



WELLESLEY COLLEGE

Independent Auditors' Reports as Required by Title 2
U.S. Code of Federal Regulations, Part 200, *Uniform Administrative
Requirements, Cost Principles, and Audit Requirements for Federal
Awards*, and *Government Auditing Standards* and Related Information

Year ended June 30, 2020

WELLESLEY COLLEGE

Independent Auditors' Reports as Required by Title 2
U.S. Code of Federal Regulations, Part 200, *Uniform Administrative
Requirements, Cost Principles, and Audit Requirements for Federal
Awards*, and *Government Auditing Standards* and Related Information

Year ended June 30, 2020

Table of Contents

	Page
Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	I
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	II
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	III
Schedule of Findings and Questioned Costs	IV



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

Exhibit I

Independent Auditors' Report

The Board of Trustees
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, 2020 and 2019, 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 these financial statements in accordance with U.S. generally accepted accounting principles; 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 these 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 the auditors' 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, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wellesley College as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Exhibit I

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of the 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. The purpose of that report is solely 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 the effectiveness of the College's 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.

KPMG LLP

Boston, Massachusetts
October 27, 2020

WELLESLEY COLLEGE

Statements of Financial Position

June 30, 2020 and 2019

(In thousands)

Assets	2020	2019
Cash and cash equivalents	\$ 99,723	92,381
Restricted cash	—	28,383
Receivables, net	18,825	22,663
Contributions receivable, net	52,199	50,046
Prepaid, inventory and other assets	4,552	1,592
Investments	2,295,151	2,181,574
Planned giving investments	55,214	57,764
Land, buildings and equipment, net	465,704	420,883
Total assets	<u>\$ 2,991,368</u>	<u>2,855,286</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 46,347	42,032
Deferred income and advances under grants and contracts	8,141	9,272
Annuities and unitrusts payable	31,225	29,101
Asset retirement and environmental obligations	22,515	21,850
Accrued pension liability	42,015	27,150
Bonds payable	319,483	321,218
Other liabilities	34,914	25,699
Government loan advances	779	2,379
Total liabilities	<u>505,419</u>	<u>478,701</u>
Net assets:		
Without donor restrictions	694,999	661,237
With donor restrictions	<u>1,790,950</u>	<u>1,715,348</u>
Total net assets	<u>2,485,949</u>	<u>2,376,585</u>
Total liabilities and net assets	<u>\$ 2,991,368</u>	<u>2,855,286</u>

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statement of Activities

Year ended June 30, 2020

(In thousands)

	Without donor restrictions	With donor restrictions	2020 Total
Operating revenues:			
Tuition, fees, room and board, net of financial aid of \$67,876	\$ 93,376	—	93,376
Auxiliary operations	7,324	—	7,324
Government grants	5,552	—	5,552
Private gifts and grants	19,288	4,335	23,623
Endowment distributed for operations	84,699	7,457	92,156
Amounts transferred from endowment funds	990	—	990
Restricted and designated funds used in operations	3,810	—	3,810
Other	6,192	—	6,192
Net assets released from restrictions	7,821	(7,821)	—
Total operating revenues	229,052	3,971	233,023
Operating expenses:			
Instruction	90,291	—	90,291
Sponsored research and centers	13,516	—	13,516
Student services	51,571	—	51,571
Academic support	24,235	—	24,235
Institutional support	38,400	—	38,400
Auxiliary operations	11,790	—	11,790
Total operating expenses	229,803	—	229,803
Change in net assets from operating activities	(751)	3,971	3,220
Nonoperating activities:			
Investment return, net of spending allocation	34,929	44,293	79,222
Endowment distributed for operations	(990)	—	(990)
Matured planned giving agreements	1,592	(1,592)	—
Gifts and pledges	7,731	49,636	57,367
Pension related changes other than net service cost	(15,326)	—	(15,326)
Net unrealized loss on interest swap	(8,838)	—	(8,838)
Other changes	(1,481)	—	(1,481)
Net assets released from restrictions	17,991	(21,801)	(3,810)
Change in net asset classification and transfers	(1,095)	1,095	—
Total nonoperating revenues	34,513	71,631	106,144
Net change in net assets	33,762	75,602	109,364
Net assets:			
Beginning of year	661,237	1,715,348	2,376,585
End of year	\$ 694,999	1,790,950	2,485,949

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statement of Activities

Year ended June 30, 2019

(In thousands)

	Without donor restrictions	With donor restrictions	2019 Total
Operating revenues:			
Tuition, fees, room and board, net of financial aid of \$67,791	\$ 96,199	—	96,199
Auxiliary operations	7,060	—	7,060
Government grants	4,313	—	4,313
Private gifts and grants	19,691	4,089	23,780
Endowment distributed for operations	84,030	6,736	90,766
Amounts transferred from endowment funds	3,694	—	3,694
Restricted and designated funds used in operations	3,122	—	3,122
Other	10,354	—	10,354
Net assets released from restrictions	13,257	(13,257)	—
Total operating revenues	241,720	(2,432)	239,288
Operating expenses:			
Instruction	93,475	—	93,475
Sponsored research and centers	12,501	—	12,501
Student services	53,227	—	53,227
Academic support	24,501	—	24,501
Institutional support	39,829	—	39,829
Auxiliary operations	12,150	—	12,150
Total operating expenses	235,683	—	235,683
Change in net assets from operating activities	6,037	(2,432)	3,605
Nonoperating activities:			
Investment return, net of spending allocation	16,272	31,100	47,372
Endowment distributed for operations	(3,694)	—	(3,694)
Matured planned giving agreements	3,790	(3,790)	—
Gifts and pledges	59	7,438	7,497
Pension related changes other than net service cost	(4,289)	—	(4,289)
Net unrealized loss on interest swap	(5,537)	—	(5,537)
Other changes	(2,401)	4,384	1,983
Net assets released from restrictions	13,479	(16,601)	(3,122)
Changes in net asset classification and transfers	20	(20)	—
Total nonoperating revenues	17,699	22,511	40,210
Net change in net assets	23,736	20,079	43,815
Net assets:			
Beginning of year	637,501	1,695,269	2,332,770
End of year	\$ 661,237	1,715,348	2,376,585

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 109,364	43,815
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	22,160	20,733
Contributions restricted for long-term purposes	(35,468)	(18,528)
Donated securities received	(2,155)	(355)
Realized and unrealized gains on investments	(150,651)	(145,890)
Change in discount and allowance for doubtful accounts	203	(4,314)
Pension related changes other than net periodic pension cost	(15,326)	4,289
Unrealized loss on interest rate swap	8,838	5,337
Gain on sale and disposals of plant and equipment	—	1,158
Changes in operating assets and liabilities:		
Receivables	3,704	980
Contributions receivable	(2,344)	31,395
Prepaid, inventory and other assets	(3,475)	2,196
Accounts payable, accrued expenses and other	34,125	(7,957)
Student deposits and deferred revenue	(1,131)	(1,536)
Government loan advances	(1,600)	70
Annuities and unitrusts payable	2,124	(1,634)
Other liabilities	377	238
Net cash used in operating activities	<u>(31,255)</u>	<u>(70,003)</u>
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(66,015)	(84,468)
Proceeds from sale of land, buildings and equipment	—	(1,262)
Proceeds from student loans collections	986	1,251
Student loans issued	(864)	(1,110)
Decrease in restricted cash for construction funds	28,383	66,807
Purchases of investments	(437,639)	(632,313)
Proceeds from sales and maturities of investments	477,263	709,631
Net cash provided by investing activities	<u>2,114</u>	<u>58,536</u>
Cash flows from financing activities:		
Proceeds from contributions for:		
Investment in endowment	24,788	16,361
Investment in planned giving	10,680	2,167
Proceeds from sale of donated securities restricted for long-term purposes	2,155	355
Receipts from line of credit	30,000	—
Payments on line of credit	(30,000)	—
Payments on bonds and notes payable	(1,140)	(3,245)
Net cash provided by financing activities	<u>36,483</u>	<u>15,638</u>
Net increase in cash and cash equivalents	7,342	4,171
Cash and cash equivalents:		
Beginning of year	92,381	88,210
End of year	<u>\$ 99,723</u>	<u>92,381</u>
Contributed securities	\$ 15,805	5,292
Cash paid for interest	11,457	11,979
Change in capital additions included in accounts payable and accrued expenses	381	(3,134)

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Organization

Founded in 1870, Wellesley College (the College) is a private, nonprofit liberal arts college for women. In pursuit of the College mission, Wellesley prepares women for leadership roles and educates them to make a difference in the world.

(b) Basis of Presentation

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

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations, but which may be designated for specific purposes by the College or otherwise be limited by contractual agreements with outside parties. The College records any donor-restricted contributions for which the donor-imposed restrictions are met in the same reporting period as the contribution is received within net assets without donor restrictions.

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

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions to be invested by the College to generate a return that will support future operations, contributions to be 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 unrealized gains and losses on the interest rate swap, pension related changes other than net periodic pension cost and changes in matured planned giving agreements.

(c) Cash and Cash Equivalents

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

(d) Investments

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

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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

The College has established a framework for measuring fair value under GAAP. The College determines fair value based on amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. 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: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at measurement date.

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

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

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

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

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(e) *Endowment Investment Return Spending Policy*

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

Wellesley's Endowment Spending Policy is based on a combination of the prior year's spending and a percentage of the latest endowment value with a weighting of 80% and 20%, respectively. Prior year spending is adjusted for Higher Education Price Index (HEPI) inflation, and 4.25% is the rate applied to the most recent endowment value on December 31. The amount of allowable spending will be capped at 5.0% or no less than 4.0% of the average of the last three fiscal year end endowment values adjusted for HEPI inflation. The Endowment Spending Policy is applied on a per unit basis. Investment return earned in prior years may be utilized if current year income is less than current year spend. The spending policy is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuations in capital markets.

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

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

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(f) Receivables, net

Accounts receivable include amounts due from students, student organizations and other miscellaneous receivables. Loans to students are carried at net realizable value. Student accounts receivable as of June 30, 2020 and 2019 were \$1,098,000 and \$764,000, respectively, and are reported net of allowances for doubtful accounts of \$172,000 and \$187,000, respectively. Loans receivable as of June 30, 2020 and 2019 were \$6,854,000 and \$7,003,000, respectively, and are reported net of allowances for doubtful loans of \$855,000 and \$828,000, respectively. The provisions are intended to provide for student accounts and loans that may not be collected. The remaining balance as of June 30, 2020 and 2019 consists of grants and other accounts receivable.

(g) Contributions

Contributions of cash and other assets, including unconditional promises to give, are recorded as revenue based on any donor-imposed restrictions on the date of the donors' commitment or gift. Contributions of other assets are recorded at their estimated fair value at the date of the gift. Unconditional pledges are recorded at their estimated present value, which approximates fair value, net of an allowance for uncollectible amounts. Conditional pledges are not recognized as revenue until such time as the conditions are substantially met.

(h) Land, Buildings, and Equipment

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

	<u>Years</u>
Buildings and Infrastructure	20–60
Building improvements	20
Furniture and Equipment	4–12

(i) Student Charges

The College recognizes revenue from tuition, fees, room, and board within the fiscal year in which educational services are provided. Financial aid, in the form of scholarships and grants, includes amounts funded by the endowment, gifts and unrestricted institutional resources. This amount reduces the published price of tuition for students receiving such aid. As such, financial aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Tuition and fee revenue was \$132,195,000 and \$128,441,000 at June 30, 2020 and 2019, respectively,

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

and room and board revenue was \$29,057,000 and \$35,549,000. Financial aid provided to students totaled \$67,876,000 and \$67,791,000 for the years ended June 30, 2020 and 2019, respectively.

(j) Grant Revenue

Grants and contracts awarded by federal and other sponsors, which generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The College has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions include donor-restricted contributions for which purpose restrictions and conditions are met in the same reporting period. Total revenue from grants and contracts recognized in net assets without donor restrictions was \$10,559,000 and \$7,640,000 for the years ended June 30, 2020 and 2019, respectively, and are included in the government grants and private gifts and grants lines on the Statements of Activities. Payments received from sponsors in advance of conditions being met are reported as deferred income and advances under grants and contracts, which totaled \$7,304,000 and \$6,912,000 as of June 30, 2020 and 2019, respectively.

Government grants normally provide for the recovery of direct and indirect costs. Recovery of related indirect costs is generally recorded at predetermined fixed rates negotiated with the government or at other predetermined rates determined by the grant provider.

(k) Auxiliary Operations

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

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

(l) Internal Revenue Code Status

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

The College has no material uncertain tax provisions as of June 30, 2020 and 2019.

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. The Act impacts the College in several ways, including new excise taxes on executive compensation and net investment income, increases to unrelated business taxable income (UBTI) by the amount of certain fringe benefits for which a deduction is not allowed, changes to the net operating loss rules, repeal of the alternative minimum tax (AMT), and the computation of UBTI separately for each unrelated trade or business. Further, the Act reduces the US federal corporate tax rate and federal corporate unrelated business income tax rate from 35% to 21%.

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

For the year ended June 30, 2020 and 2019, the College is subject to the federal excise tax of 1.4% imposed on colleges and universities meeting certain criteria. The excise tax imposed is on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on assets subject to the tax. The current portion of the excise tax was approximately \$616,000. The College has made provisions for a deferred tax liability resulting from net unrealized gains on qualifying assets and estimated at the 1.4% tax rate, of \$6,622,000 as of June 30, 2020 and \$3,400,000 as of June 30, 2019.

(m) Asset Retirement and Environmental Obligations

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

(n) Interest Rate Swap

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

Net payments or receipts (differences are between variable and fixed rate) under the swap agreement are recorded as interest expense in the operating section of the Statements of Activities and are allocated to the functional expense categories. The change in fair value of the swap is recorded in the nonoperating section of the Statements of Activities as net unrealized gain(loss) on interest swap.

(o) Use of Estimates

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

(p) New Accounting Pronouncements

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 320): Restricted Cash*, which provides specific guidance on the classification and presentation of changes in restricted cash and cash equivalents on the statement of cash flows. This ASU became effective for the College for the year ended June 30, 2020, and the College's adoption did not have a material effect on the College's financial statements.

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

(q) Reclassifications

Certain other reclassifications have been made to the 2019 information to conform to the 2020 presentation.

(2) Liquidity and Availability

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expense, interest and principal payments on debt, and capital renewal programs, were as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 99,723	92,381
Contributions and accounts receivable, net	16,176	12,034
Fiscal 2021/2020 endowment appropriation	<u>95,590</u>	<u>91,452</u>
Total financial assets available	211,489	195,867
Liquidity resources:		
Bank line of credit available	<u>60,000</u>	<u>60,000</u>
Total financial assets and other liquidity resources available	<u>\$ 271,489</u>	<u>255,867</u>

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

In addition, as of June 30, 2020 and 2019, the College had \$691 million and \$664 million of board designated endowment funds, respectively. Although the College does not intend to spend from its board-designated endowment funds, these amounts could be made available with Board approval, subject to liquidity provisions of underlying investments.

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

(3) Contributions Receivable

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

	<u>2020</u>	<u>2019</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 14,227	10,898
One year to five years	32,572	24,187
Over five years	3,870	13,083
Less discounts and allowance for uncollectible accounts	<u>(6,215)</u>	<u>(6,024)</u>
Total	44,454	42,144
Assets held by external trustee	<u>7,745</u>	<u>7,902</u>
Contributions receivable, net	<u>\$ 52,199</u>	<u>50,046</u>

Contributions receivable expected to be collected within one year are recorded at their net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured at the time of the contribution using rates indicative of the market and credit risk associated with the contribution. Discount rates used to calculate the present value of contributions receivable ranged from 3.0% to 6.0% as of June 30, 2020 and 2019.

(4) Land, Buildings and Equipment

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

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 50,093	50,107
Buildings and building improvements	701,229	586,021
Equipment	10,243	9,371
Construction in progress	<u>44,180</u>	<u>94,175</u>
	805,745	739,674
Less accumulated depreciation	<u>(340,041)</u>	<u>(318,791)</u>
Total	<u>\$ 465,704</u>	<u>420,883</u>

Depreciation and amortization expense was \$21,914,000 and \$20,733,000 for the years ended June 30, 2020 and 2019, respectively.

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

The College recognized \$949,000 and \$932,000 of operating expenses relating to the accretion of environmental liabilities associated with the asset retirement obligations for the years ended June 30, 2020 and 2019, respectively. Conditional asset retirement obligations of \$22,515,000 and \$21,850,000 at June 30, 2020 and 2019, respectively, are presented in the liabilities section of the Statements of Financial Position.

(5) Investments and Fair Value Measurements

The fair values of investments at June 30, 2020 and 2019 were as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Investments:		
Investments pooled:		
Cash and cash equivalents	\$ 116,565	142,674
Bonds	54,000	90,621
Equities	699,921	642,010
Private equity	741,639	596,981
Real assets	131,688	160,706
Absolute return	528,087	524,457
Other assets	<u>—</u>	<u>851</u>
Total pooled investments	2,271,900	2,158,300
Faculty mortgages	<u>23,031</u>	<u>23,056</u>
Total pooled investments and faculty mortgages	2,294,931	2,181,356
Investments not pooled:		
Cash and cash equivalents	<u>220</u>	<u>218</u>
Total investments	\$ <u><u>2,295,151</u></u>	<u><u>2,181,574</u></u>

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Planned giving investments:		
Pooled income funds and annuities:		
Cash and cash equivalents	\$ 782	1,138
Bonds	12,082	11,266
Equities	29,681	27,782
Other Assets	23	—
Total pooled income and annuities	<u>42,568</u>	<u>40,186</u>
Charitable remainder trusts:		
Cash and cash equivalents	221	454
Bonds	2,203	3,866
Equities	6,208	9,482
Other assets	1,972	2,281
Assets held by external trustee	2,042	1,495
Total charitable remainder trusts	<u>12,646</u>	<u>17,578</u>
Total planned giving investments	<u>\$ 55,214</u>	<u>57,764</u>

The majority of College investments are invested in the College's long-term investment pool. Assets in this pool also include faculty mortgages and planned giving assets.

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.

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 \$343,488,000 and \$357,601,000 as of June 30, 2020 and 2019, respectively.

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

Fair Value Disclosures

The following fair value hierarchy tables present information about the College's assets and liabilities measured at fair value on a recurring basis at June 30, 2020 and 2019 (in thousands):

2020					
Assets	NAV Practical expedient	Level 1	Level 2	Level 3	Total
Investments:					
Equities	\$ 689,107	10,814	—	—	699,921
Bonds	—	54,000	—	—	54,000
Private equity	741,639	—	—	—	741,639
Real assets	131,688	—	—	—	131,688
Absolute return	528,087	—	—	—	528,087
Cash equivalents and other assets	—	116,785	—	23,031	139,816
Total investments at fair value	2,090,521	181,599	—	23,031	2,295,151
Planned giving investments	—	—	—	55,214	55,214
Total investments at fair value	\$ 2,090,521	181,599	—	78,245	2,350,365
Liabilities					
Interest rate swap agreement	\$ —	—	(25,546)	—	(25,546)
Total	\$ —	—	(25,546)	—	(25,546)
2019					
Assets	NAV Practical expedient	Level 1	Level 2	Level 3	Total
Investments:					
Equities	\$ 594,748	47,263	—	—	642,011
Bonds	90,621	—	—	—	90,621
Private equity	596,981	—	—	—	596,981
Real assets	160,706	—	—	—	160,706
Absolute return	498,493	25,963	—	—	524,456
Cash equivalents and other assets	851	142,892	—	23,056	166,799
Total investments at fair value	1,942,400	216,118	—	23,056	2,181,574
Planned giving investments	—	—	—	57,764	57,764
Total investments at fair value	\$ 1,942,400	216,118	—	80,820	2,239,338
Liabilities					
Interest rate swap agreement	\$ —	—	(16,708)	—	(16,708)
Total	\$ —	—	(16,708)	—	(16,708)

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

Interest rate swap is valued at the present value of the series of net cash flows resulting from the exchange of fixed-rate payments for floating rate payments over the remaining life of the contract from statement of financial position date. Each floating rate payment is calculated based on forward market rates at valuation date for each respective payment date. Inputs to determine discount factors and forward rates include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain inputs are unobservable; therefore the fair value is categorized as Level 2.

The following tables present planned giving investment assets and faculty mortgages carried at fair value as of June 30, 2020 and 2019 that are classified within Level 3 of the fair value hierarchy (in thousands):

	2020	
	Planned giving assets	Faculty mortgages
Balance June 30, 2019	\$ 57,764	23,056
Realized and unrealized losses/accrued interest	(5,085)	(425)
Purchases	10,005	870
Sales	(7,470)	(470)
Balance June 30, 2020	<u>\$ 55,214</u>	<u>23,031</u>

	2019	
	Planned giving assets	Faculty mortgages
Balance June 30, 2018	\$ 57,562	22,011
Realized and unrealized gains/accrued interest	3,394	525
Purchases	2,064	666
Sales	(5,256)	(146)
Balance June 30, 2019	<u>\$ 57,764</u>	<u>23,056</u>

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

Detailed liquidity of the College's investments as of June 30, 2020 and 2019 is as follows (in thousands):

2020						
	Daily/Monthly	Quarterly	Greater than quarterly and less than one year	Greater than one year	Illiquid	Total
Investments:						
Equities	\$ 421,222	174,915	24,534	64,753	14,497	699,921
Bonds	54,000	—	—	—	—	54,000
Private equity	—	—	—	—	741,639	741,639
Real assets	—	—	—	—	131,688	131,688
Absolute return	59,506	107,558	241,449	67,132	52,442	528,087
Cash and other assets	116,785	—	—	—	23,031	139,816
Total investments at fair value	<u>\$ 651,513</u>	<u>282,473</u>	<u>265,983</u>	<u>131,885</u>	<u>963,297</u>	<u>2,295,151</u>
2019						
	Daily/Monthly	Quarterly	Greater than quarterly and less than one year	Greater than one year	Illiquid	Total
Investments:						
Equities	\$ 326,652	315,359	—	—	—	642,011
Bonds	46,271	11,087	33,263	—	—	90,621
Private equity	—	—	—	—	596,981	596,981
Real assets	—	—	—	—	160,706	160,706
Absolute return	86,341	100,575	302,940	—	34,600	524,456
Cash and other assets	142,892	—	—	—	23,907	166,799
Total investments at fair value	<u>\$ 602,156</u>	<u>427,021</u>	<u>336,203</u>	<u>—</u>	<u>816,194</u>	<u>2,181,574</u>

(6) Related Parties

The Wellesley College Alumnae Association is a separate 501(c)(3) organization whose mission is to support the institutional priorities of Wellesley College. Endowment investments held on its behalf are included in the College's long-term investment pool and are reflected as part of the College's assets and liabilities. Assets at fair value totaled \$9,368,000 and \$9,001,000 at June 30, 2020 and 2019, respectively, and are included within investments on the Statements of Financial Position.

Mortgages due from faculty of \$23,031,000 and \$23,056,000 at June 30, 2020 and 2019, respectively, are included within investments on the Statements of Financial Position.

The College had Charitable Remainder Trusts, where the College is the trustee, invested alongside the endowment with a fair value of \$9,754,000 and \$8,140,000 at June 30, 2020 and June 30, 2019, respectively. These assets are included within the investments total on the Statements of Financial Position.

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(7) Bonds Payable and Lines of Credit

Indebtedness at June 30, 2020 and 2019 includes various bonds issued through the Massachusetts Development Finance Agency (MDFA) and other parties. Interest payments on debt totaled \$11,457,000 and \$11,979,000 during fiscal years 2020 and 2019, respectively.

The College has an available line of credit with a bank. The line of credit allows the College to borrow up to \$60 million, with various terms and interest at an adjusted LIBOR rate. This line of credit can be used for varying purposes and expires on March 01, 2023. As of June 30, 2020 and 2019, there were no amounts drawn or outstanding under this line of credit.

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

	<u>2020</u>	<u>2019</u>
MDFA, Series I, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2020 was 0.586%.	\$ 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, 2020 was 0.586%.	20,000	20,000
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 2.935% to 4.196%, maturing 2042.	87,625	87,625
MDFA, Series L, Revenue Bonds, issued at an interest rate of 4.000% to 5.000%, maturing 2048.	<u>94,340</u>	<u>95,480</u>
Total bonds payable	309,150	310,290
Less unamortized bond issue costs	(1,835)	(1,932)
Add unamortized original issue premium	<u>12,168</u>	<u>12,860</u>
	<u>\$ 319,483</u>	<u>321,218</u>

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

2021	\$ 2,685
2022	3,790
2023	4,555
2024	3,620
2025	3,785
Thereafter	<u>290,715</u>
Total bonds payable	<u>\$ 309,150</u>

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, the fair value of the swap agreement amounted to a liability of \$25,546,000 and \$16,708,000, respectively. The fair value of the swap is the estimated amount that the College would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties. The value of the interest rate swap is reflected within other liabilities on the Statements of Financial Position. The change in fair value of the swap is recorded in the nonoperating section of the Statements of Activities as net unrealized gain or loss on interest swap. This financial instrument necessarily involves counterparty credit exposure and the College's own nonperformance risk. The counterparty for this swap agreement is a major financial institution that meets the College's criteria for financial stability and credit-worthiness. The change in fair value resulted in a loss of \$8,838,000 and \$5,337,000 in 2020 and 2019, respectively. Additionally, the College paid net interest expense in association with the swap agreement of \$1,229,000 and \$877,000 for the years ended June 30, 2020 and 2019, respectively, which is recorded in the operating section of the Statements of Activities as an allocation to the functional expense categories.

Restricted cash represents amounts for construction held by trustees in association with the MDFA Series L bond issue. The College had cash equivalents on deposit with bond trustees of \$0 and \$28,383,000 as of June 30, 2020 and 2019, respectively.

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

(8) Annuities and Unitrusts Payable

The College has split-interest agreements consisting primarily of annuities, pooled life income funds, and charitable remainder unitrusts for which the College may or may not serve as trustee. Split-interest agreements are included in planned giving investments, and at June 30, 2020 and 2019, there is approximately \$9,754,000 and \$8,140,000, respectively, invested alongside the endowment, which is included within the investments total on the Statements 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 3.5% to 4%. The liability of \$31,225,000 and \$29,101,000 at June 30, 2020 and 2019, respectively, is adjusted during the term of the agreement for changes in actuarial assumptions. Payments of income to beneficiaries are principally funded by the investment income of the related gift annuity and unitrust investments.

(9) Retirement Plans

The College has a defined contribution, noncontributory annuity pension plan for faculty and administrative personnel administered by TIAA. Under this Plan, the College contributed \$8,748,000 and \$8,515,000, respectively, for the years ended June 30, 2020 and 2019.

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

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

earnings. Contributions to the plan are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974. As of December 2012, this plan is no longer accepting new participants.

The measurement dates for determining the benefit obligations and net periodic benefit cost for the defined benefit plan were June 30, 2020 and 2019.

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

	<u>2020</u>	<u>2019</u>
Assumptions used to determine benefit obligations:		
Discount rate	2.550 %	3.450 %
Rate of compensation increase	3.000	3.000
Assumptions used to determine net periodic benefit cost:		
Discount rate	3.450 %	4.150 %
Expected return on plan assets	7.000	7.000
Rate of compensation increase	3.000	3.000
Change in projected benefit obligation:		
Benefit obligation at end of prior year	\$ 80,268	74,393
Service cost	2,135	2,057
Interest cost	2,712	3,018
Actuarial loss, net of administrative expenses paid	13,785	5,527
Benefits paid	<u>(3,308)</u>	<u>(4,727)</u>
Benefit obligation at end of year	<u>\$ 95,592</u>	<u>80,268</u>
Accumulated benefit obligation	\$ 84,236	71,172

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Change in plan assets:		
Fair value of plan assets at end of prior year	\$ 53,119	50,939
Actual return on plan assets, net of administrative expenses	(37)	3,061
Employer contributions	3,803	3,846
Benefits paid	<u>(3,308)</u>	<u>(4,727)</u>
Fair value of plan assets at end of year	\$ <u>53,577</u>	<u>53,119</u>
Funded status:		
Funded status	\$ (42,015)	(27,150)
Components of net periodic benefit cost:		
Service cost	\$ 2,135	2,057
Interest cost	2,712	3,018
Expected return on plan assets	(3,272)	(3,066)
Net loss on amortization	<u>1,021</u>	<u>641</u>
Net periodic benefit cost	\$ <u>2,596</u>	<u>2,650</u>
New net actuarial loss	\$ 17,094	5,535
Net loss on amortization	<u>(1,021)</u>	<u>(641)</u>
Total recognized net periodic benefit and other comprehensive loss	\$ <u>16,073</u>	<u>4,894</u>

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

2021	\$ 4,583
2022	3,932
2023	4,467
2024	5,291
2025	5,136
2026–2029	<u>24,000</u>
	\$ <u>47,409</u>

The College expects to make an employer contribution into the defined benefit plan of \$2,500,000 in the 2021 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

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

assessing current valuation measures, income, economic growth and inflation forecasts, and historical risk premiums. Although this basis is consistent with prior years, assumptions vary from year to year.

The following lists the Plan's asset allocation at June 30, 2020 and 2019 (in thousands):

Asset category	Fair Value at June 30, 2020	Fair Value at June 30, 2019
Equity securities	\$ 34,943	34,723
Real estate investment trust	1,482	3,622
Commodities	2,744	2,690
Fixed income	14,398	12,270
Cash and cash equivalents	10	(186)
	<u>\$ 53,577</u>	<u>53,119</u>

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

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

(10) Net Assets

Net assets consist of the following at June 30, 2020 and 2019 (in thousands):

	2020	2019
Without donor restrictions:		
Board designated endowments:		
Student financial aid	\$ 38,560	40,722
Professorships	116,081	112,648
Other programming	536,575	510,386
Total board designated endowments	691,216	663,756
Undesignated	(52,362)	(64,859)
Accrued pension liability	(42,015)	(27,150)
Interest rate swap liability	(25,546)	(16,708)
Net investment in plant	123,706	106,198
Total without donor restrictions	<u>694,999</u>	<u>661,237</u>

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
With donor restrictions:		
Donor restricted endowments:		
Student financial aid	\$ 615,120	585,702
Professorships	453,587	430,173
Other programming	<u>525,474</u>	<u>493,784</u>
Total donor restricted endowments	1,594,181	1,509,659
Purpose restricted and other:		
Student financial aid and loans	9,535	9,242
Capital	44,040	35,598
Annuities	40,153	43,471
Other programming	59,254	64,162
Unexpended endowment income	23,310	20,586
Other	<u>20,477</u>	<u>32,630</u>
Total with donor restrictions	<u>1,790,950</u>	<u>1,715,348</u>
Total net assets	<u>\$ 2,485,949</u>	<u>2,376,585</u>

(11) Endowment

The College's endowment consists of approximately 2,000 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi funds). Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At June 30, 2020 and 2019, endowment net assets consisted of the following (in thousands):

		<u>2020</u>	
		<u>Without donor restrictions</u>	<u>With donor restrictions</u>
			<u>Total</u>
Board designated endowment funds	\$ 691,216	—	691,216
Donor-restricted endowment funds:			
Historical cost	—	620,136	620,136
Appreciation	—	<u>974,045</u>	<u>974,045</u>
Total endowment net assets	<u>\$ 691,216</u>	<u>1,594,181</u>	<u>2,285,397</u>

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2020 and 2019

	2019		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 663,756	—	663,756
Donor-restricted endowment funds:			
Historical cost	—	595,206	595,206
Appreciation	—	914,453	914,453
Total endowment net assets	\$ <u>663,756</u>	<u>1,509,659</u>	<u>2,173,415</u>

Changes in endowment net assets for the year ended June 30, 2020 and 2019 were as follows (in thousands):

	Without donor restrictions	With donor restrictions	Total
Balance June 30, 2019	\$ 663,756	1,509,659	2,173,415
Net investment return	52,521	123,958	176,479
Contributions and transfers	3,627	25,022	28,649
Distributions	(28,688)	(64,458)	(93,146)
Balance June 30, 2020	\$ <u>691,216</u>	<u>1,594,181</u>	<u>2,285,397</u>

	Without donor restrictions	With donor restrictions	Total
Balance June 30, 2018	\$ 647,752	1,457,460	2,105,212
Net investment return	44,409	92,640	137,049
Contributions and transfers	7,086	18,528	25,614
Distributions	(35,491)	(58,969)	(94,460)
Balance June 30, 2019	\$ <u>663,756</u>	<u>1,509,659</u>	<u>2,173,415</u>

The College had no underwater donor-restricted endowment funds for the years ended June 30, 2020 and 2019.

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

(12) Expenses

The statements of activities presents expenses by functional classification. The College also summarizes its expenses by natural classification. The composition of expenses for the years ended June 30, 2020 and 2019 in natural classification are as follows (in thousands):

	2020					
	Salaries and wages	Employee benefits	Supplies and services	Other expenses	Depreciation, amortization and interest	Total expenses
Instruction	\$ 49,421	16,740	2,868	10,048	11,214	90,291
Sponsored research	6,165	1,896	944	4,511	—	13,516
Student services	18,434	6,089	8,271	5,088	13,689	51,571
Academic support	10,196	3,302	2,577	4,986	3,174	24,235
Institutional support	19,707	5,283	5,292	4,210	3,908	38,400
Auxiliary operations	3,099	979	1,633	3,909	2,170	11,790
Total operating expenses for 2020	\$ 107,022	34,289	21,585	32,752	34,155	229,803
Net periodic postretirement cost other than service cost	\$ —	461	—	—	—	461
	2019					
	Salaries and wages	Employee benefits	Supplies and services	Other expenses	Depreciation, amortization and interest	Total expenses
Instruction	\$ 48,984	16,555	3,699	13,506	10,731	93,475
Sponsored research	5,719	1,691	902	4,189	—	12,501
Student services	18,513	6,090	8,715	6,811	13,098	53,227
Academic support	6,234	3,200	4,138	7,892	3,037	24,501
Institutional support	22,512	6,914	4,597	2,068	3,738	39,829
Auxiliary operations	3,440	1,094	1,430	4,109	2,077	12,150
Total operating expenses for 2019	\$ 105,402	35,544	23,481	38,575	32,681	235,683
Net periodic postretirement cost other than service cost	\$ —	593	—	—	—	593

(13) Commitments and Contingencies

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

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

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2020 and 2019

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.

In 2018, the College offered a voluntary retirement program to eligible faculty and staff. Total expenses related to the program, recorded in the nonoperating section of the Statement of Activities, were \$9,832,000. The future payment obligations of \$3,822,000 and \$4,811,000 at June 30, 2020 and 2019, respectively, are included in the accounts payable and accrued expenses section of the Statement of Financial Position.

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

(14) COVID-19 Pandemic

As a result of the COVID-19 pandemic (the pandemic), the College decided to close the residential campus effective March 23, 2020. Due to this closure, the College issued refunds and future statement credits to students for room and board charges based on a prorated amount. These refunds and credits amounted to \$7,360,000 and resulted in a reduction of room and board revenue for the fiscal year ended June 30, 2020.

Also, as a result of the pandemic, in fiscal year 2020 the College was awarded \$985,000 from the Higher Education Emergency Relief Fund (HEERF). The funds were used for emergency financial aid grants to students under the 18004(a)(1) Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The College disbursed \$724,000 of the total received to students to assist the students in their transition to remote learning, with the remaining \$261,000 to be disbursed in fiscal year 2021. The College was awarded an additional \$985,000 from the HEERF to support institutional expenditures relating to the pandemic. The College utilized \$463,000 in fiscal year 2020 and will utilize the balance for pandemic related costs in fiscal year 2021.

In fiscal year 2021, in response to the COVID-19 pandemic, the college offered remote only courses for the summer, and will have students participating in both on campus and remote learning through the fall semester. This will likely have a negative impact on room and board revenue in fiscal year 2021.

While the financial impact on the College's future operations cannot be quantified at this time, the pandemic may have a material adverse effect on the operating performance of the College through its duration. The College continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the College community and promote the continuity of its academic mission.

(15) Subsequent Events

On July 2, 2020, the College entered into a Note Purchase Agreement providing for \$150 million of senior unsecured notes at a rate of 3.00% due in periodic installments. The College intends to utilize the proceeds for various purposes, including but not limited to, ongoing capital expenditures.

WELLESLEY COLLEGE
Supplementary Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

Federal Grantor/Program Title	CFDA number	Direct	Pass- through	Pass-through entity	Pass-through entity identifying number	Total federal expenditures	Passed through to subrecipients
Research and Development Cluster:							
National Aeronautics and Space Administration (NASA):							
Aerospace Education Service Program	43.001	\$ 359,774	—			\$ 359,774	—
Aerospace Education Service Program	43.001	—	(3,498)	Arizona State University	ASUB00000024	(3,498)	—
Aerospace Education Service Program	43.001	—	23,719	University of Idaho	AMK403-SB-001	23,719	—
Aerospace Education Service Program	43.001	—	77,975	University of Calif – San Diego	80NSSC18K0482	77,975	—
Subtotal		359,774	98,196			457,970	—
NASA-Miscellaneous	43.002	—	70,988	Jet Propulsion Labs	1415721	70,988	—
Total NASA		359,774	169,184			528,958	—
National Science Foundation:							
Engineering Grants	47.041	213,767	—			213,767	—
Mathematical and Physical Sciences	47.049	—	(168)	Wesleyan University	WESU5011003163	(168)	—
Mathematical and Physical Sciences	47.049	—	16,512	Harvard University	123826-5079722	16,512	—
Subtotal		—	16,344			16,344	—
Geosciences	47.050	45,169	—			45,169	—
Geosciences	47.050	—	11,473	Woods Hole (WHOI)	A101356	11,473	—
Subtotal		45,169	11,473			56,642	—
Computer and Information Science and Engineering	47.070	225,003	—			225,003	—
Computer and Information Science and Engineering	47.070	—	81,398	Massachusetts Institute of Technology	5710003723	81,398	—
Subtotal		225,003	81,398			306,401	—
Biological Sciences	47.074	501,605	—			501,605	—
Biological Sciences	47.074	—	11,053	Northeastern University	502036-78050	11,053	—
Biological Sciences	47.074	—	5,477	Cary Institute	3340/200201864	5,477	—
Subtotal		501,605	16,530			518,135	—
Social Behavior and Economic Sciences	47.075	201,564	—			201,564	—
Social Behavior and Economic Sciences	47.075	—	24,758	National Bureau of Economic Research	36327.00.00.00.770	24,758	—
Subtotal		201,564	24,758			226,322	—

WELLESLEY COLLEGE
Supplementary Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

Federal Grantor/Program Title	CFDA number	Direct	Pass- through	Pass-through entity	Pass-through entity identifying number	Total federal expenditures	Passed through to subrecipients
Education and Human Resources	47.076	\$ 42,436	—			\$ 42,436	—
Office of International Science and Engineering	47.079	10,555	—			10,555	—
Total National Science Foundation		1,240,099	150,503			1,390,602	—
Department of Health and Human Services:							
Mental Health and Research	93.242	—	116	University of Illinois at Chicago	PRM NT DTD 062411	116	—
Trans-NIH Research Support	93.310	760,467	—	Memorial Hospital of R.I.		760,467	—
Child Care Mandatory and Matching Funds	93.596	—	14,069	Commonwealth of Massachusetts	CT EEC 0900 FY20SRF200013WELLESLE	14,069	—
Diabetes Endocrinology and Metabolism Research	93.847	—	122,281	Augusta University	30835-64	122,281	—
Neurosciences and Neurological Disorders Research	93.853	24,001	—			24,001	—
Allergy, Immunology and Transplantation Research	93.855	18,927	—			18,927	—
Pharmacology Physiology and Biological Chemistry	93.859	113,195	—			113,195	—
Pharmacology Physiology and Biological Chemistry	93.859	—	22,518	Occidental College	Oxy000002	22,518	—
Subtotal		113,195	22,518			135,713	—
Research for Mothers and Children	93.865	435,124	—			435,124	—
Cancer Biology Research	93.396	—	59,800	Smith College	636071-1	59,800	—
Total Department of Health and Human Services		1,351,714	218,784			1,570,498	—
Department of Education:							
Global Evaluation of Applied Research Solutions	84.RD	—	41,088	Global Evaluation and Applied Research Solutions (GEARS), Inc.	GRS-15-008	41,088	—
Total Department of Education		—	41,088			41,088	—
Department of Justice:							
Justice Research Development and Evaluation Project	16.560	17,035	—			17,035	1,668
Total Department of Justice		17,035	—			17,035	1,668
Total Research and Development Cluster		2,968,622	579,559			3,548,181	1,668

WELLESLEY COLLEGE
Supplementary Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

Federal Grantor/Program Title	CFDA number	Direct	Pass-through	Pass-through entity	Pass-through entity identifying number	Total federal expenditures	Passed through to subrecipients
TRIO Cluster:							
Department of Education:							
TRIO – McNair Postbaccalaureate	84.217	\$ 233,008	—			\$ 233,008	—
Total TRIO Cluster		<u>233,008</u>	<u>—</u>			<u>233,008</u>	<u>—</u>
Other Federal Assistance:							
Department of Education:							
Investing in Innovation (i3) Fund	84.411	—	16,343	Roger Williams University	Agreement Date 12/6/2017	16,343	—
Total Department of Education		<u>—</u>	<u>16,343</u>			<u>16,343</u>	<u>—</u>
Department of Health and Human Services:							
Child Care and Development Block Grant	93.575	816	—			816	—
Child Care and Development Block Grant	93.575	—	397,820	EDC, Inc.	11955 NIOST	397,820	—
Total Department of Health and Human Services		<u>816</u>	<u>397,820</u>			<u>398,636</u>	<u>—</u>
National Endowment for the Arts							
Promotion of the Arts Partnership Agreements	45.025	5,600	—			5,600	—
Total National Endowment for the Arts		<u>5,600</u>	<u>—</u>			<u>5,600</u>	<u>—</u>
National Endowment for the Humanities							
Promotion of the Humanities Fellowships and Stipends	45.160	94,997	—			94,997	—
Total National Endowment for the Humanities		<u>94,997</u>	<u>—</u>			<u>94,997</u>	<u>—</u>
Student Financial Assistance Cluster:							
Department of Education:							
Federal Supplemental Educational Opportunity Grants Program	84.007	307,427	—			307,427	—
Federal Work Study Program	84.033	321,945	—			321,945	—
Federal Perkins Loan Program:							
Outstanding Loans as of June 30, 2019	84.038	2,368,919	—			2,368,919	—
Federal Pell Grant Program	84.063	2,714,491	—			2,714,491	—
Federal Direct Student Loans	84.268	4,252,179	—			4,252,179	—
Total Student Financial Assistance Cluster		<u>9,964,961</u>	<u>—</u>			<u>9,964,961</u>	<u>—</u>
Education Stabilization Fund:							
Department of Education:							
COVID-19: Higher Education Emergency Relief Fund (HEERF) – Student Portion	84.425E	723,933	—			723,933	—
COVID-19: HEERF – Institutional Portion	84.425F	462,632	—			462,632	—
Total Education Stabilization Fund		<u>1,186,565</u>	<u>—</u>			<u>1,186,565</u>	<u>—</u>
Total Expenditures of Federal Awards		<u>\$ 14,454,569</u>	<u>993,722</u>			<u>\$ 15,448,291</u>	<u>1,668</u>

See accompanying notes to supplementary schedule of expenditures of federal awards.

WELLESLEY COLLEGE

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

(1) Basis of Presentation

The accompanying Supplementary Schedule of Expenditures of Federal Awards (the Schedule) has been prepared using the accrual basis of accounting and is presented in accordance with the 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). The purpose of the Schedule is to present a summary of those activities of Wellesley College (the College) for the year ended June 30, 2020, which have been funded by the U.S. government (federal awards). Because the Schedule presents only a selected portion of the activities of the College, it is not intended to and does not present the total financial position, changes in net assets, and cash flows of the College.

For purposes of the Schedule, federal awards include all federal assistance received directly from the federal government and awards passed through to the College by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The Schedule also denotes awards passed through from the College to other nonfederal subrecipient organizations.

(2) Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting.

(3) Federal Perkins Loan Program

The College administers the Federal Perkins Loan Program. The authority to award new loans to undergraduate students expired on September 30, 2017 and no disbursements are permitted after June 30, 2018. The amount included on the Schedule includes the outstanding balance as of June 30, 2019 of \$2,368,919. The outstanding balance as of June 30, 2020 was \$1,914,255.

(4) Federal Direct Loan Program

The amount of loans advanced to students under the Federal Direct Loan Program (FDL) during the year ended June 30, 2020 was \$4,252,179.

With respect to the FDL, the College is responsible only for the performance of certain administrative duties as part of the initial disbursement of the loans and, accordingly, these loans are not included in the College's financial statements. It is not practical to determine the balances of loans outstanding to students of the College under this program at June 30, 2020.

(5) Facility and Administrative Costs

Facility and administrative costs allocated to certain awards for the year ended June 30, 2020 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% for on-campus and 15% for off-campus activity based on direct salaries and wages. These rates are effective from July 1, 2017 through June 30, 2021. The College applied its predetermined approved facilities and administrative rates when charging indirect costs to federal awards and therefore did not elect the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.



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

Exhibit II

Independent Auditors' Report 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*

The Board of Trustees
Wellesley College:

We have audited, in accordance with the 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, 2020, 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 27, 2020.

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) as a basis for designing 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 financial statements. 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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Exhibit II

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.

KPMG LLP

Boston, Massachusetts
October 27, 2020



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

Exhibit III

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
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, 2020. The College's major federal programs are identified in the summary of auditors' 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 modified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the College's compliance.

Basis for Qualified Opinion on Student Financial Assistance Cluster

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding the Student Financial Assistance Cluster: CFDA 84.268, as described in finding number 2020-003 for Special Tests: Borrower Data Reconciliation (Direct Loan). Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.



Exhibit III

Qualified Opinion on Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Assistance Cluster for the year ended June 30, 2020.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-004, 2020-005, and 2020-006. Our opinion on each major federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The College's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-003 to be a material weakness.



Exhibit III

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-01, 2020-02, 2020-04, 2020-05, and 2020-06 to be significant deficiencies.

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The College's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

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.

Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College as of and for the year ended June 30, 2020, and have issued our report thereon dated October 27, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 supplementary schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

KPMG LLP

Boston, Massachusetts
June 25, 2021

WELLESLEY COLLEGE
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

(1) Summary of Auditors' Results

- a. Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **2020-003**
 - Significant deficiencies: **2020-001, 2020-002, 2020-004, 2020-005, 2020-006**
- e. Type of report issued on compliance for major programs: **Unmodified for all major programs except for Student Financial Assistance Cluster, which is qualified for compliance requirement- Special Tests: Borrower Data Reconciliation (Direct Loan)**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
2020-001, 2020-002, 2020-003, 2020-004, 2020-005, 2020-006
- g. Major programs:
 - Student Financial Assistance Cluster – various CFDA numbers
 - Education Stabilization Fund – 84.425E, 84.425F
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- i. Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

WELLESLEY COLLEGE
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

(3) Findings and Questioned Costs Relating to Federal Awards

Finding No.: 2020-001 – Special Tests

Federal Agency: Department of Education

Pass-through Entity: Direct

Federal Program: Student Financial Assistance Cluster – Federal Direct Loan Program

CFDA Number: 84.268

Federal Award Number: P268K201616

Federal Award Year: July 1, 2019 – June 30, 2020

Compliance Requirement: Special Tests: Disbursements to or on Behalf of Students

Criteria or Requirement

According to 34 CFR Section 685.300(b)(9) and Electronic Announcement, November 13, 2013, Direct Loan Quality Assurance Requirement Reminder, under the Federal Direct Loan Program, the College is required to implement and document a quality assurance system, as established by the Secretary and developed in consultation with the school, to ensure that the school is complying with program requirements and meeting program objectives.

Further, in accordance with 2 CFR 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition Found

The College does not have a documented Direct Loan quality assurance system or related internal control processes.

Possible Cause and Effect

The College's internal control process did not include controls to ensure all compliance requirements related to the documentation of a Direct Loan quality assurance system were met. By not having a documented quality assurance system, the College may inappropriately charge a student a fee for the Direct Loan origination or the provision of information for a student or parent to receive a direct loan. Further, without a documented policy, the College may not have adequate procedures in place to ensure Direct Loans are disbursed timely and accurately and that such amounts are appropriately reported to the federal government.

Questioned Costs

None.

WELLESLEY COLLEGE
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Statistical Sampling

Not applicable, as no sample was selected.

Repeat Finding

This was not a finding in the prior year.

Recommendation

We recommend that the College review its current policies and procedures to ensure that a Direct Loan quality assurance system is documented and in compliance with federal regulations. In addition, the College should establish internal control processes sufficient to ensure the system is in compliance with applicable regulations.

View of College Officials

The College recognizes the importance of establishing and maintaining a direct loan quality assurance system. The College has developed and implemented a written policy related to direct loan quality assurance.

WELLESLEY COLLEGE
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2020

<i>Finding No.:</i>	2020-002 - Special Tests
<i>Federal Agency:</i>	Department of Education
<i>Pass-through Entity:</i>	Direct
<i>Federal Program:</i>	Student Financial Assistance Cluster – Federal Direct Loan Program
<i>CFDA Number:</i>	84.268
<i>Federal Award Number:</i>	P268K201616
<i>Federal Award Year:</i>	July 1, 2019 – June 30, 2020
<i>Compliance Requirement:</i>	Special Tests: Disbursements to or on Behalf of Students

Criteria or Requirement

According to 34 CFR Section 668.165(a)(6)(i), under the Federal Direct Loan Program, Institutions must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than seven days after, crediting the student's account and must give the student 30 days to cancel all or part of the loan.

Further, in accordance with 2 CFR 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition Found

The College's policy is to disburse the funds to the student account and then notify the student, or parent, in writing the date and amount of the disbursement; the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan; and the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan. Of the forty (40) students selected for test work, we noted 10 students who were credited federal direct loans who were not notified in writing within the required seven days. The 10 students identified were notified within 31-32 days after the crediting the student's account.

WELLESLEY COLLEGE
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Possible Cause and Effect

The College's internal control process did not operate consistently to ensure that all disbursement notifications are sent timely to the student or parent. Failing to timely send a disbursement notification can cause a student or parent to not understand their right to cancel the loan and therefore can delay the ability of the right to cancel.

Questioned Costs

None.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

This was not a finding in the prior year.

Recommendation

We recommend that the College review its current policies and procedures to ensure that disbursement notifications are sent within the required seven days.

View of College Officials

The College recognizes the importance of timely communication to all borrowers. The College has implemented an automated communication process with built in internal reviews that will ensure all borrowers are notified within the required seven days.

WELLESLEY COLLEGE
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2020

<i>Finding No.:</i>	2020-003 – Special Tests
<i>Federal Agency:</i>	Department of Education
<i>Pass-through Entity:</i>	Direct
<i>Federal Program:</i>	Student Financial Assistance Cluster – Federal Direct Loan Program
<i>CFDA Number:</i>	84.268
<i>Federal Award Number:</i>	P268K201616
<i>Federal Award Year:</i>	July 1, 2019 – June 30, 2020
<i>Compliance Requirement:</i>	Special Tests: Borrower Data Reconciliation (Direct Loan)

Criteria or Requirement

Institutions must report all loan disbursements and submit required records to Common Origination and Disbursement (COD) within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the institution) Loan Detail records. The institution is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, institutions may receive three SAS data files each month (34 CFR 685.102(b), 685.301, and 303).

Further, in accordance with 2 CFR 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition Found

The College did not perform the required reconciliations between the SAS data file and the College's financial records for the period from July 1, 2019 through June 30, 2020.

Possible Cause and Effect

The College did not have an internal control process to ensure the required reconciliations occurred each month. If the reconciliations are not performed between the institution's record and COD, discrepancies may not be identified and resolved in a timely manner.

Questioned Costs

None.

Statistical Sampling

Not applicable, as no sample was selected.

WELLESLEY COLLEGE
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Repeat Finding

This was not a finding in the prior year.

Recommendation

We recommend that the College establish internal controls sufficient to ensure that the required monthly borrower data reconciliations are performed timely and accurately.

View of College Officials

The College recognizes the importance of reconciliations between the institution's financial records and the information reported in the School Account Statement data file. The College has developed a monthly procedure to ensure timely and accurate review of the data.

WELLESLEY COLLEGE
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2020

Finding No.: 2020-004 – Special Tests

Federal Agency: Department of Education

Pass-through Entity: Direct

Federal Program: Student Financial Assistance Cluster - Federal Direct Loan Program, Federal Pell Grant Program

CFDA Number: 84.268, 84.063

Federal Award Numbers: P268K201616, P063P191616

Federal Award Year: July 1, 2019 – June 30, 2020

Compliance Requirement: Special Tests, Enrollment Reporting

Criteria or Requirement

According to 34 CFR Section 685.309, under the Federal Direct loan program, institutions must complete and return the Enrollment Reporting roster file via the National Students Loan Data System (NSLDS) within 15 days of receipt. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. An institution must notify the Secretary of Education if it discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended. Department of Education lists several certification methods for enrollment reporting, including certifying directly through the NSLDS web site, certifying through the NSLDS's batch enrollment reporting process, or through certification of rosters provided to the National Student Clearinghouse (NSC). Additionally, there are two categories of enrollment information within NSLDS, "Campus Level" and "Program Level," both of which need to be reported accurately and have separate record types.

Further, in accordance with 2 CFR 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition Found

The College generally certifies its enrollment reports through rosters provided to the NSC. Of the forty (40) students with enrollment changes we selected for test work, we noted the following students whose changes in enrollment status were not timely and/or accurately transmitted to NSLDS.

- For four (4) students, the College was notified of the student's change in status from full-time to leave of absence; however, the status was incorrectly reported to NSLDS as withdrawn.

WELLESLEY COLLEGE

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

- For three (3) students, the College was notified of the student's change in status from full-time to withdrawn. The College did not report the status change within the required timeframe to NSLDS. The status changes were reported between 87 to 228 days following notification of the change in status.
- For five (5) students, the College was notified of the student's status change and the change was not accurately or timely reported to NSLDS. The College did not report the status change until 63 to 86 days following notification of the change in status. Additionally, although the five (5) students were leave of absence changes, all were reported to NSLDS incorrectly as withdrawn.
- For 12 students, the program level reporting to NSLDS did not agree to the College's enrollment records or to the campus level report. Of the 12 students, nine (9) were graduated students and three (3) were leave of absence. However, all were incorrectly reported as withdrawn on the program level report.

Possible Cause and Effect

The College's internal control processes did not operate consistently to ensure that all enrollment status changes are submitted timely and accurately to NSLDS. Inaccurate and delayed submission of student enrollment status information affects the determination that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

Questioned Costs

None.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

This was not a finding in the prior year.

Recommendation

We recommend that the College review its process to ensure that any enrollment changes are reported within the required 30 or 60 day time frame to NSLDS. The College should work with NSC as needed to ensure proper protocols of transmission to NSLDS occur. Additionally, a review of the submitted enrollment changes to the NSLDS should be performed to ensure current student status is properly reflected.

View of College Officials

The College recognizes the importance of timely reporting related to student status changes with respect to federal requirements. The College has implemented a manual review procedure that will help to ensure all status changes are reported both timely and accurately to the NSLDS.

WELLESLEY COLLEGE
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2020

<i>Finding No.:</i>	2020-005 - Reporting
<i>Federal Agency:</i>	Department of Education
<i>Pass-through Entity:</i>	Direct
<i>Federal Program:</i>	Student Financial Assistance Cluster
<i>CFDA Number:</i>	Various
<i>Federal Award Number:</i>	Various
<i>Federal Award Year:</i>	July 1, 2019 – June 30, 2020
<i>Compliance Requirement:</i>	Reporting, Special Reporting

Criteria or Requirement

According to 34 CFR Section 673.3, for Federal Perkins Loan, Federal Work Study (FWS), and Federal Supplemental Education Opportunity Grants (FSEOG) Programs, to participate in the Federal Perkins Loan, FWS, or FSEOG programs, an institution shall file an application (FISAP) before the deadline date established annually by the Secretary through publication of a notice in the Federal Register. The application for the Federal Perkins Loan, FWS, and FSEOG programs must be on a form approved by the Secretary and must contain the information needed by the Secretary to determine the institution's allocation or reallocation of funds. The institution uses the Fiscal Operations Report portion to report its expenditures in the previous award year and the Application to Participate portion to apply for the following year. The deadline date for fiscal year 2020 was November 2, 2020 for the initial submission and the institution can submit corrections until December 15, 2020.

Further, in accordance with 2 CFR 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition Found

The College submitted the initial FISAP on October 29, 2020 and submitted corrections on December 8, 2020, both within the required timeframe. In February 2021, the Department of Education requested that the FISAP be resubmitted for a third time as the reported information was not accurate for Part III, sections 28.1, 29.1, 30.1 and 30.2 for the Federal Perkins Loan Program. The final corrected FISAP was submitted on February 24, 2021.

Possible Cause and Effect

The College's internal control process did not operate effectively to ensure that all information reported on the FISAP was accurate. Not accurately reporting the Federal Perkins Loan Program on the FISAP can affect the Department of Education's tracking of the loan program and the requirement to return excess cash to the Department of Education.

WELLESLEY COLLEGE
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Questioned Costs

None.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

This was not a finding in the prior year.

Recommendation

We recommend that the College review its current policies and procedures to ensure that the FISAP is reported accurately within the required timeframe(s).

View of College Officials

The College recognizes the importance of the accuracy of the data reported in the FISAP. The College worked directly with the Department of Education to reconcile all reported information. All records now reflect accurate and correct information.

WELLESLEY COLLEGE
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2020

<i>Finding No.:</i>	2020-006 - Reporting
<i>Federal Agency:</i>	Department of Education
<i>Pass-through Entity:</i>	Direct
<i>Federal Program:</i>	Student Financial Assistance Cluster - Federal Pell Grant Program
<i>CFDA Number:</i>	84.063
<i>Federal Award Number:</i>	P063P191616
<i>Federal Award Year:</i>	July 1, 2019 – June 30, 2020
<i>Compliance Requirement:</i>	Reporting- Financial Reporting

Criteria or Requirement

Institutions submit Direct Loan and Pell, origination records and disbursement records to the Common Origination and Disbursement (COD). Origination records can be sent well in advance of any disbursements, as early as the institution chooses to submit them for any student the institution reasonably believes will be eligible for a payment. An institution follows up with a disbursement record for that student no earlier than (1) seven calendar days prior to the disbursement date under the Advance or Heightened Cash Monitoring 1 payment methods, or (2) the date of the disbursement under the Reimbursement or Heightened Cash Monitoring 2 payment methods. The disbursement record reports the actual disbursement date and the amount of the disbursement. Department of Education processes origination and/or disbursement records and returns acknowledgments to the institution. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, or Accepted. Institutions must report student disbursement data within 15 calendar days after the institution makes a disbursement or becomes aware of the need to make an adjustment to previously reported student disbursement data or expected student disbursement data. Institutions may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Further, in accordance with 2 CFR 200.303(a), non-federal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition Found

The College is required to report to COD the actual disbursement date, and of the forty (40) students selected for test work who had Federal Pell, we noted four (4) students whose Federal Pell disbursement date reported to COD did not match the College's records. The College is on the Reimbursement method and submitted the disbursement records timely but not accurately for the four students.

WELLESLEY COLLEGE
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Possible Cause and Effect

The College's internal control process did not operate effectively to ensure that the disbursement dates per the College record was reported accurately to COD. Not accurately reporting to COD may cause the Lifetime Eligibility Used to be incorrect which may lead to over awarding or under awarding.

Questioned Costs

None.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

This was not a finding in the prior year.

Recommendation

We recommend that the College review its current policies and procedures to ensure that the Federal Pell reporting to COD is done accurately and timely to ensure compliance with federal regulations.

View of College Officials

The College recognizes the importance of providing accurate information to COD for students. The College has implemented manual review procedures that will ensure in the go forward, all disbursement date information is submitted both timely and accurately to COD.

Wellesley College
Summary Schedule of Prior Audit Findings
Year ended June 30, 2020

Fiscal year	Finding number	Finding	Program title	Questioned Costs	Comments
2019	001	The College does not have a formal procedure to tag all equipment purchased with federal funds and to update and maintain the listing of equipment purchased with federal funds with appropriate identifying information. The College did perform an inventory of all science equipment in anticipation of a major renovation of its science building, but this inventory listing was not reconciled to the listing of federally funded equipment nor were appropriate tags or identifying information included on the science equipment listing.	Research and Development	—	Finding has been remediated as of June 30, 2020. The College has tagged all federal equipment and maintains a list of all equipment purchased with federal funds.

WELLESLEY COLLEGE

STUDENT FINANCIAL SERVICES

06/30/2020 Corrective Action Plan

<i>Finding No.:</i>	2020-001 – Special Tests
<i>Federal Agency:</i>	Department of Education
<i>Pass-through Entity:</i>	Direct
<i>Federal Program:</i>	Student Financial Assistance Cluster – Federal Direct Loan Program
<i>CFDA Number:</i>	84.268
<i>Federal Award Number:</i>	P268K201616
<i>Federal Award Year:</i>	July 1, 2019 – June 30, 2020
<i>Compliance Requirement:</i>	Special Tests, Disbursements to or on Behalf of Students

Condition

The College does not have a documented Direct Loan quality assurance system or related internal control processes.

View of College Officials

The College recognizes the importance of establishing and maintaining a direct loan quality assurance system, including internal control procedures, with respect to the federal direct loan program.

Corrective Action

The College has developed and implemented a written policy related to direct loan quality assurance.

	
Karenza DiFonzo	Date
Director of Student Financial Services	



WELLESLEY COLLEGE

STUDENT FINANCIAL SERVICES

Finding No.: 2020-002 - Special Tests
Federal Agency: Department of Education
Pass-through Entity: Direct
Federal Program: Student Financial Assistance Cluster - -- Federal Direct Loan Program
CFDA Number: 84.268
Federal Award Number: P268K201616
Federal Award Year: July 1, 2019 – June 30, 2020
Compliance Requirement: Special Tests, Disbursements to or on Behalf of Students

Condition


The College's policy is to disburse the funds to the student account and then notify the student, or parent, in writing the date and amount of the disbursement; the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan; and the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan. Of the forty (40) students selected for test work, we noted 10 students who were credited federal direct loans who were not notified in writing within the required seven days. The 10 students identified were notified within 31-32 days after the crediting the student's account.

View of College Officials

The College recognizes the importance of timely communication to all borrowers who receive federal direct loans so that they have the opportunity to cancel all or a portion of the loan.

Corrective Action

The College is developing an automated communication process with built in controls that will ensure all borrowers are notified within the required seven days. Additionally, the College will implement a manual review process to be certain the automated process is properly notifying students of their right to cancel within the seven day timeframe.

 6/9/21

Karenza DiFonzo

Date

Director of Student Financial Services



WELLESLEY COLLEGE

STUDENT FINANCIAL SERVICES

Finding No.: 2020-003 – Special Tests
Federal Agency: Department of Education
Pass-through Entity: Direct
Federal Program: Student Financial Assistance Cluster – Federal Direct Loan Program
CFDA Number: 84.268
Federal Award Number: P268K201616
Federal Award Year: July 1, 2019 – June 30, 2020
Compliance Requirement: Special Tests, Borrower Data Reconciliation (Direct Loan)

Condition

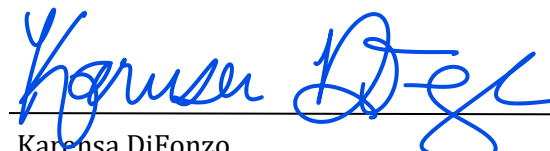
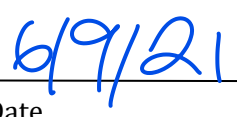
The College did not perform the required reconciliations between the SAS data file and the College's financial records for the period from July 1, 2019 through June 30, 2020.

View of College Officials

The College recognizes the importance of reconciliations between the institution's financial records with respect to federal direct loans and the information reported in the School Account Statement data file.

Corrective Action

The College has developed a monthly reconciliation procedure to ensure timely and accurate review of the data reported in the School Account Statement file and the institution's financial system of record. In addition, the College has implemented a monthly checklist to ensure that multiple members of Student Financial Services team are able to verify the reconciliation is being performed.

Karen DiFonzo Date
Director of Student Financial Services



WELLESLEY COLLEGE

STUDENT FINANCIAL SERVICES

<i>Finding No.:</i>	2020-004 – Special Tests
<i>Federal Agency:</i>	Department of Education
<i>Pass-through Entity:</i>	Direct
<i>Federal Program:</i>	Student Financial Assistance Cluster - Federal Direct Loan Program, Federal Pell Grant Program
<i>CFDA Number:</i>	84.268, 84.063
<i>Federal Award Numbers:</i>	P268K201616, P063P191616
<i>Federal Award Year:</i>	July 1, 2019 – June 30, 2020
<i>Compliance Requirement:</i>	Special Tests, Enrollment Reporting

Condition

The College generally certifies its enrollment reports through rosters provided to the NSC. Of the forty (40) students with enrollment changes we selected for test work, we noted the following students whose changes in enrollment status were not timely and/or accurately transmitted to NSLDS.

- For four (4) students, the College was notified of the student's change in status from full-time to leave of absence; however, the status was incorrectly reported to NSLDS as withdrawn.
- For three (3) students, the College was notified of the student's change in status from full-time to withdrawn. The College did not report the status change within the required timeframe to NSLDS. The status changes were reported between 87 to 228 days following notification of the change in status.
- For five (5) students, the College was notified of the student's status change and the change was not accurately or timely reported to NSLDS. The College did not report the status change until 63 to 86 days following notification of the change in status. Additionally, although the five (5) students were leave of absence changes, all were reported to NSLDS incorrectly as withdrawn.
- For 12 students, the program level reporting to NSLDS did not agree to the College's enrollment records or to the campus level report. Of the 12 students, nine (9) were graduated students and three (3) were leave of absence. However, all were incorrectly reported as withdrawn on the program level report.

View of College Officials

The College recognizes the importance of both timely and accurate reporting related to student status changes with respect to federal requirements.



WELLESLEY COLLEGE

STUDENT FINANCIAL SERVICES

Corrective Action

The College has an internal electronic application that utilizes a workflow process where student change in enrollment status information is tracked and approved. The College is updating this application to ensure that the status and effective dates of change in enrollment status are timely transmitted to the National Student Clearinghouse. In addition, the College is also adopting a review procedure to verify that the information received by National Students Loan Data System (the SCHER1 Report) is received timely and contains the correct student status information.

Karenza DiFonzo Date
Director of Student Financial Services



WELLESLEY COLLEGE
STUDENT FINANCIAL SERVICES

<i>Finding No.:</i>	2020-005 - Reporting
<i>Federal Agency:</i>	Department of Education
<i>Pass-through Entity:</i>	Direct
<i>Federal Program:</i>	Student Financial Assistance Cluster
<i>CFDA Number:</i>	Various
<i>Federal Award Number:</i>	Various
<i>Federal Award Year:</i>	July 1, 2019 – June 30, 2020
<i>Compliance Requirement:</i>	Reporting, Special Reporting

Condition

The College submitted the initial FISAP on October 29, 2020 and submitted corrections on December 8, 2020, both within the required timeframe. In February 2021, the Department of Education requested that the FISAP be resubmitted for a third time as the reported information was not accurate for Part III, sections 28.1, 29.1, 30.1 and 30.2 for the Federal Perkins Loan Program. The final corrected FISAP was submitted on February 24, 2021.

View of College Officials

The College recognizes the importance of the accuracy of the data reported in the FISAP.

Corrective Action

The College worked directly with the Department of Education to reconcile all reported information. All records now reflect accurate and correct information on the College's FISAP.

Karenza DiFonzo Date
Director of Student Financial Services



WELLESLEY COLLEGE
STUDENT FINANCIAL SERVICES

<i>Finding No.:</i>	2020-006 - Reporting
<i>Federal Agency:</i>	Department of Education
<i>Pass-through Entity:</i>	Direct
<i>Federal Program:</i>	Student Financial Assistance Cluster - Federal Pell Grant Program
<i>CFDA Number:</i>	84.063
<i>Federal Award Number:</i>	P063P191616
<i>Federal Award Year:</i>	July 1, 2019 – June 30, 2020
<i>Compliance Requirement:</i>	Reporting- Financial Reporting

Condition

The College is required to report to COD the actual disbursement date, and of the forty (40) students selected for test work who had Federal Pell, we noted four (4) students whose Federal Pell disbursement date reported to COD did not match the College's records. The College is on the reimbursement method and submitted the disbursement records timely but not accurately for the four students.

View of College Officials

The College recognizes the importance of providing accurate information to COD for students who receive Pell grants.

Corrective Action

The College has implemented manual review procedures to verify that the COD information agrees with the disbursement date in the College's system of record for students receiving Pell grants.

	
Karen DiFonzo	Date
Director of Student Financial Services	

