughly reviewed and slightly revised for FY2015. Specifically, the total amount spent must be within 4.0 percent to 5.0 percent of the three-year trailing-average endowment market value, adjusted for higher-education inflation.

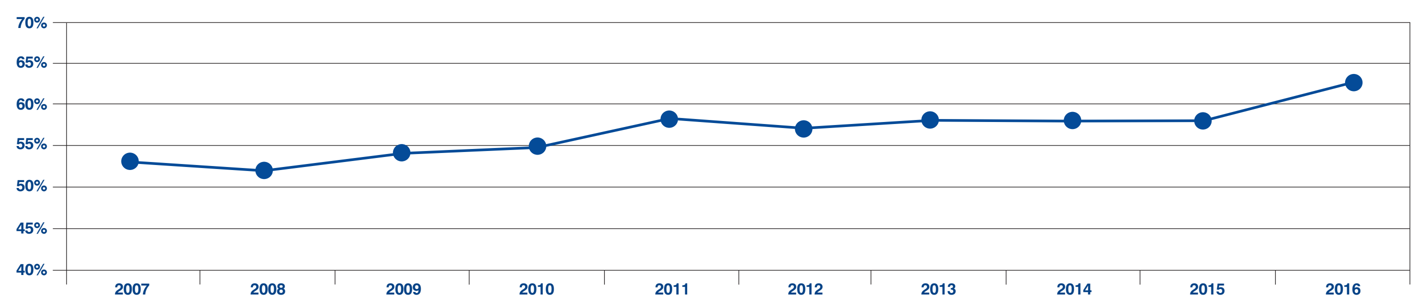
The College follows a multiyear budget process that is built around institutional priorities, allowing for inclusiveness and institution-wide input. The provost and the Provost Budget Committee are charged with ensuring that the College's operating budget allocates resources to accomplishing its mission and serving its highest institutional priorities. The president and her senior leadership team, as well as the Budget Advisory Committee—composed of faculty, staff, and students—actively participate in the development of the College's budget priorities and planning.

Institutional Values and Priorities

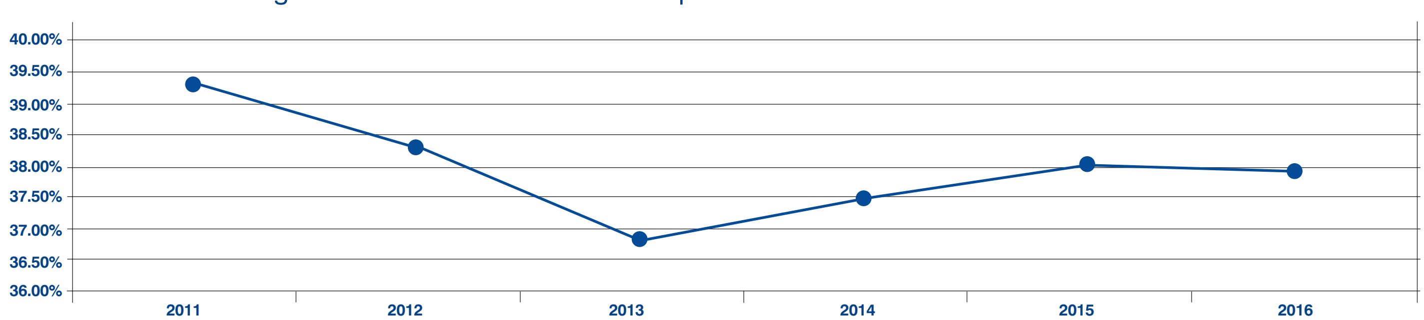
One of Wellesley's highest institutional values is its need-blind admission policy. Wellesley considers domestic students for admission on the basis of their talents and personal qualities without regard to their financial situations, and is committed to meeting 100 percent of the demonstrated financial need of all admitted students who qualify for aid. At the same time, the College continues to weigh the implications 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 that are dedicated to financial aid. Consequently, 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

Percentage of Students Receiving Financial Aid Grant Assistance



Net Student Charge Revenue as Percent of Total Expenditures



aid. (Currently 54 percent of financial aid grants are funded by restricted funds, down from 83 percent in 2007 [see schedule D].) As shown below, the percentage of students receiving financial aid grants has increased over the past decade (ranging from 53 percent to 62 percent) after having been relatively flat over the past five years. Additionally, over this same period, the size of the average financial aid grant awarded has increased from $26,588 to $41,188.

Wellesley is committed to keeping student loan levels low so that financial concerns do not limit a student's choices upon graduation, so it is worth noting that in 2008, the College chose to eliminate student loans for its neediest students, as well as reduce loan levels for other students receiving financial aid. 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 traditionally provided by restricted funds is actually a result of a 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 36 percent and 40 percent 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 another high-level 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. To address this need to fully fund depreciation, the College is implementing a phased-in approach to increasing funding for campus renewal, with the amount set aside for capital in the operating budget increasing each fiscal year. This will ensure that the College is better able to keep up with the maintenance and renewal of its historic and beloved campus.

In April 2013, the trustees approved *Wellesley 2025: A Plan for Campus Renewal.* W2025 is a long-term plan establishing a prioritized schedule of capital improvements over the next 10+ years, based both on facilities needs and on institutional goals and priorities. The W2025 planning process established programmatic priorities to ensure that both 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 of the humanities faculty offices in Founders Hall. Initial minor upgrades have also been made to several residence halls. The Dorothy Towne Fieldhouse has been rebuilt, and (thanks to the generosity of a donor) the Butler Boathouse has been reconstructed. Finally, in the single largest project in the plan so far, the renovation of Pendleton West for music and the arts broke ground in the summer of 2015, and will be complete in the spring semester of 2017. Looking ahead, the pace of renovation and campus renewal will continue to increase as we prepare for renovations to the Science Center and major improvements in various residence halls. Overall, the base plan approved by the trustees is expected to cost $575 million, and will be funded by gifts, bequests, and the operating budget.

Future Challenges and Outlook

While the U.S. economy continues to strengthen, global markets are increasingly volatile, and expected investment returns will remain relatively low compared with earlier periods. At the same time, low inflation and interest rates are generally positive for the College's budget.

While Wellesley must maintain its commitment to its excellent faculty, staff, and student body in support of its mission, the College must also seek to more closely align resources with institutional priorities. In particular, the operating budget must fund all of the College's operating costs on a fully sustainable basis, including the ongoing work to renew the campus and manage the College's debt service. Achieving this goal will continue to require prioritization and focus, bold choices, hard work, and the support and good will of the entire Wellesley College community.

Benjamin Hammond

Vice President for Finance and Administration and Treasurer

Report of the Chief Investment Officer

November 2016

Wellesley's endowment is the keystone of the College's financial strength, providing approximately 40 percent of operating revenue in Fiscal Year 2016. On June 30, 2016, the end of the fiscal year, the Wellesley College endowment had a market value of $1.785 billion (versus $1.881 billion on June 30, 2015—a decrease of $97 million). The long-term investment-pool portfolio earned a return of -1.5 percent (net of investment management fees) during this last fiscal year.

Fiscal Year 2016 Developments

During FY2016, U.S. stock prices rose modestly, but stocks outside of the United States declined. Specifically, private equity slightly outpaced public market returns; bond returns were strong as interest rates fell to historic lows; real estate returns were excellent; and commodities prices declined sharply, led by energy—a development that hurt returns on natural resource investments.

The -1.5 percent investment return for FY2016 benefited from the allocations to private equity and fixed income where results were positive in absolute terms. Tilts away from domestic and international equity in favor of private equity and cash also added to returns.

Total Return by Asset Class Year Ended June 30, 2016

	Wellesley Return	Market Return	Benchmark/Comparative Index
Public Equity	(6.4%)	(4.3%)	Public Equity Blended Benchmark (1)
Private Equity	4.6%	(0.1%)	Cambridge Associates (2)
Real Assets	(2.7%)	(3.2%)	Real Assets Benchmark (3)
Semi-marketable (4)	(1.9%)	(6.3%)	Cambridge Associates Hedge Fund-of-Funds Index
Fixed Income	10.2%	11.6%	Fixed Income Benchmark (5)
Cash & Equivalents	(0.1%)	0.1%	Citigroup Three-Month T-Bill
Total Portfolio	**(1.5%)**	**(2.3%)**	

1. Public Equity Blended Benchmark is a weighted average of MSCI ACWI, MSCI EAFE, MSCI EM, and Russell 3000.
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 and the Citigroup World Government Bond Index.

Longer-Term Results

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

- As shown in the table below, long-term results were mixed, when viewed in the context of the 7.5 percent to 8.0 percent return necessary to support College spending and to maintain the endowment's purchasing power. Only the seven-year result—a period which spans the financial crisis highs—was above both measures.
- Over the last 10 years, the College's well-diversified portfolio has roughly matched a hypothetical portfolio of 65 percent stocks and 35 percent bonds with considerably less volatility in returns. Alternative assets—such as venture capital, growth equity, and real estate—have contributed significantly to strong portfolio results.
- Investment returns have 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 three, five, and 10 years, Wellesley ranks in the top quartile in a universe of institutions with investments pools larger than $1 billion.

Total Annualized Return, Year Ended June 30, 2016

	3 Years	5 Years	7 Years	10 Years
Wellesley Portfolio	7.4%	7.0%	9.2%	6.7%
S&P 500 Index	11.7%	12.1%	14.9%	7.4%
65/35 Stock/Bond Portfolio (1)	9.1%	9.3%	11.4%	7.0%
Policy Portfolio Benchmark	5.8%	5.9%	8.7%	5.7%

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

Policy Portfolio and Strategy Going Forward

To 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, 2016. An underweight to public equities was offset by an overweight in private equity and fixed income and cash. The portfolio has sufficient exposure to liquid investments to maintain the endowment's financial support of the College's operations and to provide for the liquidity needs of the portfolio.

Asset Allocation as of June 30, 2016

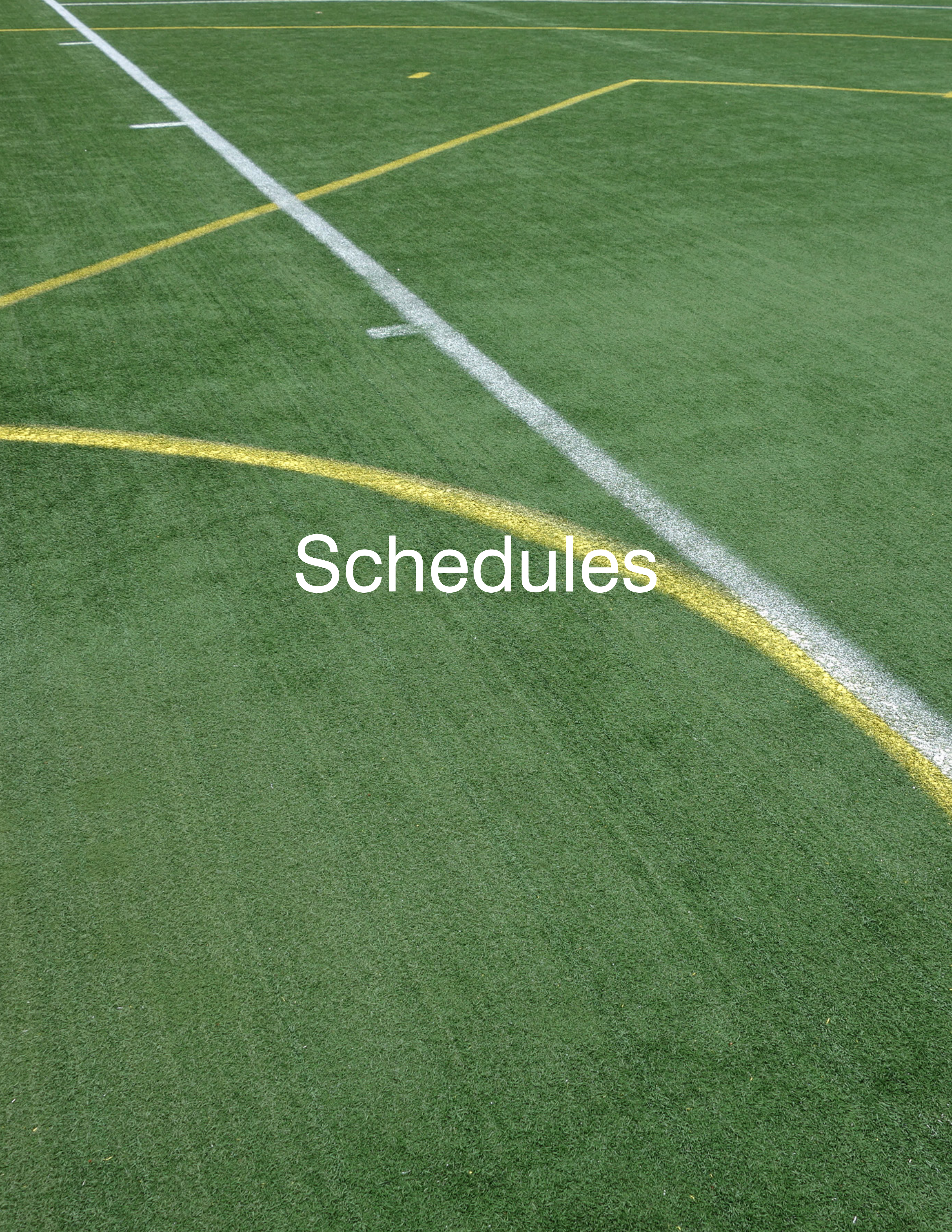
Asset Class	Policy Portfolio	Asset Allocation
Public Equities	34%	31%
Private Equity	19%	22%
Real Assets	13%	12%
Semi-marketable	26%	26%
Total Alternative Assets	58%	60%
Fixed Income and Cash	8%	9%
Total Portfolio	100%	100%

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 relationship 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 the College will be well served by its strategy of broad diversification across asset classes, geographies, and strategies, and by the excellent investment managers we employ.

Members of the College community who have 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, 2016 and 2015 (in $000s)

	2016	2015	(Decrease)	Change
Operating Revenues				
Tuition and Fees	$ 112,070	$ 104,427	$ 7,643	6.8%
Room and Board	31,567	29,249	2,318	7.3%
Financial Aid	(56,996)	(51,305)	(5,691)	10.0%
Net Student Charge Revenue	86,641	82,371	4,270	4.9%
Distribution from Endowment Used for Operations	83,403	81,815	1,588	1.9%
Endowment Transfers	-	746	(746)	
Restricted Gifts & Grants	23,459	13,380	10,079	43.0%
Unrestricted Bequests	7,434	4,564	2,870	38.6%
The Wellesley Fund	10,296	10,688	(392)	(3.8%)
Auxiliary Enterprises	6,500	8,085	(1,585)	(24.4%)
Other Income	3,937	3,872	65	1.7%
Total Revenues	**221,668**	**205,521**	**16,147**	**7.3%**
Operating Expenditures (GAAP)				
Instruction and Departmental	74,746	73,807	939	1.3%
Library	4,168	6,384	(2,216)	(53.2%)
Student Services	23,867	22,809	1,058	4.4%
General Administration	14,430	12,784	1,646	11.4%
Institutional	34,971	28,502	6,469	18.5%
Maintenance and Operations	24,012	23,669	343	1.4%
Debt Service	8,150	8,054	96	1.2%
Major Maintenance and Depreciation	21,918	19,812	2,106	9.6%
Sponsored Research	9,955	8,210	1,745	17.5%
Auxiliary Enterprises	6,177	6,687	(510)	(8.3%)
Other Programs	2,886	2,959	(73)	(2.5%)
Total Expenditures	**225,280**	**213,677**	**11,603**	**5.2%**
GAAP Net Operating Income/(Loss)	***(3,612)***	***(8,156)***	***4,544***	***(125.8%)***
Cash Basis Adjustments				
Depreciation	(17,410)	(17,396)	(14)	.1%
Capital Assets funded by Operations	9,061	9,669	(608)	(6.7%)
Principal Payments & Amortization	3,011	2,851	160	5.3%
Other Adjustments	1,675	113	1,562	93.3%
Total Adjustments	**(3,663)**	**(4,763)**	**1,100**	***(30.0%)***
Cash Basis Addition to / (Use of) Reserves	***51***	***(3,393)***	***3,444***	***6752.9%***

Schedule B

Ten-Year Operating Budget Financial Summary 2007–2016 (in $000s)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Average Annual Percentage Change Since June 30, 2007 Nominal %	Real %
Operating Revenues												
Tuition and Fees	$ 79,298	$ 83,447	$ 86,543	$ 90,400	$ 96,402	$ 96,702	$ 100,075	$ 102,635	$ 104,427	$ 112,070	4.6%	2.9%
Room and Board	21,070	22,289	23,958	24,859	26,759	27,436	28,228	29,131	29,248	31,567	4.8%	3.0%
Financial Aid Grants	(33,644)	(35,009)	(39,813)	(42,669)	(47,850)	(47,889)	(50,561)	(51,933)	(51,305)	(56,996)	6.4%	4.7%
Net Student Charge Revenue	66,724	70,727	70,688	72,590	75,311	76,249	77,742	79,833	82,370	86,641	3.5%	1.8%
Endowment Distribution	74,496	76,584	81,199	86,612	79,107	78,392	79,924	81,487	82,561	83,403	2.0%	.2%
Private Gifts & Grants	24,867	20,802	22,300	20,805	18,738	22,137	24,458	25,042	24,769	35,157	4.6%	2.9%
Government Grants	4,278	4,183	3,657	4,838	3,635	4,148	4,448	4,887	3,863	6,032	6.9%	5.2%
Auxiliary Operations	8,312	7,811	6,174	6,423	6,239	6,440	5,206	5,947	8,085	6,500	(.1%)	(1.9%)
Other	6,070	6,030	4,060	3,725	3,118	4,336	3,736	3,972	3,872	3,937	(.8%)	(2.6%)
Total Revenues	**184,747**	**186,137**	**188,078**	**194,993**	**186,148**	**191,702**	**195,514**	**201,168**	**205,520**	**221,669**	2.2%	.4%
Operating Expenditures (GAAP)												
Instruction and Departmental	60,473	64,454	63,790	66,600	66,462	68,875	70,535	73,998	73,807	74,746	3.2%	1.5%
Library	6,239	6,924	6,576	5,798	5,740	5,739	5,964	5,941	6,384	4,168	(2.3%)	(4.1%)
Student Services	22,788	24,393	21,000	20,824	22,092	22,041	23,457	22,912	22,809	23,867	1.3%	(.5%)
General Administration	10,551	8,531	18,839	10,654	11,689	8,656	13,649	9,712	12,784	14,430	13.9%	12.1%
Institutional	22,206	22,807	23,100	22,390	25,073	26,398	26,520	27,188	28,502	34,971	6.0%	4.2%
Maintenance and Operations	18,547	20,870	22,727	22,063	18,684	17,827	20,384	21,926	23,669	24,012	1.0%	(.7%)
Debt Service	5,610	6,431	4,408	5,522	5,506	6,065	6,422	8,152	8,054	8,150	5.4%	3.7%
Major Maintenance and Depreciation	22,582	17,237	15,926	14,565	17,033	21,762	21,254	21,315	19,812	21,918	4.0%	2.2%
Sponsored Research and Other Programs	10,662	10,672	10,433	10,353	9,570	10,493	11,071	11,748	11,168	12,842	2.6%	.9%
Auxiliary Enterprise Expenditures	6,029	6,013	7,046	7,239	7,157	8,384	8,753	7,155	6,687	6,177	1.3%	(.5%)
Total Expenditures	**185,687**	**188,332**	**193,845**	**186,008**	**189,006**	**196,240**	**208,009**	**210,047**	**213,676**	**225,281**	2.5%	.8%
GAAP Net Operating Income/(Loss)	**(940)**	**(2,195)**	**(5,767)**	**8,985**	**(2,858)**	**(4,538)**	**(12,495)**	**(8,879)**	**(8,156)**	**(3,612)**		
Net Budget/Cash Basis Adjustments	940	2,195	5,767	(2,056)	6,915	4,990	11,000	7,382	4,763	3,663		
Cash Basis Addition to / (Use of) Reserves	**$ -**	**$ -**	**$ -**	**$ 6,929**	**$ 4,057**	**$ 452**	**$ (1,495)**	**$ (1,497)**	**$ (3,393)**	**$ 51**		

Schedule C

Key Facts and Statistics 2007–2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Headcount										
Faculty Teaching (FTE)	236	241	248	246	253	260	265	264	267	264
Staff (FTE)	737	760	802	673	691	713	749	726	710	729
Student Enrollment (FTE)	2,387	2,404	2,366	2,371	2,431	2,374	2,365	2,347	2,308	2,344
Student/Faculty Ratio	8.7	9.0	8.1	8.1	8.1	7.8	7.4	7.2	6.7	7.1
Admissions and Enrollment										
Number of First-Year Student Applications	3,974	4,017	4,001	4,156	4,267	4,400	4,478	4,795	4,710	4,888
First-Year Students Admitted as a % of Applicants	36.1%	35.7%	36.0%	35.2%	33.7%	31.0%	30.1%	28.9%	30.1%	28.4%
First-Year Students Enrolled as a % of Students Admitted	40.9%	41.1%	41.3%	40.3%	44.0%	42.0%	43.4%	42.9%	41.8%	42.5%
Sticker Price										
Tuition and Fees	$33,072	$34,994	$36,640	$38,062	$39,666	$40,660	$42,082	$43,554	$45,078	$46,836
Room and Board	$10,216	$10,826	$11,336	$11,786	$12,284	$12,590	$13,032	$13,488	$13,960	$14,504
Comprehensive Fee	$43,288	$45,820	$47,976	$49,848	$51,950	$53,250	$55,114	$57,042	$59,038	$61,340
Financial Aid and Net Price										
Percentage of Students Receiving Financial Aid Grant Assistance	53%	52%	54%	55%	58%	57%	58%	58%	58%	62%
Average Financial Aid Grant as % of Comprehensive Fee	61%	62%	66%	67%	69%	69%	69%	66%	68%	65%
Average Financial Aid Grant per Aided Student	$26,588	$28,364	$31,501	$33,497	$35,773	$36,656	$37,990	$37,523	$39,988	$41,188
Net Student Charge Revenue per Student FTE	$27,953	$29,421	$29,877	$30,616	$30,979	$32,118	$32,872	$34,015	$35,689	$36,963
Cost and Share of Cost Charged and Paid										
Total College Expenditures per Student FTE	$77,791	$78,341	$81,929	$78,451	$77,748	$82,662	$87,953	$89,496	$92,581	$96,110
Comprehensive Fee as a Percentage of Total College Expenditures per Student FTE	56%	58%	59%	64%	67%	64%	63%	64%	64%	64%
Net Student Charge Revenue per Student as a Percentage of Total College Expenditures per Student FTE	36%	38%	36%	39%	40%	39%	37%	38%	39%	38%
Resources/Fundraising ($000s)										
Unrestricted Gifts - current use	$8,421	$8,413	$8,847	$8,847	$8,690	$9,177	$9,390	$9,731	$8,740	$8,656
Restricted Gifts - current use	$13,624	$9,137	$8,217	$8,330	$9,211	$8,699	$9,908	$19,977	$8,306	$14,567
Endowment Gifts	$5,501	$6,056	$4,958	$4,068	$7,810	$6,863	$3,918	$34,336	$15,285	$15,431
Planned Gifts	$1,389	$2,943	$3,389	$1,219	$1,409	$6,990	$4,329	$3,504	$1,860	$3,179
Bequests	$13,017	$4,210	$6,349	$7,555	$8,666	$5,242	$7,766	$11,464	$13,199	$10,652
Facilities Gifts	$22,227	$7,006	$6,482	$3,098	$2,315	$2,442	$7,154	$17,104	$5,088	$7,611
Total Fundraising	$64,179	$37,765	$38,242	$33,117	$38,101	$39,413	$42,465	$96,116	$52,479	$60,097
Number of Alumnae Donors	15,160	14,561	13,527	14,177	14,562	13,388	15,017	16,396	15,355	14,596
Percentage of Alumnae Contributing	50%	47%	44%	45%	47%	45%	49%	53%	50%	48%
Unrestricted Gifts and Total Bequests as % of Total Expenditures	12%	7%	8%	9%	9%	7%	8%	10%	10%	9%
Endowment										
Endowment Market Value ($000s)	$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	$1,784,479
Endowment per Student FTE	$761,600	$729,385	$581,955	$604,566	$666,135	$652,609	$666,527	$781,481	$815,005	$761,297
Endowment Income per Student FTE	$31,209	$31,857	$34,319	$36,530	$32,541	$33,021	$33,795	$34,720	$35,772	$35,581
Endowment Income as Percentage of Total Expenditures	40%	41%	42%	47%	42%	40%	38%	39%	39%	37%
Endowment Income Used to Support Operations as a Percentage of: Beginning of Year Market Value	4.7%	4.6%	5.4%	6.4%	5.8%	5.3%	5.3%	5.2%	4.5%	4.4%
Other										
Gross Square Feet of Buildings	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	2,593,703
Library Collections in Volumes	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	2,185,052

Schedule D

Total Sources of Student Financial Aid—Grants and Work Assistance 2007–2016 (in $000s)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Percentage Change (2007 - 2016)
Restricted Sources											
Endowment Income	$ 21,922	$ 22,823	$ 24,292	$ 25,920	$ 23,791	23,772	24,231	24,811	25,138	25,467	16.2%
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	23,922	24,823	26,292	27,920	25,791	25,772	26,231	26,811	27,138	27,467	14.8%
Restricted Annual Gifts	3,678	3,478	3,339	2,718	1,686	1,474	1,761	1,782	1,695	1,785	(51.5%)
Federal Government											
Pell Grants	1,110	1,203	1,402	2,018	2,467	2,058	2,055	1,925	1,929	2,069	86.4%
Supplemental Educational Opportunity Grants	358	339	348	337	330	307	307	301	228	315	(12.0%)
College Work Study Program - Federal Government Share	322	333	342	383	322	322	322	322	322	322	0.0%
Total Federal Government Grants	1,790	1,875	2,092	2,738	3,119	2,687	2,684	2,548	2,479	2,706	51.2%
Commonwealth of Massachusetts	268	268	238	143	184	171	169	162	152	88	(67.4%)
Total Restricted Sources	**29,658**	**30,444**	**31,961**	**33,519**	**30,780**	**30,104**	**30,845**	**31,303**	**31,463**	**32,045**	8.0%
Unrestricted Sources											
General College Revenues	**5,890**	**7,826**	**9,249**	**13,049**	**18,675**	**19,843**	**21,771**	**22,555**	**21,771**	**27,020**	358.7%
Total Financial Aid from all sources	**$ 35,548**	**$ 38,270**	**$ 41,210**	**$ 46,568**	**$ 49,455**	**$ 49,947**	**$ 52,616**	**$ 53,858**	**$ 53,234**	**$ 59,065**	66.2%
% of Aid funded by Restricted Sources	83.4%	79.6%	77.6%	72.0%	62.2%	60.3%	58.6%	58.1%	59.1%	54.3%	

Note: Pell Grants are not included as part of Financial Aid expenditures on Schedule A per audit reporting standards

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%
2016	$1,787,479	$659.15	2,707,242.661	$30.76	(1.50%)

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

Audited Financial Statements

Report of the Independent Auditors

To the Board of Trustees of Wellesley College:

We have audited the accompanying financial statements of Wellesley College (the "College"), which comprise the statement of financial position as of June 30, 2016 and 2015, 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 College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wellesley College as of June 30, 2016 and 2015, and the changes in its net assets 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, 2016

PricewaterhouseCoopers LLP, 101 Seaport Boulevard, Suite 500, Boston, MA 02210
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Statements of Financial Position

June 30, 2016 and 2015 (in $000s)

	2016	2015
Assets		
Cash and cash equivalents	$ 60,682	$ 74,923
Cash and cash equivalents, restricted	-	18,232
Accounts receivable, net	8,697	3,008
Loans receivable, net	8,249	8,644
Contributions receivable, net	88,081	61,868
Grants receivable	4,348	2,052
Prepaid, inventory and other assets	6,485	7,334
Operating investments	27,450	43,445
Investments	1,823,588	1,886,519
Planned giving investments	62,293	65,711
Land, buildings and equipment, net	332,586	312,380
Total assets	$ 2,422,459	$ 2,484,116
Liabilities		
Accounts payable and accrued expenses	$ 61,316	$ 40,757
Student deposits and deferred revenues	1,078	1,190
Advances under grants and contracts	5,455	5,945
Annuities and unitrusts payable	31,185	30,988
Asset retirement and environmental obligations	23,383	21,884
Accrued pension liability	34,435	22,117
Bonds payable	231,542	234,553
Government loan advances	4,480	4,569
Total liabilities	392,874	362,003
Net Assets		
Unrestricted	601,503	653,496
Temporarily restricted	877,416	933,579
Permanently restricted	550,666	535,038
Total net assets	2,029,585	2,122,113
Total liabilities and net assets	$ 2,422,459	$ 2,484,116

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

Statement of Activities

June 30, 2016 and 2015 (in $000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Operating revenues				
Tuition and fees	$ 112,070	$ -	$ -	$ 112,070
Room and board	31,567	-	-	31,567
Less: Financial aid		-	-	
Donor sponsored	(28,678)	-	-	(28,678)
Institutionally sponsored	(28,318)	-	-	(28,318)
Net tuition and fees	86,641	-	-	86,641
Auxiliary operations	6,499	-	-	6,499
Government grants	6,032	-	-	6,032
Private gifts and grants	22,808	12,349	-	35,157
Investment return designated for operations	40,473	42,930	-	83,403
Other	3,937	-	-	3,937
Net assets released from restrictions	46,051	(46,051)	-	-
Total operating revenues	212,441	9,228	-	221,669
Operating expenses				
Instruction and departmental research	98,130	-	-	98,130
Sponsored research and other programs	12,842	-	-	12,842
Library	9,516	-	-	9,516
Student services	38,173	-	-	38,173
General administration	16,674	-	-	16,674
General institutional	37,522	-	-	37,522
Auxiliary operations	12,424	-	-	12,424
Total operating expenses	225,281	-	-	225,281
Change in net assets from operating activities	(12,840)	9,228	-	(3,612)
Nonoperating activities	-			
Investment return, net of spending allocation	(28,924)	(96,601)	1,294	(124,231)
Matured planned giving agreements	908	(943)	35	-
Gifts and pledges	2,420	29,102	21,904	53,426
Pension related changes other than net periodic pension cost	(9,203)	-	-	(9,203)
Net realized/unrealized loss on interest swap	(9,665)	-	-	(9,665)
Gain on sale of property	757	-	-	757
Net assets released from restrictions	188	(188)	-	-
Transfers between restrictions	4,366	3,239	(7,605)	-
Total nonoperating revenues	(39,153)	(65,391)	15,628	(88,916)
Net change in net assets	(51,993)	(56,163)	15,628	(92,528)
Net assets				
Beginning of year	653,496	933,579	535,038	2,122,113
End of year	$ 601,503	$ 877,416	$ 550,666	$ 2,029,585

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

Statement of Activities

June 30, 2016 and 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 loss 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 Cashflows

June 30, 2016 and 2015 (in $000s)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (92,528)	$ 82,328
Adjustment to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	15,757	16,431
Contributions restricted for long-term purposes	(62,453)	(35,978)
Donated securities received	(4,163)	(11,339)
Realized and unrealized losses (gains) on investments	35,963	(93,591)
Change in discount and allowance for doubtful accounts	7,138	3,764
Pension related changes other than net periodic pension cost	9,203	5,670
Unrealized loss on interest rate swap	9,665	2,121
Gain on sale of plant and equipment	(757)	(37,345)
Changes in operating assets and liabilities		
Accounts receivable, net	(5,689)	(1,447)
Contributions receivable, net	(33,266)	(21,463)
Grants receivable	(2,296)	(266)
Prepaid, inventory and other assets	849	(1,588)
Accounts payable and accrued expenses	8,436	430
Student deposits and deferred revenue	(112)	(939)
Advances under grants and contracts	(579)	(110)
Annuities and unitrusts payable	197	(132)
Net cash used in operating activities	(114,635)	(93,454)
Cash flows from investing activities		
Purchases of land, buildings and equipment	(29,478)	(33,184)
Proceeds from sale of land, buildings and equipment	485	37,479
Proceeds from student loans collections	359	353
Student loans issued	(49)	(377)
Decrease in restricted cash for construction funds	18,232	36,769
Purchases of investments	(640,849)	(562,398)
Proceeds from sales and maturities of investments	687,323	610,818
Net cash provided by investing activities	36,023	89,460
Cash flows from financing activities		
Proceeds from contributions for		
Investment in endowment	21,976	14,855
Investment in planned giving	1,733	59
Plant and equipment	38,744	21,063
Proceeds from sale of donated securities restricted for long term purposes	4,163	11,339
Payments on bonds and notes payable	(2,856)	(2,695)
Net cash provided by financing activities	63,760	44,621
Net increase (decrease) in cash and cash equivalents	(14,852)	40,627
Cash and cash equivalents		
Beginning of year	74,934	34,307
End of year	$ 60,082	$ 74,934
Contributed securities	$ 4,163	$ 11,339
Cash paid for interest	8,139	8,025
Capital additions included in accounts payable and accrued expenses	7,625	553
Net change in securities lending	-	(263)

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

Notes to Financial Statements

June 30, 2016 and 2015

1. Summary of Significant Accounting Policies

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. The College records as unrestricted net assets any donor-restricted contributions for which the donor-imposed restrictions are met in the same reporting period as the contribution is received.

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

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

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

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

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

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.

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 $776,000 and $0 deficiencies of donor-restricted endowment funds for the years ended June 30, 2016 and June 30, 2015, respectively.

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 longterm 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, 2016. 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 known 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.

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.

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 2016 and 2015, are reported net of allowances for doubtful accounts of $287,000 and $373,000, respectively. Loans receivable for 2016 and 2015, are reported net of allowances for doubtful loans of $701,000 and $709,000, 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.

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.

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.

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

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).

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, 2016 and 2015. The correlating room and board expenses are included in the student services functional line item on the Statement of Activities.

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

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.

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.

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.

New Accounting Pronouncements

In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07 “Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its equivalent)”, which removes the requirement to categorize within the fair value hierarchy and make certain disclosures for all investments for which fair value is measured using the net asset value per share (or its equivalent) practical expedient. In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The College has chosen to adopt this accounting standard in fiscal year 2016.

In January of 2016, the FASB issued Accounting Standards Update (ASU) 2016-01 “Recognition and Measurements of Financial Assets and Financial Liabilities”, which includes a provision to remove the requirement for nonpublic entities to disclose the fair value of debt. The College has chosen to adopt this provision of the accounting standard in fiscal year 2016.

In May 2014, the FASB issued Accounts Standards Update (ASU) 2014-09 Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The College is evaluating the impact this will have on the financial statements beginning in Fiscal Year 2019.

2. Contributions Receivable

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

	2016	2015
Unconditional promises expected to be collected in		
Less than one year	$ 2,378	$ 3,380
One year to five years	51,799	52,792
Over five years	50,761	15,500
	104,938	71,672
Less: Discounts and allowance for uncollectible accounts	16,857	9,804
Net contributions receivable	$ 88,081	$ 61,868

Contributions receivable expected to be collected within one year are recorded at their net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured at the time of the contribution using rates indicative of the market and credit risk associated with the contribution. Discount rates used to calculate the present value of contributions receivable ranged from 2.6% to 5.1% at June 30, 2016 and 2015.

3. Land, Buildings and Equipment

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

	2016	2015
Land and land improvements	$ 50,093	$ 50,093
Buildings and building improvements	463,538	459,640
Equipment	8,152	8,235
Construction in progress	77,325	45,427
	599,108	563,395
Less: Accumulated depreciation	266,522	251,015
	$ 332,586	$ 312,380

Depreciation expense was $15,912,000 and $16,587,000 for the years ended June 30, 2016 and 2015, respectively.

The College recognized $963,936 and $922,000 of operating expenses relating to the accretion of environmental liabilities associated with the asset retirement obligations for the years ended June 30, 2016 and 2015, respectively. Conditional asset retirement obligations of $23,383,000 and $21,884,000 at June 30, 2016 and 2015, 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 for the year ended June 30, 2015 as gain on sale of property. These proceeds were invested alongside the endowment, with a fair value at June 30, 2016 of $32,984,000, and are included in the investment balance in the Statement of Financial Position.

4. Investments

The book and fair values of investments at June 30, 2016 and 2015 were as follows:

($000s)	2016 Book Value	2016 Fair Value	2015 Book Value	2015 Fair Value
Investments				
Investments pooled				
Cash and cash equivalents	$ 91,498	$ 90,909	$ 113,386	$ 113,386
Bonds	67,187	72,050	63,579	61,743
Equities	380,615	568,517	340,229	576,088
Private equity	316,232	391,799	296,294	386,791
Real assets	282,330	212,910	284,813	241,569
Absolute return	359,325	464,502	357,091	478,563
Other assets	851	851	851	851
Total pooled investments	1,498,038	1,801,538	1,456,243	1,858,991
Faculty mortgage Subvention	4	4	3	3
Faculty mortgages	21,816	21,833	27,272	27,312
Total pooled investments and faculty mortgages	1,519,858	1,823,375	1,483,518	1,886,306
Investments not pooled				
Cash and cash equivalents	213	213	213	213
Total investments not pooled	213	213	213	213
Total investments	1,520,071	1,823,588	1,483,731	1,886,519
Other investments				
Restricted construction funds	30,678	27,450	45,000	43,445
Total other investments	30,678	27,450	45,000	43,445
Total all investments	$ 1,550,749	$ 1,851,038	$ 1,528,731	$ 1,929,964
Planned giving investments				
Separate Pooled Funds				
Cash and cash equivalents	$ 697	$ 697	$ 1,259	$ 1,259
Bonds	11,770	12,344	13,598	13,952
Equities	22,125	24,780	22,186	25,663
Total pooled funds	34,592	37,821	37,043	40,874
Unitrusts				
Cash and cash equivalents	433	433	341	341
Bonds	3,246	3,403	4,026	4,133
Equities	4,741	8,713	4,539	8,833
Other assets	2,034	2,034	1,887	1,887
Assets held by trustees	9,889	9,889	9,643	9,643
Total funds not pooled	20,343	24,472	20,436	24,837
Total planned giving investments	$ 54,935	$ 62,293	$ 57,479	$ 65,711

The majority of College investments are invested in the College's long term investment pool. Assets in this pool include endowment assets, faculty mortgages, proceeds from sale of real estate assets, and planned giving assets.

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

Included in the Cash, Bonds and Equity portfolios are various investment vehicles including separate accounts, commingled funds, and hedge funds. The following table illustrates the detail of these holdings for the years ended June 30, 2016 and 2015 ($000):

2016	Separate Account	Commingled Funds	Hedge Funds	Total
Cash and cash equivalents	$ 65,361	$ -	$ 2,471	$ 67,832
Bonds	15,985	35,119	20,946	72,050
Equities	74,629	203,499	287,926	566,054
	$ 155,975	$ 238,618	$ 311,343	$ 705,936

2015	Separate Account	Commingled Funds	Hedge Funds	Total
Cash and cash equivalents	$ -	$ -	$ 35,398	$ 35,398
Bonds	-	43,243	18,500	61,743
Equities	63,899	215,140	294,698	573,737
	$ 63,899	$ 258,383	$ 348,596	$ 670,878

The College's investment return from pooled investments and planned giving investments was as follows for the years ended June 30, 2016 and 2015 ($000s):

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest (net of investment expenses of $15,573)	$ (22)	$ (2,909)	$ 1,294	$ (1,637)
Net realized and unrealized gains/losses	(1,379)	(37,812)	-	(39,191)
Total return on endowment and planned giving investments	(1,401)	(40,721)	1,294	(40,828)
Investment return designated for current operations	(27,523)	(55,880)		(83,403)
	$ (28,924)	$ (96,601)	$ 1,294	$ (124,231)

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest (net of investment 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

The total return consisting of realized and unrealized gains and losses and dividends and interest net of investment management and custodial fees was (1.50)% and 5.91% for the fiscal years ended June 30, 2016 and 2015, respectively.

5. Fair Value Disclosures

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

Level 1 Observable inputs such as quoted prices in active markets;

Level 2 Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data.

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, 2016 and 2015.

	2016				
($000s)	**NAV Practical Expedient**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments					
Equities	$ 493,889	$ 74,629	$ -	$ -	$ 568,518
Bonds	56,065	15,985	-	-	72,050
Private equity	391,799	-	-	-	391,799
Real assets	212,910	-	-	-	212,910
Absolute return	439,913	24,589	-	-	464,502
Cash and other assets	25,158	88,651	-	-	113,809
Planned giving investments	62,268	25	-	-	25
Total assets at fair value	$ 1,682,002	$ 203,879	$ -	$ -	$ 1,823,613
Interest rate swap				22,348	22,348
Total liabilities at fair value	$ -	$ -	$ -	$ 22,348	$ 22,348

	2015				
($000s)	**NAV Practical Expedient**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments					
Equities	$ 512,189	$ 63,899	$ -	$ -	$ 576,088
Bonds	61,743	-	-	-	61,743
Private equity	386,670	-	-	-	386,670
Real assets	241,060	-	-	-	241,060
Absolute return	399,313	79,250	-	-	478,563
Cash and other assets	63,515	81,497	-	-	145,012
Planned giving investments	65,711	-	-	-	65,711
Total assets at fair value	$ 1,730,201	$ 224,646	$ -	$ -	$ 1,954,847
Interest rate swap				12,683	12,683
Total liabilities at fair value	$ -	$ -	$ -	$ 12,683	$ 12,683

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 liabilities carried at fair value as of June 30, 2016 and 2015 that are classified within Level 3 of the fair value hierarchy.

	2016					
($000s)	**Balance at July 1, 2015**	**Realized and Unrealized Gains/Losses**	**Purchases**	**Sales**	**Transfer in/ (out) of Level 3**	**Balance at June 30, 2016**
Interest rate swap - asset/liability	$ (12,683)	$ (9,665)	$ -	$ -	$ -	$ (22,348)
Balances at June 30, 2016	$ (12,683)	$ (9,665)	$ -	$ -	$ -	$ (22,348)

($000s)	Balance at July 1, 2014	Realized and Unrealized Gains/Losses	Purchases	Sales	Transfer in/ (out) of Level 3	Balance at June 30, 2015
	2015					
Interest rate swap - asset/liability	$ (10,562)	$ (2,121)	$ -	$ -	$ -	$ (12,683)
Balances at June 30, 2015	$ (10,562)	$ (2,121)	$ -	$ -	$ -	$ (12,683)

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, 2016 and 2015.

($000s)	NAV in Funds	Unfunded Commitments	Timing to Draw Commitments	Redemption Terms/Restrictions
	2016			
Investment				
Private equity	$ 391,799	$ 216,454	1 to 12 years	Funds are in private equity structure, with no ability to redeem
Real assets	212,910	99,886	1 to 12 years	Funds are in private equity structure, with no ability to redeem
Equities	493,889			89% of NAV is redeemable within 90 days; 5% of NAV is redeemable within a year; remaining 6% has a multi-year redemption period.
Bonds	56,065			75% of NAV is redeemable within 90 days; 13% of NAV is redeemable within 90 days; remaining 12% has a multi-year redemption period.
Absolute return	464,502	8,603	1 to 4 years	45% of NAV is redeemable within 90 days: 35% is redeemable within a year; remaining 20% has a multi-year redemption period.
Other assets	25,158			22% of NAV is redeemable within 90 days; 16% of NAV is redeemable within a year; 62% of NAV has a multi-year redemption period.
	$ 1,644,323	$ 324,943		

($000s)	NAV in Funds	Unfunded Commitments	Timing to Draw Commitments	Redemption Terms/Restrictions
	2015			
Investment				
Private equity	$ 386,670	$ 187,884	1 to 12 years	Funds are in private equity structure, with no ability to redeem
Real assets	241,060	121,272	1 to 12 years	Funds are in private equity structure, with no ability to redeem
Equities	512,189			96% of NAV is redeemable within 90 days; 3% of NAV is redeemable within a year; remaining 1% has a multi-year redemption period.
Bonds	61,743			70% of NAV is redeemable within 90 days; 10% of NAV is redeemable within 90 days; remaining 20% has a multi-year redemption period.
Absolute return	478,562	10,153	1 to 4 years	44% of NAV is redeemable within 90 days: 40% is redeemable within a year; remaining 16% of NAV has a multi-year redemption period
Other assets	63,515			41% of NAV is redeemable within 90 days; 12% of NAV is redeemable within a year; remaining 47% has a multi-year redemption period.
	$ 1,743,739	$ 319,309		

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.

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 endowment funds were as follows as of June 30:

	2016	2015
Investments in pooled funds and faculty mortgages, market value ($000s)	$ 1,790,390	$ 1,886,306
Total number of units	2,716,209	2,695,201
Market value per unit	659.15	699.88
Distribution per unit	30.76	30.57

The following are the components of the pooled and nonpooled endowment funds at market value at June 30, 2016 and 2015 ($000s):

	Units	Pooled Endowment	Nonpooled Endowment	Total Endowment
2016 Funds				
Endowment and similar funds				
Endowment funds	1,764,978	$ 1,163,385	$ -	$ 1,163,385
Temporarily restricted funds	94,791	62,269	213	62,482
Quasi-endowment	856,440	564,523	-	564,523
	2,716,209	$ 1,790,177	$ 213	$ 1,790,390

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

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 long term investment pool and are reflected either as part of the College's net assets or a pension liability. The market value of the assets totaled $17,773,000 and $17,070,000 at June 30, 2016 and 2015, respectively.

Mortgages due from faculty of $21,833,000 and $27,321,000 at June 30, 2016 and 2015, 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 $5,911,000 and $5,332,000 at June 30, 2016 and June 30, 2015, respectively. These assets are included within the investments total on the Statement of Financial Position.

8. Bonds Payable and Lines of Credit

Indebtedness at June 30, 2016 and 2015 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 $6,280,000 and $6,230,000 during fiscal years 2016 and 2015, 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, 2016 and 2015, restricted cash included $0 and $18,232,000, 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, 2016 and 2015, operating investments included $27,450,000 and $43,445,000, 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 first line of credit allows the College to borrow up to $40 million, with various terms and interest rates at LIBOR plus 1/5 of 1%. This line of credit can be used for varying purposes and expires on March 23, 2017. As of June 30, 2016 and 2015, there were no amounts outstanding under this line of credit. The second line of credit, entered into in February 2013, allows the College to borrow up to $50 million with various terms and interest rates. The College would utilize this line of credit in the event of a failed remarketing with respect to the variable rate demand bonds. This line of credit expires on February 10, 2017, and there were no amounts outstanding as of June 30, 2016 and 2015. Based on the repayment and maturity terms under the line of credit, if the variable rate demand bonds failed to remarket in their entirety as of June 30, 2016, the aggregate scheduled principal payments would be as follows: $84,185,000, $83,185,000, $82,185,000, $81,085,000 in fiscal years 2017, 2018, 2019, and 2020, respectively.

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

	2016	**2015**
MDFA, Series I, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2016 was 0.03%.	$ 57,385	$ 57,385
MDFA, Series G, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2016 was 0.03%.	20,000	20,000
MDFA, Series E, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2022. The rate at June 30, 2016 was 0.03%.	6,800	7,800
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.	94,045	95,900
Total debt	228,030	230,885
Less unamortized bond issue costs	(1,387)	(1,420)
Add unamortized original issue premium	4,899	5,088
	$ 231,542	$ 234,553

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

2017	$ 3,020
2018	3,175
2019	3,325
2020	1,200
2021	2,730
Thereafter	214,580
Total bonds and notes payable	$ 228,030

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, 2016 and 2015, the market value of the swap agreement amounted to a liability of $22,348,000 and $12,683,000, 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 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 change in fair value resulted in a loss of $9,665,000 in 2016 and a loss of $2,121,000 in 2015. 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, 2016 and 2015.

The College has outstanding debt at June 30, 2016 as follows: fixed rate debt of $143,845,000 and variable rate debt of $84,185,000. 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.

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, 2016 and 2015, there is approximately $5,911,000 and 5,332,000, 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 4% to 6%. The liability of $31,185,000 and $30,988,000 at June 30, 2016 and 2015, 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 $8,793,000 and $8,676,000, respectively, for the years ended June 30, 2016 and 2015.

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, 2016 and 2015.

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

	2016	**2015**
Assumptions used to determine benefit obligations		
Discount rate	3.650%	4.400%
Rate of compensation increase	3.000%	3.000%
Assumptions used to determine net periodic benefit cost		
Discount rate	4.400%	4.200%
Expected return on plan assets	7.000%	7.200%
Rate of compensation increase	3.000%	3.000%
Change in projected benefit obligation ($000s)		
Benefit obligation at end of prior year	$ 71,484	$ 65,397
Service cost	2,212	2,150
Interest cost	3,090	2,699
Actuarial (gain) loss, net of administrative expenses paid	8,192	3,815
Benefits paid	(2,742)	(2,577)
Benefit obligation at end of year	$ 82,236	$ 71,484
Accumulated benefit obligation	$ 71,735	$ 62,454
Change in plan assets ($000s)		
Fair value of plan assets at end of prior year	$ 49,367	$ 49,847
Actual return on plan assets, net of administrative expenses	1,177	1,097
Employer contributions	-	1,000
Benefits paid	(2,742)	(2,577)
Fair value of plan assets at end of year	$ 47,802	$ 49,367
Funded status ($000s)		
Funded status	$ (34,435)	$ (22,117)
Components of net periodic benefit cost ($000s)		
Service cost	$ 2,212	$ 2,150
Interest cost	3,090	2,699
Expected return on plan assets	(3,210)	(3,558)
Amortization of prior service cost	55	55
Net loss (gain) on amortization	968	551
Net periodic benefit cost	$ 3,115	$ 1,897

($000s)		2016		2015
New net actuarial (gain) loss	$	10,226	$	6,276
Net (loss) gain on amortization		(968)		(551)
Amortization of prior service cost		(55)		(55)
	$	9,203	$	5,670
Amounts recognized in the statement of financial position consist of a liability ($000s)	$	(34,435)	$	(22,117)
Other changes in plan assets and benefit obligations recognized in unrestricted net assets ($000s)				
Net prior service cost		48		103
Net actuarial loss		28,630		19,373
	$	28,678	$	19,476

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 for both years.

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

		($000's)
2017	$	2,847
2018		2,857
2019		3,238
2020		3,202
2021		3,844
2022-2026		22,686

The College expects to make an employer contribution into the defined benefit plan of $1,700,000 in the 2017 fiscal year.

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

The 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	65 %
Real estate investment trust	5
Commodities	5
Fixed income	25
Cash and cash equivalents	0
	100 %

The following lists the Plan's asset allocation at June 30, 2016 and 2015:

Asset Category	**Value at June 30, 2016** *(000s)*	**2016**	**2015**
Equity securities	$ 27,085	56 %	60 %
Real estate investment trust	4,087	8	6
Commodities	1,452	3	4
Fixed income	13,887	29	24
Cash and cash equivalents	1,291	4	6
	$ 47,802	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, 2016 and 2015:

($000s)	2016	2015
Unrestricted		
Designated for specific purposes and plant	$ 65,923	$ 72,865
Quasi-endowment	535,580	580,631
	601,503	653,496
Temporarily restricted		
Endowment and similar funds including pledges	746,245	805,617
Annuity, life income and unitrusts including pledges	22,203	38,440
Deficiencies in donor-restricted endowments	776	-
Other restricted	108,192	89,522
	877,416	933,579
Permanently restricted		
Endowment including pledges	550,666	535,038
	550,666	535,038
	$ 2,029,585	$ 2,122,113

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, 2016, endowment net assets consisted of the following:

($000s)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 698,627	$ 527,779	$ 1,226,406
Board-designated (quasi) and other unrestricted funds	558,073	-	-	558,073
	$ 558,073	$ 698,627	$ 527,779	$ 1,784,479

Changes in endowment net assets for the year ended June 30, 2016, consisted of the following:

($000s)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 595,366	$ 776,743	$ 508,922	$ 1,881,031
Investment income, net of expenses	633	1,286	-	1,919
Net appreciation (realized and unrealized)	(11,238)	(22,907)	-	(34,145)
	584,761	755,122	508,922	1,848,805
Contributions and transfers to endowment	835	(615)	18,857	19,077
Appropriation of endowment assets for expenditure	(27,523)	(55,880)	-	(83,403)
Endowment net assets at end of year	$ 558,073	$ 698,627	$ 527,779	$ 1,784,479

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 (quasi) 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:

($000s)	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
	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

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 $71,000 and $90,000, respectively, for the years ended June 30, 2016 and 2015. 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 the DEP recommending that no remedial action be taken in respect of the groundwater portion of the site beyond periodic monitoring of hexavalent chromium concentrations. The 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 2016 or 2015 for remediation work for Lower Waban Brook. A liability of $2,494,000 has been recorded as of June 30, 2016 and 2015, 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 $339,188,000 and $325,005,000 as of June 30, 2016 and 2015, respectively, for the following:

($000s)	**2016**	**2015**
Alternative investments	$ 324,943	$ 319,309
Construction contracts	14,245	5,696
	$ 339,188	$ 325,005

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 2017.

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

14. Subsequent Events

The College has assessed the impact of subsequent events through October 28, 2016, the date the audited financial statements were issued, and has concluded that there are no such events that require adjustment to the audited financial statements or disclosure in the notes of the audited financial statements.

Board of Trustees

2015–2016

Wellesley College, 106 Central Street, Wellesley, Massachusetts 02481