Wellesley College

Report on Federal Awards in Accordance with the OMB Uniform Guidance
June 30, 2016
EIN # 042103637

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Part I - Financial Statements and Schedule of Expenditures of Federal Awards

Report of Independent Auditors

To the Board of Trustees of
Wellesley College

Report on the Financial Statements

We have audited the accompanying financial statements of Wellesley College (the "College") which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wellesley College as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2016, is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 on our consideration of Wellesley College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2016. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

October 28, 2016

Wellesley College
Statements of Financial Position
June 30, 2016 and 2015
($000s)

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

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

Wellesley College
Statement of Activities
Year Ended June 30, 2016
($000s)

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

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

Wellesley College
Statement of Activities
Year Ended June 30, 2015
($000s)

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

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

Wellesley College
Statements of Cash Flows
Years Ended June 30, 2016 and 2015
($000s)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (92,528)	$ 82,328
Adjustment to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	15,757	16,431
Contributions restricted for long-term purposes	(62,453)	(35,978)
Donated securities received	(4,163)	(11,339)
Realized and unrealized losses (gains) on investments	35,963	(93,591)
Change in discount and allowance for doubtful accounts	7,138	3,764
Pension related changes other than net periodic pension cost	9,203	5,670
Unrealized loss on interest rate swap	9,665	2,121
Gain on sale of plant and equipment	(757)	(37,345)
Changes in operating assets and liabilities		
Accounts receivable, net	(5,689)	(1,447)
Contributions receivable, net	(33,266)	(21,463)
Grants receivable	(2,296)	(266)
Prepaid, inventory and other assets	849	(1,588)
Accounts payable and accrued expenses	15,508	430
Student deposits and deferred revenue	(112)	(939)
Advances under grants and contracts	(579)	(110)
Annuities and unitrusts payable	197	(132)
Net cash used in operating activities	(107,563)	(93,454)
Cash flows from investing activities		
Purchases of land, buildings and equipment	(40,437)	(33,184)
Proceeds from sale of land, buildings and equipment	4,372	37,479
Proceeds from student loans collections	359	353
Student loans issued	(49)	(377)
Decrease in restricted cash for construction funds	18,232	36,769
Purchases of investments	(640,849)	(562,398)
Proceeds from sales and maturities of investments	687,323	610,818
Net cash provided by investing activities	28,951	89,460
Cash flows from financing activities		
Proceeds from contributions for		
Investment in endowment	21,976	14,855
Investment in planned giving	1,733	59
Plant and equipment	38,744	21,063
Proceeds from sale of donated securities restricted for long term purposes	4,163	11,339
Payments on bonds and notes payable	(2,856)	(2,695)
Net cash provided by financing activities	63,760	44,621
Net increase (decrease) in cash and cash equivalents	(14,852)	40,627
Cash and cash equivalents		
Beginning of year	74,934	34,307
End of year	$ 60,082	$ 74,934
Contributed securities	$ 4,163	$ 11,339
Cash paid for interest	8,139	8,025
Capital additions included in accounts payable and accrued expenses	7,625	553
Net change in securities lending	-	(263)

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

1. Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

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

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

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

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

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

Cash and Cash Equivalents
Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing endowment assets and planned giving assets are included in investments and planned giving investments, respectively. Restricted cash represents amounts for construction held by trustees in association with the Massachusetts Development Finance Agency Series J bond issue.

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

Venture capital and buyout limited partnerships include investments in both publicly and privately owned securities. The fair values of private investments are determined by the College and based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable public market values. These values are audited annually by other auditors, most typically based on calendar year end information. The limited partnership valuations consider variables such as the financial performance of the investments, recent sales prices of similar investments and other pertinent information. The estimated values as determined by the general partners and investment managers may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be materially higher or lower.

Derivative investments in the College's portfolio may include currency forward contracts, currency and interest rate swaps, call and put options, exchange-traded futures contracts, debt futures contracts and other vehicles that may be appropriate in certain circumstances as permitted within the managers' investment guidelines. The College's external investment managers use investments in derivative securities predominantly to reduce interest rate risk and risk in the foreign fixed income market.

The College's split-interest agreements with donors consist of irrevocable charitable gift annuities, pooled life income funds, charitable remainder unitrusts and annuities and perpetual trusts. Unitrusts, in which the College has a remainder interest, but that are held in trust and administered by outside agents, have been recorded as gifts that are temporarily restricted. Unitrusts, in which the College has a remainder interest, and which are managed by the College, periodically pay income earned on the assets to designated beneficiaries. The College adjusts unitrusts for both the estimated return on the invested assets and the contractual payment obligations during the expected term of the agreement. For planned giving contracts, the contributed assets are included at fair value within planned giving investments and investments on the Statement of Financial Position. Contribution revenues are recognized as of the date the donated assets are transferred to the College and liabilities are recorded for the present value of the estimated future payments to the donors or other beneficiaries. The liabilities are adjusted during the term of the planned giving contracts consistent with changes in the value of the assets and actuarial assumptions, and are included in annuities and unitrusts payable on the Statement of Financial Position.

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

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

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

In October 2013, the Board of Trustees approved a revised Endowment Spending Policy effective for the year ended June 30, 2016. Wellesley's revised Endowment Spending Policy is based on a combination of the prior year's spending and latest known endowment value with a weighting of 80% and 20%, respectively. Prior year spending is adjusted for Higher Education Price Index (HEPI) inflation, and 4.25% is the rate applied to the last known value of the endowment. The amount of allowable spending will be capped at 5.0% or no less than 4.0% of the average of the last three known endowment values adjusted for HEPI inflation. The Endowment Spending Policy is applied on a per unit basis. The sources of the payout are endowment earned income (interest and dividends), both current and previously reinvested income and a portion of realized gains. Investment return earned in prior years may be utilized if current year income is less than current year spend. The spending policy is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuations in capital markets.

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

Accounts Receivable and Student Loans Receivable
Accounts receivable include amounts due from students, student organizations and other miscellaneous receivables. Loans to students are carried at net realizable value. Accounts receivable for 2016 and 2015, are reported net of allowances for doubtful accounts of $287,000 and $373,000, respectively. Loans receivable for 2016 and 2015, are reported net of allowances for doubtful loans of $701,000 and $709,000, respectively. The provisions are intended to provide for student accounts and loans that may not be collected.

Determination of the fair value of student loan receivables is not practicable as such loans are primarily federally sponsored student loans with U.S. Government mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

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

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

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

	Years
Land improvements	20–40
Buildings and building improvements	20–40
Equipment	4–12

Financial Aid
The Statement of Activities reflects financial aid as an offset to tuition and fee revenues. The College's financial aid is funded through private gifts, grants and endowment income (donor sponsored). Additional grants, when necessary, are funded through unrestricted institutional resources (Institutional sponsored).

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

Room and board revenue, previously reported as part of auxiliary operations, is reported independently as a separate line item for the years ended June 30, 2016 and 2015. The correlating room and board expenses are included in the student services functional line item on the Statement of Activities.

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

Asset Retirement and Environmental Obligations
Asset retirement and environmental obligations ("ARO") are legal obligations associated with long lived assets. The College recognizes the fair value of a liability that recognizes the legal obligations associated with environmental asset retirements in the period in which the obligation is incurred, typically when the College becomes obligated to remediate. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to the initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The College adjusts the ARO liabilities when the related obligations are settled. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Statement of Activities.

Interest Rate Swap
In fiscal year 2008, the College entered into an interest rate swap agreement on the Massachusetts Development Finance Agency, Variable Rate Revenue Bonds, Series I in order to convert the variable rate debt to fixed rate, thereby hedging against changes in the cash flow requirements of the College's variable rate debt obligations.

Net payments or receipts (difference between variable and fixed rate) under the swap agreement is recorded in the operating section of the Statement of Activities as an allocation to the functional expense categories and is treated as another component of debt service. The change in fair value of the swap is recorded in the nonoperating section of the Statement of Activities as net realized/unrealized gain on interest swap.

Use of Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

2. Contributions Receivable

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

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

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

3. Land, Buildings and Equipment

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

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

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

The College recognized $963,936 and $922,000 of operating expenses relating to the accretion of environmental liabilities associated with the asset retirement obligations for the years ended June 30, 2016 and 2015, respectively. Conditional asset retirement obligations of $23,383,000 and $21,884,000 at June 30, 2016 and 2015, respectively, are presented in the Statement of Financial Position.

During June of 2015, the College sold 47 acres of land to the Town of Wellesley in support of campus renewal efforts. The College also sold 1.706 acres to a private developer in February of 2015. The net proceeds from these transactions are presented in the Statement of Activities for the year ended June 30, 2015 as gain on sale of property. These proceeds were invested alongside the endowment, with a fair value at June 30, 2016 of $32,984,000, and are included in the investment balance in the Statement of Financial Position.

4. Investments

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

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

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

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

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

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

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

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

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

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

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

5. Fair Value Disclosures

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

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

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

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

The following fair value hierarchy tables present information about the College's assets and liabilities measured at fair value on a recurring basis based upon the least observable level of significant input to the valuations at June 30, 2016 and 2015.

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

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

Interest rate swaps are valued at the present value of the series of net cash flows resulting from the exchange of fixed-rate payments for floating rate payments over the remaining life of the contract from balance sheet date. Each floating rate payment is calculated based on forward market rates at valuation date for each respective payment date. Inputs to determine discount factors and forward rates include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain inputs are unobservable; therefore the fair value is categorized as Level 3.

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

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

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

The College uses Net Asset Value (NAV) or its equivalent to determine the fair value of certain investments, which may not have a readily determined fair value. These investments also have various redemption restrictions and redemption terms. The following investments are measured at NAV as of June 30, 2016 and 2015.

2016

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

2015

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

Beneficial interests in outside trusts held by third parties are valued at the present value of distributions expected to be received over the term of the agreement.

6. Pooled Funds

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

Pooled endowment funds were as follows as of June 30:

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

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

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

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

7. Related Parties

The College acts as fiscal agent and investment advisor for the Wellesley College Alumnae Association and a retired president of the College. Endowment investments held on their behalf are included in the College's long term investment pool and are reflected either as part of the College's net assets or a pension liability. The market value of the assets totaled $17,773,000 and $17,070,000 at June 30, 2016 and 2015, respectively.

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

The College had Charitable Gift Annuities invested alongside the endowment with a market value of $5,911,000 and $5,332,000 at June 30, 2016 and June 30, 2015, respectively. These assets are included within the investments total on the Statement of Financial Position.

8. Bonds Payable and Lines of Credit

Indebtedness at June 30, 2016 and 2015 includes various bonds issued through the former Massachusetts Health and Education Facilities Authority (the Authority). On October 1, 2010, pursuant to certain provisions of Chapter 240 of the Acts of 2010 of the Massachusetts Legislature, signed into law by the Massachusetts governor on August 5, 2010, the Authority was merged into the Massachusetts Development Finance Agency (MDFA). Interest payments on debt totaled $6,280,000 and $6,230,000 during fiscal years 2016 and 2015, respectively.

During January 2008, the College issued $57,385,000 in Series I tax-exempt variable rate demand bonds. The proceeds have been used for major asset preservation and modernization projects and were used to retire the Series F bonds, with $30.0 million outstanding, on July 1, 2009, the earliest possible call date. The refunding allowed the College to realize the present value savings through a restructuring of the College's debt.

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

During April 2012, the College issued $49,800,000 in Series J tax-exempt bonds. The bonds mature in 2042. The proceeds will be used for major asset preservation and modernization projects. The College incurred bond issue costs of $499,000 associated with the issue which have been capitalized and are being amortized over the life of the bonds. At June 30, 2016 and 2015, restricted cash included $0 and $18,232,000, respectively, of construction funds held by trustees that will be drawn down to fund various construction projects.

During April 2012, the College issued $99,210,000 in Series K taxable bonds. The bonds mature in 2042. The proceeds will be used for major asset preservation and modernization projects and were used to retire $50,040,000 of Series H bond debt. The refunding allowed the College to realize the present value savings in restructuring of the College's debt. The College incurred costs of $525,000 associated with the issue which have been capitalized and are being amortized over the life of the bonds. At June 30, 2016 and 2015, operating investments included $27,450,000 and $43,445,000, respectively, of construction funds that will be drawn down to fund various construction projects.

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

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

	2016	2015
MDFA, Series I, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2016 was 0.03%.	$ 57,385	$ 57,385
MDFA, Series G, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2016 was 0.03%.	20,000	20,000
MDFA, Series E, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2022. The rate at June 30, 2016 was 0.03%.	6,800	7,800
MDFA, Series J, Revenue Bonds, issued at an interest rate of 5.0%, maturing 2042.	49,800	49,800
Wellesley College, Series K, Taxable Bonds, bearing interest at a rate of 0.782% to 4.196%, maturing 2042.	94,045	95,900
Total debt	228,030	230,885
Less unamortized bond issue costs	(1,387)	(1,420)
Add unamortized original issue premium	4,899	5,088
	$ 231,542	$ 234,553

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

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

In order to reduce exposure to floating interest rates on variable rate debt, in January 2008, the College entered into an interest rate swap agreement, with a term through 2039. This swap effectively locks in a fixed rate of 3.239% per annum. The agreement has a notional amount of $57,385,000. At June 30, 2016 and 2015, the market value of the swap agreement amounted to a liability of $22,348,000 and $12,683,000, respectively. The fair value of the swaps is the estimated amount that the College would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties. The value of the interest rate swap is reflected within accounts payable and accrued expenses on the Statement of Financial Position. The change in fair value of the swap is recorded in the nonoperating section of the Statement of Activities as net realized/unrealized loss on interest swap. This financial instrument necessarily involves counterparty credit exposure and the College's own nonperformance risk. The counterparty for this swap agreement is a major financial institution that meets the College's criteria for financial stability and credit-worthiness. The change in fair value resulted in a loss of $9,665,000 in 2016 and a loss of $2,121,000 in 2015. Additionally, the College paid net interest expense in association with the swap agreement of $1,795,000, which is recorded in the operating section of the Statement of Activities as an allocation to the functional expense categories for the years ended June 30, 2016 and 2015.

The College has outstanding debt at June 30, 2016 as follows: fixed rate debt of $143,845,000 and variable rate debt of $84,185,000. Included in variable rate debt is $57,385,000 of synthetic fixed debt which is debt that has an underlying variable rate but has an interest rate swap agreement that effectively locks in a fixed rate.

In the event that the College receives notice of any optional tender on its variable-rate bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the College will be obligated to purchase the bonds tendered with internal liquidity.

9. Annuities and Unitrusts Payable

The College has split-interest agreements consisting primarily of annuities, pooled life income funds, and charitable remainder unitrusts for which the College may or may not serve as trustee. Split-interest agreements are included in planned giving investments, and at June 30, 2016 and 2015, there is approximately $5,911,000 and 5,332,000, respectively, invested alongside the endowment, which are included within the investments total on the Statement of Financial Position. Contributions are recognized at the date the trusts are established net of a liability for the present value of the estimated future cash outflows to beneficiaries. The present value of payments is discounted at a rate of return that ranges from 4% to 6%. The liability of $31,185,000 and $30,988,000 at June 30, 2016 and 2015, respectively, is adjusted during the term of the agreement for changes in actuarial assumptions. Payments of income to beneficiaries are principally funded by the investment income of the related gift annuity and unitrust investments.

10. Retirement Plans

The College has a defined contribution, noncontributory annuity pension plan for faculty and administrative personnel administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA/CREF). Under this Plan, the College contributed $8,793,000 and $8,676,000, respectively, for the years ended June 30, 2016 and 2015.

The College also has a defined benefit pension plan for certain classified office and service employees. The Plan provides retirement and death benefits based on the highest thirty-six months of consecutive earnings. Contributions to the plan are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974. As of December 2012, this plan is no longer accepting new participants.

The measurement date of determining the benefit obligations and net periodic benefit cost for the defined benefit plan were June 30, 2016 and 2015.

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

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

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

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

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

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

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

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

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

Asset Category	**Target Allocation**
Equity securities	65 %
Real estate investment trust	5
Commodities	5
Fixed income	25
Cash and cash equivalents	0
	100 %

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

Asset Category	**Value at June 30, 2016** *(000s)*	**2016**	**2015**
Equity securities	$ 27,085	56 %	60 %
Real estate investment trust	4,087	8	6
Commodities	1,452	3	4
Fixed income	13,887	29	24
Cash and cash equivalents	1,291	4	6
	$ 47,802	100 %	100 %

All pension plan assets are Level 2 assets, and all plan assets are in commingled funds.

The investment strategy for the pension assets is consistent with the approach to all other investment assets. The policies and strategies governing all investments for the College are designed to achieve targeted investment objectives while managing risk prudently. Risk management strategies include maintaining a diversified portfolio based on asset class, investment approach and security holdings. For the pension plan assets, an additional strategy is to maintain sufficient liquidity to meet benefit obligations as they become current.

11. Net Assets

Net assets consist of the following at June 30, 2016 and 2015:

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

12. Endowment

In August 2008, guidance was issued on endowments of not-for-profit organizations related to net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act, and additional guidance was issued on enhanced disclosures for all endowment funds, which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds.

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

At June 30, 2016, endowment net assets consisted of the following:

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

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

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

At June 30, 2015, endowment net assets consisted of the following:

($000s)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 776,743	$ 508,922	$ 1,285,665
Board-designated (quasi) and other unrestricted funds	595,366	-	-	595,366
	$ 595,366	$ 776,743	$ 508,922	$ 1,881,031

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

($000s)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 590,794	$ 761,067	$ 482,316	$ 1,834,177
Investment income, net of expenses	1,487	3,019	-	4,506
Net appreciation (realized and unrealized)	31,650	64,259	-	95,909
	623,931	828,345	482,316	1,934,592
Contributions and transfers to endowment	(1,566)	3,214	26,606	28,254
Appropriation of endowment assets for expenditure	(26,999)	(54,816)	-	(81,815)
Endowment net assets at end of year	$ 595,366	$ 776,743	$ 508,922	$ 1,881,031

13. Commitments and Contingencies

In 1975 the College identified the presence of soil tainted with various hazardous materials on the site of an abandoned 19th century paint factory acquired by the College in 1932. For the purposes of investigation and potential cleanup, the site has been segmented into various sub-areas, as follows: (1) the "Upper/Wetland/Pond" portion consisting of the former upland site of the paint factory, Paint Shop Pond, adjacent wetlands and Upper Waban Brook; (2) Lake Waban; and (3) Lower Waban Brook.

In 1991, the College arranged for the excavation of contaminated soils from two waste piles and a wastewater settling basin formerly associated with the paint factory. After the contaminated material was removed, the area was capped and seeded. These actions were undertaken in accordance with plans approved by the Department of Environmental Protection (DEP) on July 5, 1991. The College has continued to work with the DEP and has completed the process of remediating and restoring approximately 30 acres of land referred to as the Upland site. The College began in April 2001 excavating and consolidating contaminated soils from the upland, wetland, and pond ("Upland/Wetland/Pond") portions of the site. The soils have been treated and consolidated on site under a permanent engineered barrier. The capped area has been developed into three playing fields, an eight lane all-weather track, and a softball field and was completed in October 2002. The cost of this project was $32.8 million; $10 million has been funded from a HEFA bond issuance and the remainder from unrestricted endowment. Costs associated with the campus improvement project are capitalized as land improvements. Costs incurred to remediate this property are charged to expense when they can be estimated. Ongoing expenses associated with the monitoring and maintenance of the engineered barrier are charged to operations. Total expenses for this project were $71,000 and $90,000, respectively, for the years ended June 30, 2016 and 2015. The College has purchased an insurance policy to cover cost overruns associated with the Upland/Wetland/Pond project as well as the assessment, monitoring, and, if necessary, remediation of contaminated groundwater located under the Uplands/Wetlands/Pond area. In September 2004, the College submitted a report to the DEP recommending that no remedial action be taken in respect of the groundwater portion of the site beyond periodic monitoring of hexavalent chromium concentrations. The DEP has not yet responded to this report.

In 2001, the Commonwealth of Massachusetts and the College entered an agreement pursuant to which the Commonwealth agreed to share in the cost of dredging the Northern Shoreline and Western Cove portion of Lake Waban, with the Commonwealth's share capped at $1.4 million. The dredging project was completed in 2002 at a total cost of approximately $1.2 million. Additional reimbursable costs of approximately $100,000 were incurred after the completion of dredging. In three payments made in 2005 and 2006, the Commonwealth reimbursed the College a total of approximately $1.06 million, fully satisfying the Commonwealth's reimbursement obligations under the 2001 cost-sharing agreement. In a report filed with DEP in May 2005, the College recommended that no remedial action be taken in portions of Lake Waban beyond the Northern Shoreline and Western Cove, apart from periodic monitoring of water quality and fish growth patterns. DEP responded favorably to this report in a letter dated October 2005. The periodic monitoring program was initiated in 2008. The cost of this program is insignificant.

The Lower Waban Brook remedial project was originally anticipated to be undertaken in 2009 and was estimated to cost $3,600,000. Early project designs based upon risk assessments and feasibility studies performed prior to 2000 were not embraced by all constituents as satisfactory. Additional hydrological data gathering has been undertaken in keeping with proposals still under review with DEP, with the intent to develop an updated feasibility study and remedy selection process. It is desirable but not yet clear whether a new process will result in material increases to previous project cost estimates. There were no expenses in 2016 or 2015 for remediation work for Lower Waban Brook. A liability of $2,494,000 has been recorded as of June 30, 2016 and 2015, respectively, and is included in the Statement of Financial Position within accounts payable and accrued expenses.

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

Outstanding commitments amounted to approximately $339,188,000 and $325,005,000 as of June 30, 2016 and 2015, respectively, for the following:

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

The College built a gas-fired cogeneration plant capable of producing 7.5 megawatts of electricity. The plant supplies electricity for the entire campus. The College pays the Town of Wellesley $111,000 annually as a guarantee for back-up power, at cost, to the College. This contract is in force until May 2017.

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

14. Subsequent Events

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

Wellesley College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Direct	Pass-Through	Pass Through Entity	Pass-Through Entity Identifying Number	Total 2016 Expenditures	Passed-through Funds to Subrecipients
Research and Development Cluster							
National Aeronautics and Space Administration (NASA)							
Aerospace Education Service Program	43.001	$ 172,984	$ -			$ 172,984	$ 52,546
Aerospace Education Service Program	43.001	-	38,299	Arizona State University	14-404	38,299	-
Aerospace Education Service Program	43.001	-	17,371	Arizona State University	14-507	17,371	-
NASA-Miscellaneous	43.RD	183,893	-			183,893	9,168
NASA-Miscellaneous	43.RD	-	307,342	Jet Propulsion Labs	1415721	307,342	-
Total NASA		356,877	363,012			719,889	61,714
National Science Foundation							
Mathematical and Physical Sciences	47.049	728,783	-			728,783	-
Mathematical and Physical Sciences	47.049	-	8,912	Wesleyan University	Memo dated 5/20/2011	8,912	-
Mathematical and Physical Sciences	47.049	-	5,039	Harvard University	123826-5079722	5,039	-
Mathematical and Physical Sciences	47.049	-	12,382	Univ of Calif - San Diego	60653500	12,382	-
Geosciences	47.050	32,674	-			32,674	-
Geosciences	47.050	-	19,473	Woods Hole (WHOI)	A101295	19,473	-
Computer and Information Science and Engineering	47.070	411,327	-			411,327	-
Computer and Information Science and Engineering	47.070	-	38,218	Mass Inst of Tech	5710003723	38,218	-
Biological Sciences	47.074	1,108,878	-			1,108,878	-
Biological Sciences	47.074	-	35,482	Cornell University	61468-9523	35,482	-
Biological Sciences	47.074	-	4,701	Northeastern Univ	502036-78050	4,701	-
Biological Sciences	47.074	-	23,606	Cary Institute	3298/200201812	23,606	-
Social Behavior and Economic Sciences	47.075	85,607	-			85,607	-
Education and Human Resources	47.076	34,687	-			34,687	-
Education and Human Resources	47.076	-	22,378	Shippensburg Univ	4300000766	22,378	-
NSF-Miscellaneous	47.RD	-	1,207	Computer Research Assoc	Agreement dtd 6/13/2011	1,207	-
Total National Science Foundation		2,401,956	171,398			2,573,354	-
Department of Health and Human Services							
National Institutes of Health							
Oral Diseases and Disorders Research	93.121	-	(1,273)	The Forsyth Institute	021565-WELL2325	(1,273)	-
Mental Health Research Grants	93.242	-	236,812	Univ. of Illinois at Chicago	2011-06805-02-00	236,812	24,349
Cancer Detection and Diagnosis Research	93.394	183,412	-			183,412	-
Cancer Biology Research	93.396	-	(110)	Smith College	636061-2	(110)	-
Diabetes Endocrinology and Metabolism Research	93.847	161,803	-			161,803	-
Allergy, Immunology and Transplantation Research	93.855	28,588	-			28,588	-
Pharmacology Physiology and Biological Chemistry	93.859	74,634	-			74,634	-
Pharmacology Physiology and Biological Chemistry	93.859	-	7,293	Northeastern University	500429-78050	7,293	-
Research for Mothers and Children	93.865	84,649	-			84,649	-
Vision Research	93.867	(9,517)	-			(9,517)	-
Total National Institutes of Health		523,569	242,722			766,291	24,349
Administration for Children and Families							
Child Care and Development Block Grant	93.575	-	202,255	EDC, Inc.	11955 NIOST	202,255	-
Child Care and Development Block Grant	93.575	25,327	-			25,327	-
Total Administration for Children and Families		25,327	202,255			227,582	-
Health Resources and Services Administration							
Maternal and Child Health Federal Consolidated Programs	93.110	18,359	-			18,359	10,213
Total Health Resources and Services Administration		18,359	-			18,359	10,213
Total Department of Health and Human Services		567,255	444,977			1,012,232	34,562

The accompanying notes are an integral part of the schedule.

Wellesley College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Direct	Pass-Through	Pass Through Entity	Pass-Through Entity Identifying Number	Total 2016 Expenditures	Passed-through Funds to Subrecipients
National Institute of Standards and Technology	11.609	2,750	-			2,750	-
Total Department of Commerce		2,750	-			2,750	-
Department of Education							
Investing in Innovation (i3) Fund	84.411	113,573	-			113,573	-
Race to the Top - Early Learning Challenge	84.412	7,500	-			7,500	-
Race to the Top - Early Learning Challenge	84.412	6,350	-			6,350	-
Department of Education - Miscellaneous	84.RD	-	95,066	GEARS	GRS-15-008	95,066	-
Department of Education - Miscellaneous	84.RD	53,635	-			53,635	-
Department of Education - Miscellaneous	84.RD	28,588	-			28,588	-
Total Department of Education		209,646	95,066			304,712	-
Department of Justice							
Promoting Evidence Integration in Sex Offender Mgt Disc Grant	16.203		14,628	Ctr for Effective Public Policy	339-00-WELCOL-451	14,628	
Justice Research Development and Evaluation Project	16.560	120,651	-			120,651	-
Justice Research Development and Evaluation Project	16.560	-	325,493	Univ of Mass-Lowell	S51000000021434	325,493	-
National Institute of Justice - Miscellanous	16.RD	23,406	-			23,406	-
Total Department of Justice		144,057	340,121			484,178	-
National Endowment for the Arts							
Promotion of the Arts Partnership Program	45.025	-	6,150	New England Foundation for the Arts	15-29757	6,150	-
Total National Endowment for the Arts		-	6,150			6,150	-
National Endowment for the Humanities							
Promotion of the Humanities - Professional Development	45.163	3,887	-			3,887	-
Total National Endowment for the Humanities		3,887	-			3,887	-
Institute of Museum and Library Services							
Institute of Museum Services	45.301	63,119	-			63,119	-
Total Institute of Museum and Library Services		63,119	-			63,119	-
Department of Energy							
Advanced Research Projects Agency - Energy	81.135	-	27,220	Brown University	00000734	27,220	-
Total Department of Energy		-	27,220			27,220	-
Total Research and Development Cluster		3,749,547	1,447,944			5,197,491	96,276
Student Financial Assistance Cluster							
Department of Education							
Federal Supplemental Educational Opportunity Grants Program	84.007	314,981	-			314,981	-
Federal Work Study Program	84.033	321,945	-			321,945	-
Federal Perkins Loan							
Outstanding Loans as of June 30, 2015	84.038	4,864,173	-			4,864,173	-
New Loans Issued During 2016	84.038	395,015	-			395,015	-
Administrative Cost Allowance	84.038	-	-			-	-
Federal Pell Grant Program	84.063	2,068,867	-			2,068,867	-
Federal Direct Student Loan	84.268	4,975,257	-			4,975,257	-
Total Student Financial Assistance Cluster		12,940,238	-			12,940,238	-
Total Expenditures of Federal Awards		$ 16,689,785	$ 1,447,944			$ 18,137,729	$ 96,276

The accompanying notes are an integral part of the schedule.

1. Summary of Significant Accounting Policies

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of Wellesley College (the "College") under programs of the federal government for the year ended June 30, 2016 recorded on the accrual basis of accounting. The information in this Schedule is presented in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the College.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the College and agencies and departments of the federal government and all subawards to the College by nonfederal organizations pursuant to federal grants, contracts and similar agreements. Negative amounts on the Schedule represent adjustments to expenditures reported in the prior year. Catalog of Federal Domestic Assistance ("CFDA") numbers and pass through numbers are provided when available.

Expenditures consist of direct and facility and administrative costs which are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the OMB Circular A-21*, Cost Principles for Educational Institutions*, or the Uniform Guidance as applicable. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

2. Facility and Administrative Costs

Facility and administrative costs allocated to certain awards for the year ended June 30, 2016 were based on predetermined rates negotiated with the College's federal oversight agency, the Department of Health and Human Services. The College negotiated four-year predetermined indirect cost rates of 75.3% for on-campus and 15.1% for off-campus activity based on salaries and wages. These rates are effective from July 1, 2013 through June 30, 2017. The College applied its predetermined approved facilities and administrative rates when charging indirect costs to federal awards rather than the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

3. Federal Student Loan Programs

The Perkins Loan Program is administered directly by the College, except for functions performed by an outside third party service organization. Balances and transactions relating to this program are included in the College's financial statements. The total outstanding loan balance under the Perkins program was $4,366,583 at June 30, 2016 and the College recovered no administrative cost allowance from the Perkins program for the year ending June 30, 2016.

Part II - Reports on Internal Control and Compliance

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Wellesley College

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wellesley College (the "College"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

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results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

October 28, 2016

Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

To the Board of Trustees of
Wellesley College

Report on Compliance for Each Major Federal Program

We have audited Wellesley College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wellesley College's compliance.

Opinion on Each Major Federal Program

In our opinion, Wellesley College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

March 28, 2017

Part III – Findings and Questioned Costs

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified	____ Yes	✓ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	✓ None Reported
Noncompliance material to financial statements noted?	____ Yes	✓ No

Federal Awards

Internal control over major programs		
Material weakness(es) identified	____ Yes	✓ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	✓ None Reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR200.516(a)?	____ Yes	✓ No

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualifies as a low-risk auditee?	Yes

II. Financial Statement Findings

No matters to report.

III. Federal Award Findings and Questioned Costs

No matters to report.

Wellesley College
Schedule of Status of Prior Audit Findings
June 30, 2016

There were no prior findings or questioned costs that require an update in this report.