WELLESLEY COLLEGE ANNUAL REPORT 2008–2009

WELLESLEY

ANNUAL REPORT FOR THE YEAR ENDED JUNE 30, 2009

REPORT OF THE PRESIDENT

October 2009

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

I am pleased to submit the annual financial report of Wellesley College for the 2008–2009 academic year. It was a year of unprecedented economic challenge and my update begins with a thank you to all who worked so tirelessly across campus to address the severe recession that we—and colleges and universities everywhere—confronted this year. It's been a heartening year—albeit a tough one. While the financial crisis has forced some hard decisions, it has also enabled us to reaffirm our priorities and stay focused on who we are and what we value: our dynamic academic enterprise and our historic commitment to need-blind admissions.

In the letters that follow, Andrew Evans, vice president for finance and treasurer, and Deborah Foye Kuenstner '80, chief investment officer, report on the financial status of the College and on how our endowment weathered the financial storm. I will touch on the financial highlights of this extraordinary year as I provide an overview of our accomplishments this year.

The Financial Context for the 2008–2009 Academic Year

When the decline in the value of Wellesley's endowment was projected to result in a $20 million deficit in the 2010–2011 academic year's operating budget, the Wellesley community stepped up to meet the challenge. A host of cost-saving ideas emerged from across the campus, some of which helped us to make significant inroads into the projected deficit.

We began to implement budget reductions when the magnitude of the looming deficit became clear. We reduced staff, operating expenses and discretionary spending, and imposed a salary freeze for all faculty and administrative staff (effective July 1). Implementing these reductions has often been painful, but I am convinced that our early actions will allow us to recover more quickly and will better position us to meet future challenges.

To adjust to the new economic realities, the senior staff and I continue to refine long-term plans, including a strategic reorganization of the administrative work of the College. This work of reorganization will be ongoing as we streamline our operations to become more efficient, and also realign functional areas within and across divisions. The new mandate to simplify our structure and operations has actually strengthened us as an institution. We are improving communications across the community and enhancing our ability to collaborate efficiently.

Wellesley's Priorities

In managing the budget and reorganizing administrative functions, our guiding principles are to preserve our core academic enterprise—that which makes us one of the finest liberal arts colleges in the world—and to maintain our unwavering commitment to affordability through Wellesley's generous financial aid program. It is a significant achievement that we stayed true to these priorities while substantially reducing next year's budget.

In fact, although the College's leadership team reduced many budget line items, the team actually increased the amount that will be devoted to financial aid next year, ensuring Wellesley's ability to work with each family during these uncertain economic times and to guarantee that every student who is admitted to Wellesley can attend. The College does not consider a family's ability to pay when it makes its admissions decisions, and once these decisions are made, we remain steadfast in our commitment to meet 100% of the financial need of every student eligible for our financial aid program. We view financial aid as an essential investment—one that ensures the College's ability to attract bright, talented young women from a wide range of experiences and socioeconomic backgrounds in order to deepen and enrich our academic community.

Our determination to preserve our core academic enterprise and to protect financial aid funding seems to resonate with the larger community:

- Wellesley had an increase in applications this year (applications were up by 2%), and the Class of 2013 is truly impressive. These young women represent a range of backgrounds and perspectives that spans 45 nations of citizenship.

- Despite dire predictions of a decline in charitable giving, the College had a successful fund-raising year—in which we emphasized the importance of supporting Wellesley's financial-aid program during economic downturns—with results placing us among the very top of peer institutions.

- Wellesley's Development Fund Report shows an increase of 1.3% in overall cash raised by the College compared to the previous year.

- Wellesley's Board of Trustees took the lead in demonstrating the importance of supporting the College at this time. Each and every board member contributed to the annual fund. Alumnae contributions to annual giving increased compared to the previous year.

- Both bequests and life income gifts to the College were up from the previous year: There was an 88% increase in the number of new life income gifts received, and a 15% increase in the dollar value of those gifts, totaling $3.3 million

Investing in the Future

Planning for the future is essential during challenging times, and our plans are driven by the goal of managing our resources strategically and in support of our institutional priorities. So while we've naturally and necessarily thought about what we can do without, we have also given considerable thought to what we cannot do without, what we must have to further Wellesley's mission and emerge stronger than ever.

To help ensure our premier position for the years to come, we also implemented several forward-looking investments to enhance our intellectual community:

- Wellesley recruited and hired 14 remarkable new professors who will supplement the intellectual diversity of our faculty and bring us new areas of specialization—all while preserving our enviable 9:1 student to faculty ratio and the close interaction between students and the faculty.

- Supported by gifts, including a $1.2 million distinguished visiting professorship, Wellesley launched its new Madeleine Korbel Albright Institute for Global Affairs, further establishing its leadership in international education. The Albright Institute will bring a focused international perspective to our liberal arts curriculum. It will be a place where scholars and practitioners can gather to research, reflect on, discuss, and debate global issues. It will be a place that will play a critical role in Wellesley's education of future women leaders across the world.

- Wellesley formalized a cooperative link with nearby Olin College, one of the country's leading engineering colleges, and Babson College, a top-ranked college for the study of entrepreneurship, to strengthen academic and social relationships—even as we maintain our important cross-registration with MIT. The colleges expect to realize some budgetary benefits from this cooperation, but our aim is to bring the schools' complementary strengths together to involve students in tackling some of the major issues of the day. By encouraging the integration of different perspectives, we anticipate deeper and more creative insight into problems and broader learning overall.

- We have reaffirmed our commitment to excellence in the arts through our search for the new director of the Davis Museum and Cultural Center—the only administrative search that we approved this year. Wellesley has been collecting and exhibiting visual art since 1889—making the College one of the first liberal arts institutions to establish a teaching collection. Since then, our arts curriculum and our museum have grown to become crucial and irreplaceable components of the outstanding liberal arts education we offer.

As the robust and dynamic intellectual life here at Wellesley continues to flourish, I take pride in the goodwill and resolve of our community. Despite very difficult economic times, our commitment to the Wellesley mission has been unwavering, and the intellectual vitality of the College continues at full strength.

I look forward to continuing this important work.

Yours truly,

H. Kim Bottomly
President

REPORT OF THE VICE PRESIDENT FOR FINANCE AND TREASURER

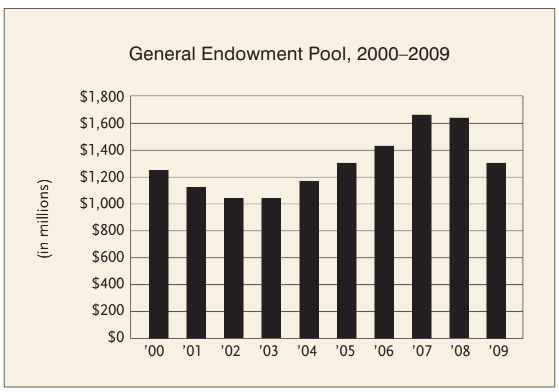
October 2009

To the Board of Trustees of Wellesley College

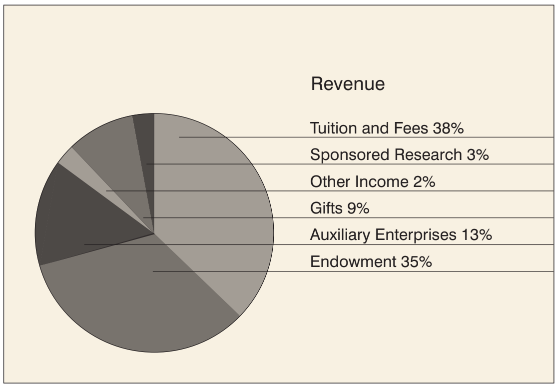
This Annual Report presents the operating and audited results at Wellesley College for the fiscal year ending June 30, 2009. For fiscal year 2008–2009 the College's net assets decreased by $373.5 million. The College's endowment decreased by $342 million and was valued at $1.29 billion as of June 30, 2009.

Results of Fiscal Year 2009

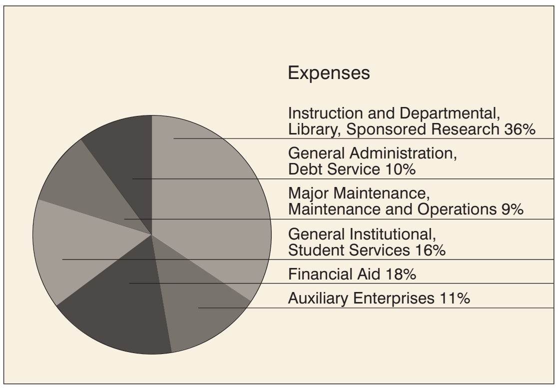
Wellesley College is an institution that is strong academically and remains strong financially despite the affects that the economic difficulties had on most institutions during this year. The negative investment return of 16.97% along with the spending from endowment needed to support the College's operations resulted in a decrease in endowment value from $1.63 billion to $1.29 billion. Further details about our endowment are discussed in the chief investment officer's report. The funds used during the year to support the operating budget and to fund various capital projects equaled 5.4% and 4.9% of the endowment market value for the one-year and the three-year rolling average, respectively. During the course of the year, the endowment per student decreased by 20.2% from $729,385 to $581,955 and gifts were at $38.2 million.



The operating budget (Schedule A) in this fiscal year reflects revenues and expenses totaling $226.8 million. The revenue base for the operating budget was well diversified with five principal revenue sources: tuition income 38%, endowment 35%, auxiliary enterprises, including room and board 13%, gifts used for operations 9% and other sources of revenue, including sponsored research 5%. Total operating revenues in this fiscal year increased by $5.4 million over fiscal year 2008.



Operating expenses had an incremental increase of 2.4% over fiscal year 2008. As might be expected in a labor-intensive institution, about 53% of the operating budget was used for salaries and benefits.



The state of the U.S. economy certainly affected the College's endowment with a negative investment return of 16.97% but it also affected other areas of the College for fiscal year 2009. The College's defined benefit pension plan for union employees was negatively impacted with investment losses and as a result, the College increased the pension liability by $13.8 million. At the end of each fiscal year, the 2008 interest rate swap is marked to market, which means that the market value of the swap is reflected in the College's financial statements. As of June 30, 2009, the College recorded a liability of $4.2 million to reflect the mark to market of the swap due to extremely low Treasury rates at June 30, 2009. Both of these adjustments resulted in a reduction to the College's net assets.

Financial Strength and Flexibility

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

The College's endowment spending policy attempts to address the need for a strong, stable growing income stream from the endowment to support operations and to address the long-term objective of maintaining the purchasing power of the endowment. The methodology for setting annual spending from endowment is based on a combination of prior year's spending and endowment value. As a general rule, the total amount spent needs to be within a 4.5% to 5.5% range of the prior year market value of the endowment. In fiscal year 2009, the one-year spending rate was 5.4%.

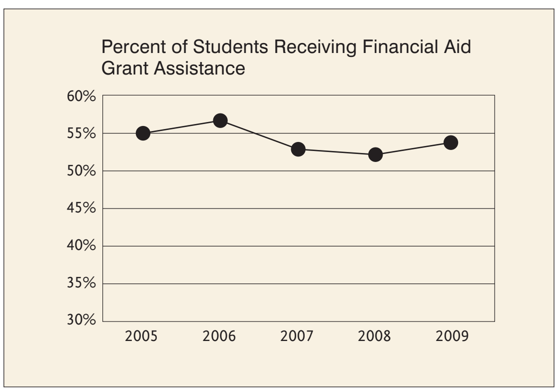
The budget process for the College is multiyear and built around institutional priorities, that allows for inclusiveness and institution-wide input, and that uses all sources of funds including restricted income sources. To build the budget for fiscal year 2010 a new management structure was formed with the dean of the college as chair of a senior staff budget subgroup. This subgroup's objective is to ensure that the College's budget aligns resources to the College's academic mission.

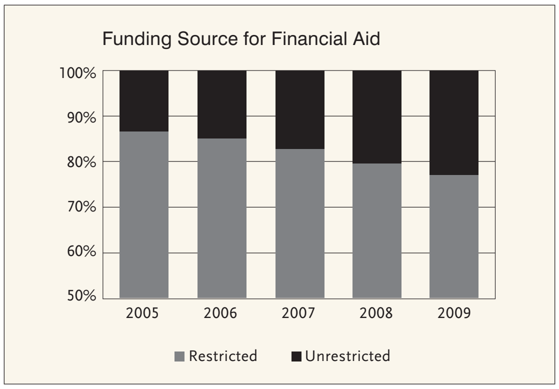
During fiscal year 2009, the College's endowment includes investments that were negatively affected by the downturn in the economy. The College took immediate steps to mitigate the negative impact that the fiscal year 2009 16.97% endowment loss will have on future operating budgets. These steps included reductions in discretionary spending, reorganizing the College to reduce positions and careful review construction projects. By the end of fiscal year 2009, the College reduced approximately 80 non-faculty positions, through attrition, through retirement, and through layoffs.

As shown in Schedule A, the growth in expenses equaled the growth in revenue in the operating budget. During fiscal year 2009, the College invested $20 million of existing operating cash in a manner consistent with how we invest the endowment. The cumulative excess investment return over typical short-term interest rates on these funds as of June 30, 2009 totaled approximately $1.4 million. This excess will be reserved and used to fund extraordinary items in the future.

Institutional Values and Priorities

One of the College's longest-held institutional values is our need-blind admission policy. Wellesley College believes that students should be considered for admission only on the basis of their talents and personal qualities, not on their ability to pay. The College continues to measure the effects of this important policy against other expenses. Over the past five years, there has been an increase in the use of unrestricted resources for financial aid as shown below. While the percent of students receiving financial aid assistance remains fairly constant over the past 5 years (54% to 55%), the percentage of student financial aid expenditures supported by restricted revenues has decreased from 87% in 2005 to 78% in 2009 resulting in a need to fund more of the expenditure in support of this important value with unrestricted resources.





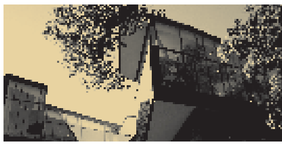
The maintenance and enhancement of the College's significant physical assets is an important institutional priority. With careful planning over the past few years, the budget for major maintenance now includes $5 to $6 million in each year's operating budget. During fiscal year 2009, the College continues to work on some of the projects identified in the Comprehensive Facilities Plan that was completed during fiscal year 2007. This plan established facilities-planning principles and factors for use in setting facilities priorities, and documented the College's use of space and future needs as well as evaluated the condition of facilities and their ability to meet long-term program needs.

Future Challenges and Outlook

The tumultuous economic events during 2009 will have an impact on the College's future endowment, debt, and operations. The College's multiyear budget process has been invaluable for planning; the College has responded quickly to prepare for the future. Much has been done in 2009 to balance operating budgets for future years but more work remains to address the projected deficits in the coming years due to projected reductions in endowment distributions. Under the leadership of President Bottomly, the College is positioned to meet the financial challenges of the future with the set of principles for financial strength and flexibility.

Respectfully submitted,

Andrew B. Evans
Vice President for Finance and Treasurer



REPORT OF THE CHIEF INVESTMENT OFFICER

October 2009

To the Board of Trustees of Wellesley College

As of the fiscal year ended June 30, 2009, the Wellesley College endowment had a market value of $1.287 billion, versus $1.629 billion on June 30, 2008, a decrease of approximately $342 million. The investment return for the year earned by the endowment portfolio, net of investment management fees, was –17.0%.

Recent Developments

During the twelve months of the fiscal year ended June 30, 2009 global capital markets experienced tremendous turmoil. A number of major financial institutions worldwide went to the brink, and in some cases, collapsed. For a time, credit markets all but ceased functioning. Government intervention in a wide range of financial markets around the world reached unprecedented levels. In this challenging period, Wellesley's endowment was able to support current operations, but lost significant value.

Given the depth and breadth of financial market distress, a loss of the magnitude that the endowment experienced was unavoidable, but it was smaller than that anticipated in the depth of the crisis. Strong results from Wellesley's fixed income investments provided an important cushion. Exposure to all other asset classes detracted from our results, although in nearly all categories, Wellesley's investment managers suffered less than the benchmark against which we measure them. Wellesley's investment returns by asset class and the performance versus benchmarks for each asset class, are summarized below.

TOTAL RETURN BY ASSET CLASS YEAR ENDED JUNE 30, 2009	WELLESLEY PORTFOLIO RETURN	MARKET BENCHMARK/ COMPARATIVE INDEX	
U.S. Equity	-22.4%	-26.2%	S&P 500
International Equity	-26.1	-30.9%	MSCI AC World ex-US
Private Equity	-12.5	—	Cambridge Associates [1]
Real Assets	-29.2	—	Real Assets Benchmark [2]
Semi-marketable [3]	-13.3	-14.5	Cambridge Associates Hedge Fund-of-Funds Index
Fixed Income	12.5	5.2	Fixed Income Benchmark [4]
Total Portfolio	-17.0%		

Longer-Term Results

The magnitude of the endowment's 2009 decline also impacted long-term returns. As shown below, compound annual returns over the last five and ten years were 5.6% and 7.3% respectively net of investment management fees. Long-term returns remain strong relative to alternative strategies; the College's well diversified endowment has significantly outperformed U.S. equity investments, represented by the S&P 500, as well as the 65% stock / 35% bond portfolio, as shown below. A gradual shift over the past several years from traditional asset classes to alternative asset classes with higher long-term return expectations has been a key catalyst to portfolio results.

TOTAL ANNUALIZED RETURN ON ENDOWMENT
ENDED JUNE 30, 2009

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Wellesley Portfolio	-17.0%	1.0%	5.6%	7.3%
S&P 500 Index	-26.2	-8.2	-2.2	-2.2
65/35 Stock/ Bond Portfolio[5]	-15.2	-2.7	0.7	1.0

Policy Portfolio and Strategy Going Forward

The College's investment strategy, overseen by the Wellesley College Investment Committee, is based on a long-term policy portfolio that serves as a guide for asset allocation. Developed in 2002 and reviewed annually by the investment committee, 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 investment office also focuses on adding value within each asset category through the selection of specific investments and investment managers. Our goal is to maintain a "best in class" set of investments within each of our targeted asset classes.

Portfolio allocation as of June 30, 2009 versus the policy portfolio is detailed in the table below. Exposure to total long-term alternative assets has now reached our long-term target of 50% of the portfolio. Relative to long-term policy portfolio targets, the endowment portfolio was over-weighted in fixed income and cash at the end of the fiscal year and under-weighted in traditional equities. The portfolio continues to maintain sufficient exposure to liquid investments to maintain the steady level of financial support it provides to the College's operations and to provide for portfolio liquidity needs.

ASSET CLASS	POLICY PORTFOLIO	JUNE 30, 2009 ALLOCATION
U.S. Equities	19%	16%
International Equities	19	15
Total Equities	38	31
Private Equity	16	22
Real Assets	16	16
Semi-marketable	18	12
Total Alternative Assets	50	50
Fixed Income	12	13
Cash	0	6
Total Portfolio	100%	100%

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

2 Real Assets Benchmark is a weighted average of the NCREIF Property, NCREIF Timber, Goldman Sachs Commodities Index and the Cambridge Associates Oil & Gas Index. Final returns have not yet been reported at the time of this writing for the Cambridge Associates Oil & Gas Index.

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

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

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

After a period of such turmoil, it is appropriate to examine the soundness of the underpinnings of our long-term strategy. We regularly review our assumptions and expectations with the goal of refining the assets held in the Wellesley portfolio to provide optimal risk/return characteristics. The disruptions in markets have created some attractive investment opportunities, and we have taken actions to increase the endowment's exposure to those areas.

Although financial markets have weathered a major storm, it is premature to forecast smooth sailing ahead. Happily, the success of the College's long-term investment strategy is not predicated on our ability to make accurate short-term assessments of market movements. A thoughtful and disciplined approach to asset allocation and manager selection will be the drivers of investment performance over the intermediate and long term.

The last fiscal year was also a time of transition for the investment office, as Jane Mendillo, the College's first CIO, departed in July 2008 to lead Harvard Management Company. Between Jane's departure and my arrival in early February 2009 the financial crisis was at its most intense. The staff of the investment office and the investment committee worked tirelessly through this period to navigate through the challenges presented by the markets, and the College community owes them a debt of gratitude. We would especially like to express our thanks to Lulu Chow Wang, who retired in June as a member of the investment committee after 20 years of giving generously of her time and wisdom.

It is safe to say that all college and university endowments face new challenges as a result of the credit crisis, and Wellesley is no exception. The College is fortunate, however, to have a thoughtful investment committee and an endowment portfolio invested with outstanding investment managers. Short-term investment results will undoubted vary, sometimes significantly as they did last year, but the portfolio is positioned to benefit from its exposure to traditional and nontraditional investments, carefully chosen and monitored for their quality, their contribution to the diversification of risk, and their long-term return potential.

Trustees and alumnae with questions, suggestions, or thoughts about the management of the Wellesley College endowment are invited to contact me at any time.

Thank you.

Sincerely,

Deborah F. Kuenstner
Chief Investment Officer

FINANCIAL HIGHLIGHTS

(in $000s)

	2005	2006	2007	2008	2009
Total College Summary					
Total Revenues	$338,366	$331,744	$491,051	$182,338	($122,136)
Total Expenses	189,269	219,273	224,722	225,903	252,458
Net Surplus (Deficit)	$149,097	$112,471	$266,329	($43,565)	($374,594)
Current Operations Summary					
Revenues including Trustee-approved use of unrestricted bequests	$189,422	$195,463	$213,514	$221,417	$226,808
Expenditures	189,420	195,460	213,507	221,416	226,803
Operating Surplus	$2	$3	$7	$1	$5
Resources					
Unrestricted Gifts	$8,024	$8,761	$8,421	$8,848	$8,268
Endowment Gifts and Bequests	36,943	23,854	19,908	10,266	18,556
Planned Gifts	1,626	2,411	1,389	2,943	3,389
Facilities Gifts	31,667	10,789	22,390	14,341	6,607
Current-Use Gifts and Grants	10,358	10,097	12,071	1,367	1,422
Total	$88,618	$55,912	$64,179	$37,765	$38,242
Endowment					
Market Value	$1,275,767	$1,412,604	$1,672,473	$1,629,447	$1,287,284
Total Return	$131,721	$175,886	$312,636	$12,487	($291,066)
Total Return Used for Operations	$65,219	$69,159	$74,496	$76,584	$81,199
Unit Value (not in $000s)	$550.55	$595.46	$691.71	$668.81	$523.84
Investment Return Total	11.5%	14.0%	22.7%	1.2%	(17.0%)
Yield	5.5%	5.9%	8.1%	7.8%	2.8%
Appreciation	6.0%	8.1%	14.6%	(6.6%)	(19.8%)
Average Endowment Operating Support (% of Average Market Value)					
One-Year Average	5.1%	5.0%	4.7%	4.6%	5.4%
Three-Year Average	5.2%	5.1%	4.9%	4.7%	4.9%
Assets					
Total College Net Assets	$1,527,121	$1,639,592	$1,905,921	$1,862,356	$1,488,848

SCHEDULES

SCHEDULE A

Summary Of Operating Revenues And Expenditures

Years ended June 30, 2009 and 2008 (in $000s)

	2009	2008	INCREASE (DECREASE)	%
Revenues from Operations				
Tuition and Fees	$86,543	$83,447	$3,096	3.7%
Endowment Income				
Education and General Support	54,863	52,569	2,294	4.4%
Total Endowment Support	54,863	52,569	2,294	4.4%
Unrestricted Gifts	8,299	8,413	1	.0%
Unrestricted Bequests	2,442	2,193	69	2.9%
Restricted Gifts and Use of Reserves	3,712	2,699	421	12.8%
Other Income	4,619	6,467	(2,097)	(31.2%)
Student Financial Aid				
Endowment Income	24,292	21,922	1,469	6.4%
Federal and State Grants	2,330	2,143	187	8.7%
Restricted Gifts	3,339	3,478	(139)	(4.0%)
Total Student Financial Aid	29,961	28,444	1,517	5.3%
Total Education and General	190,439	185,138	5,301	2.9%
Sponsored Research	6,237	6,179	58	.9%
Auxiliary Enterprises	30,132	30,100	32	.1%
Total Revenues	226,808	221,417	5,391	2.4%
Operating Expenditures				
Instruction and Departmental	64,508	65,219	(711)	(1.1%)
Library	6,632	6,458	174	2.7%
Student Services	11,322	11,735	(413)	(3.5%)
Student Financial Aid	41,210	38,270	2,940	7.7%
General Administration	15,518	11,106	971	39.7%
General Institutional	24,441	23,470	428	4.1%
Maintenance and Operations	15,970	15,542	28	2.8%
Debt Service	7,163	7,135	(316)	.4%
Major Maintenance, Capital Expenditures, and Reserves	5,280	5,596	(1,320)	(5.6%)
Total Educational and General Expenditures	192,044	184,531	7,513	4.1%
Sponsored Research	6,237	6,179	58	.9%
Other Programs	4,196	4,493	(297)	(6.6%)
Auxiliary Enterprises	24,326	26,213	(1,887)	(7.2%)
Total Expenditures	226,803	221,416	5,387	2.4%
Operating Surplus	$5	$1	$4	400.0%

SCHEDULE B

Ten-Year Financial Summary

2000–2009 (in $000s)

	2000	2001	2002	2003
Total Revenues				
Tuition and Fees	$53,669	$55,197	$57,491	$59,828
Investment Return	361,536	(87,307)	(51,431)	35,449
Private Gifts, Grants, Bequests and Contracts	94,098	62,234	49,355	52,261
Federal Grants and Contracts—Restricted	4,641	5,251	6,225	7,448
Sales and Services of Auxiliary Enterprises	23,180	24,120	24,059	24,493
Interest Income	3,333	2,910	1,253	747
Other	2,101	2,352	4,155	1,823
Total Revenues and Other Additions	542,558	64,757	91,107	182,049
Total Expenditures				
Instruction and Departmental	38,815	40,074	42,104	43,650
Library	4,849	5,195	5,574	5,602
Student Services	7,670	8,516	9,876	10,056
Maintenance and Operations	14,330	18,291	15,635	14,312
Provision for Depreciation	8,527	8,745	8,718	9,429
Interest on Indebtedness	5,194	5,077	4,237	4,712
General Administration	8,336	7,626	8,328	9,737
General Institutional	18,445	21,136	21,137	20,117
Student Financial Aid	18,281	19,189	20,878	23,479
Sponsored Research and Other Programs	9,932	10,138	12,681	12,115
Auxiliary Enterprise Expenditures	21,523	23,364	22,583	22,233
Other	1,290	—	—	—
Total Expenditures and Other Deductions	157,192	167,351	171,751	175,442
Excess of Revenue over Expenditures	$385,366	($102,594)	($80,644)	$6,607
Excess of Revenues over Expenditures as a Percent of Expenditures	245.2%	-61.3%	-47.0%	3.8%
Endowment Total Return Used to Support Current Operations	$47,546	$53,520	$54,931	$54,333
Endowment End-of-Year Market Value	$1,253,385	$1,136,426	$1,032,465	$1,043,937
Average Endowment Return Used to Support Current Operations as a Percent of:				
One Year — Beginning and Ending Market Value	4.2%	4.2%	5.0%	5.3%
Three Year — Average of Three Years	4.7%	4.4%	4.5%	4.8%
Tuition and Fees per Student				
Comprehensive Fee	$30,554	$31,654	$33,394	$34,944
Tuition	$22,894	$23,718	$25,022	$26,138
Enrollment (Average FTE)	2,248	2,212	2,195	2,191
Educational and General Costs per Student	$55,359	$60,510	$62,181	$64,397
Tuition as a Percent of Educational and General Expenses	41.4%	39.2%	40.2%	40.6%
Endowment per Student	$557,556	$513,755	$470,371	$476,466

2004	2005	2006	2007	2008	2009	AVERAGE ANNUAL PERCENT CHANGE SINCE 6/30/00 NOMINAL%	REAL%
$62,928	$66,989	$71,431	$79,298	$83,447	$86,543	5.4%	2.8%
152,797	131,721	175,886	312,636	12,487	(291,066)	(221.0%)	(223.6%)
63,101	105,136	47,336	58,547	41,631	43,396	4.5%	1.9%
5,608	4,567	4,560	5,121	4,983	4,800	2.7%	.1%
24,224	25,779	27,428	29,382	30,100	30,132	3.1%	.5%
713	713	1,598	2,402	2,207	526	4.8%	2.2%
3,434	3,461	3,505	3,665	7,483	3,533	15.4%	12.8%
312,805	338,366	331,744	491,051	182,338	($122,136)	6.4%	3.8%
47,746	51,035	54,663	60,474	64,458	63,789	5.9%	3.3%
5,556	5,909	5,818	6,239	6,473	6,576	3.2%	.6%
9,917	10,396	10,616	10,872	11,706	11,297	5.1%	2.5%
13,452	14,896	20,954	24,985	19,118	18,178	3.9%	1.3%
9,894	10,497	12,374	12,419	13,527	13,611	6.3%	3.7%
6,069	4,930	5,442	5,588	4,844	3,580	1.0%	(1.6%)
9,412	9,128	8,247	10,521	8,121	12,315	6.5%	3.9%
19,676	19,472	19,942	22,236	22,807	23,099	4.1%	1.5%
26,511	29,649	31,590	34,736	36,316	41,237	10.1%	7.5%
12,850	11,079	10,138	10,682	10,672	10,433	1.9%	(.7%)
21,617	22,278	23,632	25,052	26,020	24,291	1.8%	(.8%)
—	—	15,857	918	1,841	24,052		
182,700	189,269	219,273	224,722	225,903	$252,458	6.0%	3.4%
$130,105	$149,097	$112,471	$266,329	($43,565)	($374,594)		
71.2%	78.8%	51.3%	118.5%	-19.3%	-148.4%		
$59,639	$65,219	$69,159	$74,496	$76,584	$81,199	5.5% *	
$1,180,405	$1,275,767	$1,412,604	$1,672,473	$1,629,447	$1,287,284	.3% *	
5.1% 5.1%	5.1% 5.2%	5.0% 5.1%	4.7% 4.9%	4.6% 4.7%	5.4% 4.9%		
$36,513	$38,998	$41,030	$43,288	$45,820	$47,976	4.8%	2.2%
$27,314	$29,176	$30,696	$32,384	$34,770	$36,404	4.8%	2.2%
2,176	2,169	2,193	2,196	2,234	2,212	(.3%)	
$68,122	$71,882	$77,358	$85,642	$83,872	$87,560	6.6%	4.0%
40.1%	40.6%	39.7%	37.8%	41.5%	41.6%	(1.7%)	(4.3%)
$542,466	$588,182	$644,142	$761,600	$729,385	$581,955	9.3%	6.7%

* compound growth

SCHEDULE C

Key Statistics

	2005	2006	2007	2008	2009
Faculty / Student FTE Headcount					
Student Enrollment (Average FTE)	2,169	2,193	2,196	2,234	2,212
Faculty Teaching Strength (FTE)	224	231	236	241	248
Student/Faculty Ratio	9.68	9.49	9.31	9.27	8.92
Enrollment					
Number of First-Year Student Applications	3,944	4,347	3,974	4,017	4,001
First-Year Students Admitted as a % of Applicants	37.5%	33.7%	36.1%	35.7%	36.0%
First-Year Students Enrolled as a % of Applicants	15.6%	13.9%	14.7%	14.7%	14.9%
First-Year Students Enrolled as a % of Students Admitted	41.7%	41.4%	40.9%	41.1%	41.3%
Financial Aid					
Percent of Students Receiving Financial Aid Grant Assistance	55.0%	56.0%	53.0%	52.0%	54.0%
Average Financial Aid Grant as % of Comprehensive Fee	63.5%	59.6%	61.4%	61.9%	65.7%
Student Aid Expense as % of Educational and General Expense	19.0%	18.6%	18.5%	19.4%	19.4%
Educational and General Cost per Student	$71,882	$77,358	$85,642	$83,872	$87,560
Tuition as % of Educational and General Expense	40.6%	39.7%	37.8%	41.5%	41.6%
Development (in $000s)					
Total Development Fund-Raising	$88,618	$55,912	$64,179	$37,765	$38,242
Total Alumnae Giving Including Bequests	$65,665	$40,752	$46,812	$28,884	$29,714
Number of Alumnae Donors	15,450	15,113	15,160	14,561	13,527
Percent of Alumnae Contributing	51.0%	49.7%	49.6%	47.4%	43.6%
Total Unrestricted Gifts	$8,024	$8,761	$8,421	$8,848	$8,268
Total Planned Gifts	$1,626	$2,411	$1,389	$2,943	$3,389
Total Bequests	$36,295	$14,305	$13,017	$4,210	$6,349
Unrestricted Gifts and Bequests as % of Educational and General Expense	8.1%	5.2%	4.5%	4.4%	5.6%
Endowment					
Endowment Market Value (in $000s)	$1,275,767	$1,412,604	$1,672,473	$1,629,447	$1,287,284
Endowment per Student	$588,182	$644,142	$761,600	$729,385	$581,955
Endowment Income as % of Educational and General Expense	41.8%	40.8%	39.6%	40.9%	41.9%
Other					
Gross Square Feet of Buildings	2,643,000	2,643,000	2,600,000	2,598,000	2,594,031
Library Collections in Volumes	1,571,517	1,594,395	1,604,787	1,600,258	1,458,179

SCHEDULE D

Total Sources Of Student Financial Aid Grant And Work Assistance

(in $000s)

	2005	2006	2007	2008	2009
Unrestricted Revenue					
General College Revenues	$3,751	$4,822	$5,890	$7,826	$9,249
Total Unrestricted Revenue	3,751	4,822	5,890	7,826	9,249
Restricted Revenue					
Restricted Endowment					
Income	18,881	20,178	21,922	$22,823	$24,292
Income—Special Supplement	2,000	2,000	2,000	2,000	2,000
Federal Government					
Pell Grants	1,046	945	1,110	1,203	1,402
Supplemental Educational Opportunity Grants	401	388	358	339	348
College Work Study Program—Federal Government Share	359	331	322	333	342
Total Government Grants	1,806	1,664	1,790	1,875	2,092
Commonwealth of Massachusetts	238	239	268	268	238
Restricted Gifts	3,008	2,625	3,678	3,478	3,339
Total Restricted Revenue	25,933	26,706	29,658	30,444	31,961
Total Unrestricted and Restricted Revenues	$29,684	$31,528	$35,548	$38,270	$41,210

SCHEDULE E

Investment Of Endowment And Similar Funds And Planned Giving Funds

As of June 30, 2009 (in $000s)

	MARKET VALUE	% OF TOTAL
Investments Pooled		
Liquid Funds (Net of Payables and Receivables)	$77,438	6.11%
Fixed Income		
U.S. Bonds	145,601	11.50%
Non-U.S. Bonds	21,497	1.70%
Total Fixed Income	167,098	13.20%
Common Stocks		
U.S. Stocks	208,654	16.48%
Non-U.S. Stocks	192,319	15.19%
Total Common Stocks	400,973	31.67%
Alternative Assets		
Venture Capital	111,625	8.81%
Buyout Funds	103,701	8.19%
Hedge and Arbitrage Funds	147,349	11.63%
Oil and Gas	58,828	4.65%
Distressed Securities	59,905	4.73%
Real Estate	96,304	7.60%
Timberland	42,346	3.34%
Miscellaneous Other	870	0.07%
Total Alternative Assets	620,928	49.02%
Total General Pooled Investments	1,266,437	100.00%
Faculty Mortgages	20,645	
Total General Pooled Investments and Faculty Mortgages	1,287,082	
Investments Not Pooled	202	
Total Endowment and Similar Funds	1,287,284	
Planned Giving		
Separate Pooled Funds	13,526	
Unitrusts and Funds Not Pooled	49,559	
Total Planned Giving Funds	63,085	
Grand Total	$1,350,369	

SCHEDULE F

General Endowment Pool Annual Total Return Since Inception

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

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

AUDITED FINANCIAL STATEMENTS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
125 High Street
Boston MA 02110-2611
Telephone (617) 530 5000
Facsimile (617) 530 5001

To the Board of Trustees of Wellesley College:

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Wellesley College (the "College") at June 30, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Notes 1 and 5 to the financial statements, in 2009 the College adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*.

PricewaterhouseCoopers LLP

October 30, 2009

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008 (in $000s)

	2009	2008
Assets		
Cash and cash equivalents	$23,929	$18,538
Cash and cash equivalents, restricted	26,817	39,985
Accounts receivable, net	372	747
Loans receivable, net	9,280	8,801
Contributions receivable, net	47,724	46,950
Grants receivable	1,226	1,176
Prepaid, inventory and other assets	4,930	5,918
Investments	1,287,284	1,629,447
Planned giving investments	63,085	76,530
Collateral received for securities lending	54,233	103,246
Land, buildings, and equipment, net	292,180	285,785
Total assets	$1,811,060	$2,217,123
Liabilities		
Accounts payable and accrued expenses	$35,097	$26,665
Student deposits and deferred revenues	2,678	3,664
Advances under grants and contracts	2,390	2,166
Annuities and unitrusts payable	37,556	38,580
Asset retirement obligation	17,474	16,883
Accrued pension liability	15,866	2,056
Liability under securities lending transactions	54,233	103,246
Bonds and notes payable	152,349	156,938
Government loan advances	4,569	4,569
Total liabilities	322,212	354,767
Net Assets		
Unrestricted	506,452	649,079
Temporarily restricted	573,376	812,235
Permanently restricted	409,020	401,042
Total net assets	1,488,848	1,862,356
Total liabilities and net assets	$1,811,060	$2,217,123

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

STATEMENT OF ACTIVITIES

For the year ended June 30, 2009 (in $000s)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2009 TOTAL
Operating Revenues				
Tuition and Fees	$86,543	$—	$—	$ 86,543
Less financial aid				
Donor sponsored	(28,854)	—	—	(28,854)
Institutionally sponsored	(10,959)	—	—	(10,959)
Net tuition and fees	46,730	—	—	46,730
Auxiliary operations	30,132	—	—	30,132
Government grants	3,657	—	—	3,657
Private gifts and grants	18,588	3,712	—	22,300
Investment return designated for operations	39,088	42,111	—	81,199
Other	4,060	—	—	4,060
Net assets released from restrictions	44,871	(44,871)	—	—
Total operating revenues	187,126	952	—	188,078
Operating Expenses				
Instruction and departmental research	79,149	—	—	79,149
Sponsored research and other programs	10,433	—	—	10,433
Library	10,089	—	—	10,089
Student services	14,131	—	—	14,131
General administration	20,313	—	—	20,313
General institutional	24,776	—	—	24,776
Auxiliary operations	34,954	—	—	34,954
Total operating expenses	193,845	—	—	193,845
Nonoperating Activities				
Investment return, net of spending allocation	(127,591)	(244,087)	800	(370,878)
Matured planned giving agreements	1,830	(2,567)	737	—
Gifts and pledges	2,991	11,254	6,441	20,686
Pension related changes other than net periodic pension cost	(12,028)	—	—	(12,028)
Net realized/unrealized loss on interest swap	(5,521)	—	—	(5,521)
Net assets released from restrictions	4,411	(4,411)	—	—
Total nonoperating revenues	(135,908)	(239,811)	7,978	(367,741)
Net change in net assets	(142,627)	(238,859)	7,978	(373,508)
Net assets at beginning of year	649,079	812,235	401,042	1,862,356
Net assets at end of year	$506,452	$573,376	$409,020	$1,488,848

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

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008 (in $000s)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2008 TOTAL
Operating Revenues				
Tuition and Fees	$83,447	$—	$—	$83,447
Less financial aid				
Donor sponsored	(26,994)	—	—	(26,994)
Institutionally sponsored	(8,015)	—	—	(8,015)
Net tuition and fees	48,438	—	—	48,438
Auxiliary operations	30,100	—	—	30,100
Government grants	4,183	—	—	4,183
Private gifts and grants	18,006	2,796	—	20,802
Investment return designated for operations	36,585	39,999	—	76,584
Other	6,030	—	—	6,030
Net assets released from restrictions	43,020	(43,020)	—	—
Total operating revenues	186,362	(225)	—	186,137
Operating Expenses				
Instruction and departmental research	80,742	—	—	80,742
Sponsored research and other programs	10,672	—	—	10,672
Library	10,199	—	—	10,199
Student services	14,712	—	—	14,712
General administration	10,094	—	—	10,094
General institutional	24,585	—	—	24,585
Auxiliary operations	37,328	—	—	37,328
Total operating expenses	188,332	—	—	188,332
Nonoperating Activities				
Investment return, net of spending allocation	(765)	(63,483)	505	(63,743)
Matured planned giving agreements	3,366	(3,466)	100	—
Gifts and pledges	1,240	13,621	5,391	20,252
Other	3,962	—	—	3,962
Debt extinguishment charge	(1,540)	—	—	(1,540)
Net realized/unrealized loss on interest swap	(301)	—	—	(301)
Net assets released from restrictions	20,443	(20,443)	—	—
Total nonoperating revenues	26,405	(73,771)	5,996	(41,370)
Net change in net assets	24,435	(73,996)	5,996	(43,565)
Net assets at beginning of year	624,644	886,231	395,046	1,905,921
Net assets at end of year	$649,079	$812,235	$401,042	$1,862,356

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

STATEMENT OF CASH FLOWS

For the years ended June 30, 2009 and 2008 (in $000s)

	2009	2008
Cash Flows from Operating Activities		
Change in net assets	($373,508)	($43,565)
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	13,587	13,504
Contributions restricted for investments	(13,992)	(12,098)
Receipt of contributed securities	(1,442)	(5,898)
Realized and unrealized (gains) losses on investments	291,054	(7,141)
Change in discount and allowance for doubtful accounts	(1,392)	(1,311)
Pension related changes other than net periodic pension cost	12,028	(301)
Debt extinguishment charge	—	1,540
Unrealized loss (gain) on interest swap	4,213	(37)
Changes in operating assets and liabilities:		
Accounts receivable, net	315	802
Contributions receivable, net	703	2,126
Grants receivable	(50)	134
Prepaid, inventory and other assets	988	(261)
Accounts payable and accrued expenses	7,517	(7,469)
Student deposits and deferred revenue	(986)	(27)
Advances under grants and contracts	224	(147)
Annuities and unitrusts payable	(1,024)	(461)
Net cash used in operating activities	(61,765)	(60,309)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(20,931)	(17,247)
Proceeds from student loans collections	976	1,168
Student loans issued	(1,480)	(1,779)
Decrease (increase) in restricted cash for construction funds	1,599	(21,620)
Decrease (increase) in restricted cash for plant and equipment	11,567	(582)
Purchases of investments	(565,665)	(811,163)
Proceeds from sales and maturities of investments	631,663	874,256
Net cash provided by investing activities	57,729	23,033
Cash Flows from Financing Activities		
Proceeds from contributions for:		
Investment in endowment	7,207	7,186
Investment in planned giving	2,406	670
Plant and equipment	4,379	4,242
Bond and notes payable proceeds received, net	—	55,303
Payments on bonds and notes payable	(4,565)	(36,170)
Net cash provided by financing activities	9,427	31,231
Net (decrease) increase in cash and cash equivalents	5,391	(6,045)
Cash and cash equivalents, beginning of year	18,538	24,583
Cash and cash equivalents, end of year	$23,929	$18,538
Contributed securities	$1,442	$5,898
Cash paid for interest	$3,591	$4,996
Capital additions included in accounts payable and accrued expenses	$3,662	$4,587
Net change in securities lending	($49,013)	$15,426

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

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

Unrestricted—Net assets that are not subject to donor-imposed stipulations. These include all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets. This category includes realized and unrealized gains on unrestricted endowment. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, unrealized and realized gains and losses on unrestricted endowment, and receiving dividends and interest from investing in income producing assets, less expenses incurred in providing services, raising contributions, and performing administrative functions.

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

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

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

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

Non-operating 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. Non-operating activities also include net realized and unrealized gains and losses on the interest rate swap, debt extinguishment charges, and pension related changes other than net periodic pension costs.

(b) Cash Equivalents

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 endowment investments and planned giving investments, respectively. Restricted cash represents amounts for construction held by trustees in association with the Massachusetts Health and Education Facilities Authority (MHEFA) Series I bond issue and amounts restricted by a donor for the Science Center and Power Plant.

(c) Investments

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

Venture capital and buyout limited partnerships include investments in both publicly and privately owned securities. The fair values of private investments are determined by the College and based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable public market values. These values are audited annually by other auditors, most typically based on calendar year end information. The values of public investments not yet distributed generally reflect discounts for illiquidity. 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, debt futures contracts and other vehicles that may be appropriate in certain circumstances as permitted within the managers' investment guidelines. The College's external 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 and charitable remainder unitrusts and annuities. Unitrusts, in which the College has a remainder interest, but that are held in trust and administered by outside agents, have been recorded as gifts that are temporarily restricted. Unitrusts, in which the College has a remainder interest, and which are managed by the College, periodically pay income earned on the assets to designated beneficiaries. The College adjusts unitrusts for both the estimated return on the invested assets and the contractual payment obligations during the expected term of the agreement. For planned giving contracts, the contributed assets are included at fair value within planned giving investments on the Statement of Financial Position. Contribution revenues are recognized as of the date the donated assets are transferred to the College and liabilities are recorded for the present value of the estimated future payments to the donors or other beneficiaries. The liabilities are adjusted during the term of the planned giving contracts consistent with changes in the value of the assets and actuarial assumptions.

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

Deficiencies of $6,587,000 and $52,000 for donor-restricted endowment funds, resulting from declines in market value, have been offset by an allocation from unrestricted net assets to temporarily restricted net assets for the years ended June 30, 2009 and 2008, respectively. As the market value of the portfolio increases, the deficiency will reverse. The allocation of deficiencies is recorded in accordance with FAS 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations".

(d) Endowment Investment Return Spending Policy

The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The College's investment strategy is based on a long-term Policy Portfolio that serves as a guide for asset allocation. The Policy Portfolio was established with the goal of balancing long-term returns and risks by increasing portfolio diversification through the allocation of assets to less efficient asset classes. The return objective for the endowment assets, measured over a full market cycle, is to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The College uses a "total return" approach to managing endowment assets in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Funds are invested to maximize total return consistent with prudent risk without regard to the mix of current investment income and realized and unrealized gains or losses.

The College's endowment distribution policy determines a payout rate that is based on a methodology that uses a combination of prior year's spending and endowment value with a general rule that the total amount spent needs to be within a 4.5% to 5.5% range of the prior year market value of the endowment. The sources of the payout are endowment earned income (interest and dividends), both current and previously reinvested income and a portion of realized gains. Any income earned in excess of the spending limit is reinvested. Funds may be withdrawn from investment return earned in prior years if income is less than the spending limit. The spending policy is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuations in capital markets.

(e) Inventories

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

(f) Accounts Receivable and Student Loans Receivable

Accounts receivable include amounts due from students, student organizations and other miscellaneous receivables. Loans to students are carried at net realizable value. Accounts receivable for 2009 and 2008, are reported net of allowances for doubtful accounts of $434,000 and $374,000, respectively. Loans receivable for 2009 and 2008, are reported net of allowances for doubtful loans of $719,000 and $694,000, respectively. The provisions are intended to provide for student accounts and loans that may not be collected.

(g) Grant Revenue

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

(h) Pledges

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

(i) Loans Receivable

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.

(j) Land, Buildings, and Equipment

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

	YEARS
Land improvements	20
Buildings and improvements	20-40
Equipment	4-12

(k) Financial Aid

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

(l) Auxiliary Operations

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

(m) Internal Revenue Code Status

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

(n) Conditional Asset Retirement Obligations

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations, and Financial Accounting Standards Interpretation (FIN) No. 47, Accounting for Conditional Asset Retirement Obligations. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

(o) Interest Rate Swap

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

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

(p) 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.

(q) New Accounting Pronouncements

Effective July 1, 2008, the College adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Footnote #5 further describes the College's implementation of SFAS No. 157.

The College adopted the FASB issued FASB Staff position No. 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FSP FAS 117-1), 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 Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. Footnote #12 further describes the College's implementation of FAS 117-1.

The College adopted SFAS No. 165, "Subsequent Events," as of June 30, 2009. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued and requires disclosure of the date through which an entity has evaluated subsequent events. Subsequent events have been evaluated through October 30, 2009, which is the date financial statements became available to be issued.

Effective July 1, 2007, the College adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), Accounting for Uncertainly in Income Taxes – An Interpretation of SFAS No. 109, Accounting for Income Taxes. FIN 48 addresses the accounting for uncertainly in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax provisions taken or expected to be taken in a tax return. FIN 48 also provides guidance on measurement, classification, interest and penalties, and disclosure. The adoption did not have a material effect on the College's financial statements.

(r) Reclassifications

Certain amounts have been reclassified in the prior year financial statements to conform with current year classification.

2. Contributions Receivable

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

UNCONDITIONAL PROMISES EXPECTED TO BE COLLECTED IN:	2009	2008
Less than one year	$7,732	$6,298
One year to five years	47,160	48,477
Over five years	400	1,220
Total	55,292	55,995
Less discounts and allowance for uncollectible accounts	7,568	9,045
Net contributions receivable	$47,724	$46,950

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 1.50% to 4.95% at June 30, 2009 and 2008.

3. Land, Buildings and Equipment

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

	2009	2008
Land and land improvements	$46,224	$46,015
Buildings and building improvements	379,807	376,245
Equipment	12,385	12,696
Construction in progress	16,992	1,707
	455,408	436,663
Less accumulated depreciation	163,228	150,878
	$292,180	$285,785

Depreciation expense was $13,611,000 and $13,527,000 for the years ended June 30, 2009 and 2008, respectively.

The College recognized $640,000 and $620,000 of operating expenses relating to the accretion of liabilities recorded under FIN No. 47 for the years ended June 30, 2009 and 2008, respectively. Conditional asset retirement obligations of $17,474,000 and $16,883,000 at June 30, 2009 and 2008, respectively, are included in the College's asset retirement obligation. Substantially all of the impact of adopting FIN No. 47 relates to estimated costs to remove asbestos that is contained within the College's facilities.

4. Investments

The book and market values of investments at June 30, 2009 are shown in Table 4 on page 32.

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

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

Included in bonds and equities are alternative investment vehicles including hedge funds with a market value of $198,118,000 and $261,349,000 and commingled funds with a market value of $174,532,000 and $225,132,000 at June 30, 2009 and 2008, respectively, whose holdings are bonds and equities.

The College's investment return from endowment and planned giving for the year ended June 30, 2009 and 2008 appear in Table 5 on page 33.

Table 4: Book and Market Values of Investments June 30, 2009 and 2008 (in $000s)

	2009 BOOK VALUE	2009 MARKET VALUE	2008 BOOK VALUE	2008 MARKET VALUE
Endowment Investments				
Investments pooled				
Cash and cash equivalents	$77,438	$77,438	$60,329	$60,329
Bonds	130,106	167,098	212,188	260,992
Equities	414,182	400,973	357,880	482,451
Other assets	617,180	620,928	644,559	807,546
Total pooled investments	1,238,906	1,266,437	1,274,956	1,611,318
Faculty mortgages	20,645	20,645	17,913	17,913
Total pooled investments and faculty mortgages	1,259,551	1,287,082	1,292,869	1,629,231
Investments not pooled				
Cash and cash equivalents	202	202	216	216
Total investments not pooled	202	202	$216	$216
Total endowment investments	$1,259,753	$1,287,284	$1,293,085	$1,629,447
Planned Giving Investments				
Separate pooled funds				
Cash and cash equivalents	$143	$143	$266	$266
Bonds	4,054	4,069	5,750	5,730
Equities	8,977	9,314	7,632	11,498
Total pooled funds	13,174	13,526	13,648	17,494
Unitrusts				
Cash and cash equivalents	514	514	1,065	1,065
Bonds	15,380	14,900	19,329	18,667
Equities	30,984	25,639	26,439	30,706
Other assets	889	889	889	889
Assets held by Trustees	7,617	7,617	7,248	7,709
Total funds not pooled	55,384	49,559	54,970	59,036
Total planned giving investments	$68,558	$63,085	$68,618	$76,530

Table 5: Investment Returns from Endowment and Planned Giving For years ended June 30, 2009 and 2008 (in $000s)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
2009				
Dividends and interest (net of expenses of $ 8,221)	$ 856	$ 281	$800	$ 1,375
Net realized and unrealized gains/losses	(89,359)	(201,695)	—	(291,054)
Total return on endowment and planned giving investments	(88,503)	(201,976)	800	(289,679)
Investment return designated for current operations	(39,088)	(42,111)		(81,199)
	($127,591)	($244,087)	$800	($370,878)
2008				
Dividends and interest (net of expenses of $7,216)	$2,338	$2,857	$505	$5,700
Net realized and unrealized gains/losses	33,482	(26,341)	—	7,141
Total return on endowment and planned giving investments	35,820	(23,484)	505	12,841
Investment return designated for current operations	(36,585)	(39,999)		(76,584)
	($765)	($63,483)	$505	($63,743)

Table 6: Assets and Liabilities Measured at Fair Value (in $000s)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments	$273,042	$367,797	$646,445	$1,287,284
Planned giving investments	—	—	63,085	63,085
Total assets at fair value	$273,042	$367,797	$709,530	$1,350,369
Interest rate swap	$—	$—	$4,176	$4,176
Total liabilities at fair value	$—	$—	$4,176	$4,176

Table 7: Assets and Liability Carried at Fair Value as of June 30, 2009 that are Classified within Level 3 (in $000s)

	INVESTMENTS	PLANNED GIVING INVESTMENTS	INTEREST RATE SWAP-ASSET/ (LIABILITY)
Balance, July 1, 2008	$832,251	$76,530	$37
Realized and unrealized gains/losses	(134,007)	(19,324)	(4,213)
Purchases and sales	(19,342)	5,879	—
Transfers in and/or out of level 3	(32,457)	—	—
Balance, June 30, 2009	$646,445	$63,085	($4,176)

Table 8: Pooled Funds As of June 30, 2009 and 2008

	2009	2008
Investments in pooled funds and faculty mortgages, market value (in $000s)	$1,287,082	$1,629,231
Total number of units	2,457,016	2,436,021
Market value per unit	$523.84	$668.81
Distribution per unit	$33.18	$31.55

Table 9: Components of Pooled and Nonpooled Endowment Funds at Market Value as of June 30, 2009 and 2008 (in $000s)

	UNITS	POOLED ENDOWMENT	NONPOOLED ENDOWMENT	TOTAL ENDOWMENT
2009 Endowment and Similar Funds				
Endowment funds	1,553,215	$813,635	$—	$813,635
Term funds	83,296	43,634	202	43,836
Quasi-endowment	820,505	429,813	—	429,813
Total	2,457,016	$1,287,082	$202	$1,287,284
2008 Endowment and Similar Funds				
Endowment funds	1,543,330	$1,032,192	$—	$1,032,192
Term funds	81,843	54,737	216	54,953
Quasi-endowment	810,848	542,302	—	542,302
Total	2,436,021	$1,629,231	$216	$1,629,447

The total return consisting of realized and unrealized gains and losses and dividends and interest net of investment management and custodial fees was -16.97% and 1.22% for the fiscal years ended June 30, 2009 and 2008, respectively.

At June 30, 2009 and 2008 investment securities having a fair value of $53,046,000 and $100,808,000, respectively, were loaned to various brokerage firms through a securities lending agent. The loaned securities are returnable on demand and are collateralized by cash deposits. The College has recorded the fair value of the collateral received of $54,233,000 and $103,246,000 and an offsetting liability for the return of the collateral on the Statement of Financial Position at June 30, 2009 and 2008, respectively.

5. Fair Value Disclosures

On July 1, 2008, the College adopted Financial Accounting Standards Board ("FASB") Statement No. 157, Fair Value Measurements, which establishes a framework for measuring fair value under generally accepted accounting principles ("GAAP") and expands disclosures about fair value measurements. FASB Statement No. 157 clarifies that 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, FASB Statement No. 157 establishes 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 Institution's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations. (See Table 6 on page 33.)

The following table presents the assets and liability carried at fair value as of June 30, 2009 that are classified within level 3 of the fair value hierarchy. The table reflects gains and losses for the year, including gains and losses on assets and liabilities that were transferred to level 3 during the year, for all assets and liabilities categorized as level 3 as of June 30, 2009. Additionally, both observable and unobservable inputs may be used to determine the fair value of positions that the Institution has classified within the level 3 category. As a result, the unrealized gains and losses for assets and liabilities within level 3 may include changes in fair value that were attributable to both observable and unobservable inputs. (See Table 7 on page 34.)

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

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.

6. Pooled Funds

Endowment and similar fund assets are pooled on a unit market value basis whenever possible. Funds are added to or withdrawn from the pool at the unit market value at the beginning of the fiscal quarter in which the transaction takes place. (See Table 8 on page 34.)

The components of the pooled and nonpooled endowment funds at market value at June 30, 2009 and 2008 are shown in Table 9 on page 34.

7. Related Parties

The College acts as fiscal agent and investment advisor for the Wellesley College Alumnae Association and a retired president of the College. Endowment investments held on their behalf are included in the College's general pool of investments and are reflected either as part of the College's net assets or a pension liability. The market value of the assets totaled $12,056,000 and $14,893,000 at June 30, 2009 and 2008, respectively.

Mortgages due from faculty of $20,645,000 and $17,913,000 at June 30, 2009 and 2008, respectively, are included within investments on the Statement of Financial Position.

8. Notes and Bonds Payable

Indebtedness at June 30, 2009 and 2008 includes various bonds issued through the Massachusetts Health and Education Facilities Authority (MHEFA). Interest payments on debt totaled $3,580,000 and $4,844,000 during fiscal years 2009 and 2008, respectively.

During January 2008, the College issued $57,385,000 in Series I tax-exempt variable rate demand bonds. The proceeds will be used for major asset preservation and modernization projects and will be used to retire the Series F bonds, with $30.0 million outstanding, on July 1, 2009, the earliest possible call date. The refunding allows the College to realize the present value savings through a restructuring of the College's debt. The College recognized a debt extinguishment charge of $1,540,000 which has been reflected in the statement of activities. The College incurred costs of $542,000 associated with the issue which have been capitalized and are being amortized over the life of the bonds. At June 30, 2009 and 2008, restricted cash includes $20,021,000 and $21,620,000, respectively of construction funds held by trustees that will be drawn down to fund various construction projects.

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

The College has a fixed rate promissory note with a bank. The College may borrow up to $40 million with various terms and interest rates at LIBOR plus 1/5 of 1%.

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

	2009	2008
MHEFA, Series I, Variable Rate Revenue Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2009 was 0.15%.	$57,385	$57,385
MHEFA, Series H, Revenue Bonds issued at an interest rate of 2.0%–5.0% maturing July 2033.	53,400	$54,120
MHEFA, Series G, Variable Rate Revenue Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2009 was 0.15%.	20,000	20,000
MHEFA Capital Asset Program, Series B & C, Variable Rate Demand Bonds, monthly amortization of principal with final payment due June 2010. Interest rate reset semi-annually. The rate at June 30, 2009 was 0.00%.	722	1,458
MHEFA, Series E, Variable Rate Demand Bonds, scheduled amortization of principal with final maturity July 2022. Interest adjusted weekly. The rate at June 30, 2009 was 0.17%.	12,600	13,300
Notes Payable Promissory Note, principal maturing July 2009. The rate at June 30, 2009 was 1.80%.	8,103	10,512
Total debt	152,210	156,775
Less unamortized bond issue costs	(879)	(920)
Add unamortized original issue premium	1,018	1,083
	$152,349	$156,938

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

2010	$10,275
2011	1,480
2012	1,705
2013	1,725
2014	1,940
Thereafter	135,085
Total bonds and notes payable	$152,210

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, 2009 and 2008, the market value of the swap agreement amounted to a liability of $4,176,000 and an asset of $37,000, respectively. The value of the interest rate swap is reflected within accounts payable and accrued expenses or prepaid, inventory and other assets on the statement of financial position and in nonoperating activities on the statement of activities. Additionally, the College paid interest expense in association with the swap agreement of and $1,308,000 and $338,000 which is reflected as part of the net realized/unrealized loss on interest swap for the year ended June 30, 2009 and 2008, respectively.

The College has outstanding at June 30, 2009 fixed rate debt of $53,400,000 and variable rate debt of $98,810,000. Included in variable rate debt is $57,385,000 of synthetic fixed debt which is debt that has an underlying variable rate but has an interest rate swap agreement that effectively locks in a fixed rate. The fair market value of the College's fixed rate debt at June 30, 2009 approximates $56,653,000. The College's variable rate debt approximates fair value. Fair value for fixed and variable rate debt is based on estimates using current interest rates available for debt with equivalent maturities.

In the event that the College receives notice of any optional tender on its variable-rate bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the College will be obligated to purchase the bonds tendered with internal liquidity and/or draw down on a secured standby liquidity support agreement for an amount up to $37 million.

9. Annuities and Unitrusts Payable

The College has split-interest agreements consisting primarily of annuities, pooled life income funds, and charitable remainder unitrusts for which the College may or may not serve as trustee. All split-interest agreements are included in planned giving investments. Contributions are recognized at the date the trusts are established net of a liability for the present value of the estimated future cash outflows to beneficiaries. The present value of payments is discounted at a rate of return that ranges from 4% to 6%. The liability of $37,556,000 and $38,580,000 at June 30, 2009 and 2008, respectively, is adjusted during the term of the agreement for changes in actuarial assumptions. Payments of income to beneficiaries are principally funded by the investment income of the related gift annuity and unitrust investments.

10. Pension Plans

The College has a defined contribution, non-contributory annuity pension plan for faculty and administrative personnel administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund ("TIAA/CREF"). Under this Plan, the College contributed $7,786,000 and $7,546,000 respectively, for the years ended June 30, 2009 and 2008.

The College also has a defined benefit pension plan for classified office and service employees. The Plan provides retirement and death benefits based on the highest of the last four years of consecutive earnings. Contributions to the plan are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974.

The measurement date of determining the benefit obligations and net periodic benefit (income) cost was June 30, 2009 and 2008.

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

	2009	2008
Assumptions used to determine benefit obligations:		
Discount rate	6.250%	6.875%
Rate of compensation increase	4.00%	4.00%
Assumptions used to determine net periodic benefit (income) cost:		
Discount rate	6.875%	6.250%
Expected return on plan assets	7.80%	7.80%
Rate of compensation increase	4.00%	4.00%
Change in projected benefit obligation (in $000s)		
Benefit obligation at end of prior year	$32,821	$34,346
Service cost	1,162	1,230
Interest cost	2,212	2,076
Actuarial loss/(gain)	3,469	(3,639)
Benefits paid	(1,241)	(1,189)
Administrative expenses paid	(10)	(3)
Curtailments	112	—
Termination benefits	582	—
Benefit obligation at end of year	$39,107	$32,821
Accumulated benefit obligation	$31,470	$26,338
Change in plan assets (in $000s)		
Fair value of plan assets at end of prior year	$30,765	$31,989
Actual return on plan assets	(6,273)	(1,311)
Employer contributions	—	1,279
Benefits paid	(1,241)	(1,189)
Administrative expenses paid	(10)	(3)
Fair value of plan assets at end of year	$23,241	$30,765

	2009	2008
Funded status (in $000s)		
Funded status	($15,866)	($2,056)

Components of net periodic benefit cost (in $000s)		
Service cost	$1,162	$1,230
Interest cost	2,212	2,076
Expected return on plan assets	(2,358)	(2,488)
Amortization of prior service cost	67	75
Cost of SFAS 88 events	699	—
Net periodic benefit cost	$1,782	$893

Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
New net actuarial loss	$12,099	160
Amortization of prior service cost	(71)	(75)
Total	$12,028	$85

Amounts recognized in unrestricted net assets		
Net prior service cost	$474	$546
Net actuarial loss	$12,577	$457

The amount expected to be recognized as amortization of prior net service cost and a component of net periodic cost in the upcoming year is $645,000.

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

2010	$1,551
2011	1,545
2012	1,611
2013	1,702
2014	$1,841
2015–2019	12,330

The College expects to make employer contributions into the plan of $2,300,000 in the 2010 fiscal year.

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

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

ASSET CATEGORY	TARGET ALLOCATION
Equity Securities	60%
Real Estate Investment Trust	5%
Commodities	5%
Fixed Income	27%
Cash and Equivalents	3%
Total	100%

The following lists the Plan's asset allocation at June 30, 2009 and 2008:

ASSET CATEGORY	2009	2008
Equity Securities	63%	58%
Real Estate Investment Trust	4%	3%
Commodities	5%	5%
Fixed Income	24%	28%
Cash and Equivalents	4%	6%
Total	100%	100%

11. Net Assets

Net assets consist of the following at June 30, 2009 and 2008 (in $000s):

	2009	2008
Unrestricted		
Designated for specific purposes and plant	$111,150	$116,431
Quasi-endowment	401,889	532,700
Deficiencies in donor-restricted endowments	(6,587)	(52)
	506,452	649,079
Temporarily restricted		
Endowment and similar funds including pledges	482,453	716,105
Annuity, life income and unitrusts including pledges	24,681	37,908
Deficiencies in donor-restricted endowments	6,587	52
Other restricted	59,655	58,170
	573,376	812,235
Permanently restricted		
Endowment including pledges	409,020	401,042
	409,020	401,042
	$1,488,848	$1,862,356

12. Endowment

In August 2008, the FASB issued FASB Staff position No. 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FSP FAS 117-1), 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 Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The following disclosures are made as required by FSP FAS 117-1.

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

See Table 18 to the right for the endowment net asset composition by type of fund at June 30, 2009.

See Table 19 to the right for changes in endowment net assets for the year ended June 30, 2009.

See Table 20 to the right for the endowment net asset composition by type of fund at June 30, 2008.

See Table 21 to the right for changes in endowment net assets for the year ended June 30, 2008.

Table 18: Endowment net asset composition by type of fund as of June 30, 2009 (in $000s)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-restricted funds	$—	$467,002	$390,469	$857,471
Board-designated and other unrestricted funds	429,813	—	—	429,813
	$429,813	$467,002	$390,469	$1,287,284

Table 19: Endowment net assets for the year ended June 30, 2009 (in $000s)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	$542,302	$702,183	$384,962	$1,629,447
Investment income	856	1,665	—	2,521
Net depreciation (realized and unrealized)	(91,411)	(183,600)	—	(275,011)
Subtotal	451,747	520,248	384,962	1,356,957
Contributions and transfers to endowment	5,186	833	5,507	11,526
Appropriation of endowment assets for expenditure	(27,120)	(54,079)	—	(81,199)
Endowment net assets, end of year	$429,813	$467,002	$390,469	$1,287,284

Table 20: Endowment net asset composition by type of fund as of June 30, 2008 (in $000s)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-restricted funds	$—	$ 702,183	$384,962	$1,087,145
Board-designated and other unrestricted funds	542,302	—	—	542,302
	$542,302	$702,183	$384,962	$1,629,447

Table 21: Endowment net assets for the year ended June 30, 2008 (in $000s)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	$555,285	$738,755	$378,433	$1,672,473
Investment income	2,338	4,381	—	6,719
Net depreciation (realized and unrealized)	5,248	9,477	—	14,725
Subtotal	562,871	752,613	378,433	1,693,917
Contributions and transfers to endowment	4,923	662	6,529	12,114
Appropriation of endowment assets for expenditure	(25,492)	(51,092)	—	(76,584)
Endowment net assets, end of year	$542,303	$702,183	$384,962	$1,629,447

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. 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 $200,000 and $254,000, respectively for the years ended June 30, 2009 and 2008. The College has purchased an insurance policy to cover cost overruns associated with the Upland/Wetland/Pond project as well as the assessment, monitoring, and, if necessary, remediation of contaminated groundwater located under the Uplands/Wetlands/Pond area. In September 2004, the College submitted a report to DEP recommending that no remedial action be taken in respect of the groundwater portion of the site beyond periodic monitoring of hexavalent chromium concentrations. DEP has not yet responded to this report.

In 2001, the Commonwealth of Massachusetts and the College entered an agreement pursuant to which the Commonwealth agreed to share in the cost of dredging the Northern Shoreline and Western Cove portion of Lake Waban, with the Commonwealth's share capped at $1.4 million. The dredging project was completed in 2002 at a total cost of approximately $1.2 million. Additional reimbursable costs of approximately $100,000 were incurred after the completion of dredging. In three payments made in 2005 and 2006, the Commonwealth reimbursed the College a total of approximately $1.06 million, fully satisfying the Commonwealth's reimbursement obligations under the 2001 cost-sharing agreement. In a report filed with DEP in May 2005, the College recommended that no remedial action be taken in portions of Lake Waban beyond the Northern Shoreline and Western Cove, apart from periodic monitoring of water quality and fish-growth patterns. DEP responded favorably to this report in a letter dated October 2006. 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. Modified proposals currently under review by DEP would gather additional risk assessment and hydrologic data in support of an updated feasibility study and remedy selection process. It is not anticipated that this process could result in material increases to the previous cost estimates. For the years ending June 30, 2009 and 2008, total expenses to the Lower Waban Brook remedial project were $339,000 and $347,000, respectively. A liability of $2,914,000 and $3,253,000 has been recorded as of June 30, 2009 and 2008, respectively and is included in the Statements of Financial Position within accounts payable and accrued expenses.

Outstanding commitments amounted to approximately $257,244,000 and $329,528,000 as of June 30, 2009 and 2008, respectively for the following:

	2009	2008
Alternative investments	$242,706,000	$321,500,000
Construction contracts	14,538,000	8,028,000
	$257,244,000	$329,528,000

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

The College built a gas-fired cogeneration plant capable of producing 7.5 megawatts of electricity. The plant supplies electricity for the entire campus. The College pays the Town $111,000 annually as a guarantee for back-up power, at cost, to the College. This contract is in force until May 2010.

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

BOARD OF TRUSTEES 2008–2009

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