WELLESLEY COLLEGE

Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

WELLESLEY COLLEGE

Financial Statements

June 30, 2024 and 2023

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

Independent Auditors' Report

The Board of Trustees
Wellesley College:

Opinion

We have audited the financial statements of Wellesley College (the College), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Boston, Massachusetts
October 24, 2024

WELLESLEY COLLEGE

Statements of Financial Position

June 30, 2024 and 2023

(In thousands)

Assets		**2024**	**2023**
Cash and cash equivalents	$	153,070	188,051
Receivables, net		13,844	11,715
Contributions receivable, net		35,119	27,929
Prepaid, inventory and other assets		7,495	6,174
Investments		3,003,008	2,899,823
Planned giving investments		53,404	51,601
Land, buildings and equipment, net		633,300	572,539
Total assets	$	3,899,240	3,757,832
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	65,656	63,987
Deferred income and advances under grants and contracts		14,023	14,145
Annuities and unitrusts payable		33,283	28,682
Asset retirement and environmental obligations		25,207	24,953
Accrued pension liability		—	7,668
Bonds payable		449,137	453,509
Other liabilities		14,527	17,189
Total liabilities		601,833	610,133
Net assets:			
Without donor restrictions		1,015,050	957,066
With donor restrictions		2,282,357	2,190,633
Total net assets		3,297,407	3,147,699
Total liabilities and net assets	$	3,899,240	3,757,832

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statement of Activities

Year ended June 30, 2024

(In thousands)

		Without donor restrictions	With donor restrictions	2024 Total
Operating revenues:				
Net student charges	$	111,656	—	111,656
Auxiliary operations		6,162	—	6,162
Government grants		6,601	—	6,601
Private gifts and grants		14,507	7,485	21,992
Endowment distributed for operations		43,771	78,937	122,708
Other		13,767	—	13,767
Net assets released from restrictions		76,015	(76,015)	—
Total operating revenues		272,479	10,407	282,886
Operating expenses:				
Instruction		107,023	—	107,023
Sponsored research and centers		10,670	—	10,670
Student services		64,587	—	64,587
Academic support		25,712	—	25,712
Institutional support		48,261	—	48,261
Auxiliary operations		11,135	—	11,135
Total operating expenses		267,388	—	267,388
Change in net assets from operating activities		5,091	10,407	15,498
Nonoperating activities:				
Investment return, net of spending allocation		27,404	60,379	87,783
Matured planned giving agreements		893	(893)	—
Gifts and pledges		6,670	27,101	33,771
Pension related changes other than net periodic pension cost		7,616	—	7,616
Net unrealized gain on interest swap		2,321	—	2,321
Other changes		1,032	1,687	2,719
Net assets released from restrictions		6,957	(6,957)	—
Total nonoperating revenues		52,893	81,317	134,210
Change in net assets		57,984	91,724	149,708
Net assets:				
Beginning of year		957,066	2,190,633	3,147,699
End of year	$	1,015,050	2,282,357	3,297,407

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statement of Activities

Year ended June 30, 2023

(In thousands)

		Without donor restrictions	With donor restrictions	2023 Total
Operating revenues:				
Net student charges	$	108,650	—	108,650
Auxiliary operations		5,808	—	5,808
Government grants		5,923	—	5,923
Private gifts and grants		14,033	5,059	19,092
Endowment distributed for operations		39,165	70,606	109,771
Other		11,610	—	11,610
Net assets released from restrictions		69,867	(69,867)	—
Total operating revenues		255,056	5,798	260,854
Operating expenses:				
Instruction		101,412	—	101,412
Sponsored research and centers		12,168	—	12,168
Student services		59,892	—	59,892
Academic support		23,900	—	23,900
Institutional support		43,997	—	43,997
Auxiliary operations		10,186	—	10,186
Total operating expenses		251,555	—	251,555
Change in net assets from operating activities		3,501	5,798	9,299
Nonoperating activities:				
Investment return, net of spending allocation		904	4,956	5,860
Matured planned giving agreements		525	(525)	—
Gifts and pledges		7,481	13,223	20,704
Pension related changes other than net periodic pension cost		6,713	—	6,713
Net unrealized gain on interest swap		3,133	—	3,133
Other changes		(9,450)	10,161	711
Net assets released from restrictions		8,134	(8,134)	—
Total nonoperating revenues		17,440	19,681	37,121
Change in net assets		20,941	25,479	46,420
Net assets:				
Beginning of year		936,125	2,165,154	3,101,279
End of year	$	957,066	2,190,633	3,147,699

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

		2024	2023
Cash flows from operating activities:			
Change in net assets	$	149,708	46,420
Adjustment to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		29,189	27,021
Contributions restricted for long-term purposes		(26,866)	(27,701)
Gain on donated securities received		(2,268)	(935)
Realized and unrealized net (gain) loss on investments		(208,901)	(114,198)
Change in discount and allowance for doubtful accounts		2,040	(1,780)
Pension related changes other than net periodic pension cost		(7,616)	(6,713)
Unrealized gain on interest rate swap		(2,321)	(3,133)
Gain on disposal of land, building and equipment		14	—
Changes in operating assets and liabilities:			
Receivables		(2,663)	908
Contributions receivable		(9,255)	9,255
Prepaid, inventory and other assets		(1,373)	1,311
Accounts payable, accrued expenses and pension liability		864	(3,716)
Deferred income and advances under grants and contracts		(122)	(1,499)
Annuities and unitrusts payable		4,601	(3,294)
Other liabilities		(342)	(9)
Net cash used in operating activities		(75,311)	(78,063)
Cash flows from investing activities:			
Purchases of land, buildings and equipment		(89,645)	(45,617)
Proceeds from sales of land, building and equipment		(11)	—
Proceeds from student loans collections		1,175	922
Student loans issued		(616)	(613)
Purchases of investments		(299,813)	(120,356)
Proceeds from sales and maturities of investments		403,726	193,542
Net cash provided by investing activities		14,816	27,878
Cash flows from financing activities:			
Proceeds from contributions restricted for long-term purposes		26,866	27,701
Proceeds from sale of donated securities restricted for long-term purposes		2,268	935
Payments on bonds payable		(3,620)	(4,555)
Net cash provided by financing activities		25,514	24,081
Net change in cash and cash equivalents		(34,981)	(26,104)
Cash and cash equivalents:			
Beginning of year		188,051	214,155
End of year	$	153,070	188,051
Supplemental disclosure:			
Donated securities included in operating activities	$	463	617
Cash paid for interest		17,121	16,326
Change in capital additions included in accounts payable and accrued expenses		805	3,741

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Founded in 1870, Wellesley College (the College) is a private, nonprofit organization providing an excellent liberal arts education to women who will 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).

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.

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 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 the service cost component of changes in pension obligation and matured planned giving agreements.

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.

(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 endowment and planned giving investments 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.

(Continued)

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 as a practical expedient to fair value, unless it is probable that all or a portion of the investments will be sold for an amount other than NAV. Investments measured at NAV, a practical expedient, are not categorized in the fair value hierarchy.

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. 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.

(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

(f) Receivables

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, 2024 and 2023 were $1,052,000 and $1,161,000, respectively, and are reported net of allowances for credit losses of $443,000 and $499,000, respectively. Loans receivable as of June 30, 2024 and 2023 were $4,759,000 and $5,398,000, respectively, and are reported net of allowances for credit losses of $238,000 and $157,000, respectively. The provisions are intended to provide for student accounts and loans that may not be collected. The remaining balance as of June 30, 2024 and 2023 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 met. Contributions to be used to acquire or construct long-lived assets are initially reported as with donor restrictions and released from restrictions when the resulting asset is placed in service.

(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 in the Statements of Financial Position 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:

	Years
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 $148,101,000 and $144,482,000 for the years ended June 30, 2024 and 2023, respectively, and room and board revenue was $42,575,000 and $41,151,000, respectively. Financial aid provided to students totaled $79,020,000 and $76,983,000 for the years ended June 30, 2024 and 2023, 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 $10,457,000 and $9,713,000 for the years ended June 30, 2024 and 2023, 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 on the Statement of Financial Position, which totaled $9,898,000 and $9,054,000 as of June 30, 2024 and 2023, 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, 2024 and 2023.

For fiscal years 2024 and 2023, the College was subject to the federal excise tax of 1.4% imposed on colleges and universities meeting certain criteria. The excise tax is imposed 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 $2,044,000 and $447,000 as of June 30, 2024 and 2023, respectively. 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. The deferred tax liabilities are $12,813,000 as of June 30, 2024 and $11,911,000 as of June 30, 2023 and are included within accounts payable and accrued expenses on the Statements of Financial Position.

(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 under the swap agreement (differences between variable and fixed rate) 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.

(2) Liquidity and Availability

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, interest and principal payments on debt, and capital renewal programs, were as follows (in thousands):

		2024	2023
Financial assets:			
Cash and cash equivalents	$	153,070	188,051
Contributions and accounts receivable, net		8,068	5,818
Approved endowment appropriation for upcoming year		130,067	122,046
Total financial assets available		291,205	315,915
Liquidity resources:			
Bank line of credit available		60,000	60,000
Total financial assets and other liquidity resources available	$	351,205	375,915

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, 2024 and 2023, the College had $876 million and $859 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.

(3) Contributions Receivable

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

		2024	2023
Unconditional promises expected to be collected in:			
Less than one year	$	5,480	2,412
One year to five years		8,772	19,998
Over five years		16,672	1,769
Less discounts and allowance for uncollectible accounts		(4,533)	(2,468)
Total		26,391	21,711
Assets held by external trustee		8,728	6,218
Contributions receivable, net	$	35,119	27,929

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 4.0% as of June 30, 2024 and 2023.

(4) Investments and Fair Value Measurements

The fair values of investments at June 30, 2024 and 2023 were as follows (in thousands):

		2024	2023
Investments:			
Investments pooled:			
Cash and cash equivalents	$	157,377	184,996
Bonds		84,028	67,832
Equities		886,839	835,877
Private equity		1,060,887	1,075,658
Real assets		173,739	173,111
Absolute return		617,154	538,752
Total pooled investments		2,980,024	2,876,226
Faculty mortgages		22,984	23,374
Total pooled investments and faculty mortgages		3,003,008	2,899,600
Investments not pooled:			
Cash and cash equivalents		—	223
Total investments	$	3,003,008	2,899,823
Planned giving investments:			
Pooled income funds and annuities:			
Cash and cash equivalents	$	607	434
Bonds		9,024	9,023
Equities		33,137	30,510
Other Assets		11	10
Total pooled income and annuities		42,779	39,977
Charitable remainder trusts:			
Cash and cash equivalents		81	83
Bonds		1,518	1,499
Equities		7,390	6,835
Other assets		111	1,511
Assets held by external trustee		1,525	1,696
Total charitable remainder trusts		10,625	11,624
Total planned giving investments	$	53,404	51,601

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. Planned giving assets have a readily determinable fair value and are categorized in Level 1 in the fair value hierarchy.

Under the terms of certain limited partnership agreements, the College is obligated 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 approximated $316,097,000 and $329,327,000 as of June 30, 2024 and 2023, respectively.

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, 2024 and 2023 (in thousands):

	2024				
Assets	**NAV as Practical expedient**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:					
Equities	$ 886,839	—	—	—	886,839
Fixed income	—	84,028	—	—	84,028
Private equity	1,060,887	—	—	—	1,060,887
Real assets	173,739	—	—	—	173,739
Absolute return	617,154	—	—	—	617,154
Cash equivalents and other assets	—	157,377	—	22,984	180,361
Total investments at fair value	$ 2,738,619	241,405	—	22,984	3,003,008
Liabilities					
Interest rate swap agreement	$ —	—	(3,362)	—	(3,362)
Total	$ —	—	(3,362)	—	(3,362)

	2023				
Assets	**NAV as Practical expedient**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments:					
Equities	$ 835,877	—	—	—	835,877
Fixed income	—	67,832	—	—	67,832
Private equity	1,075,658	—	—	—	1,075,658
Real assets	173,111	—	—	—	173,111
Absolute return	538,752	—	—	—	538,752
Cash equivalents and other assets	—	185,219	—	23,374	208,593
Total investments at fair value	$ 2,623,398	253,051	—	23,374	2,899,823
Liabilities					
Interest rate swap agreement	$ —	—	(5,683)	—	(5,683)
Total	$ —	—	(5,683)	—	(5,683)

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 June 30, 2024 and June 30, 2023, respectively. 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 table presents faculty mortgages carried at fair value as of June 30, 2024 and 2023 that are classified within Level 3 of the fair value hierarchy (in thousands):

		2024	2023
Balance beginning of year	$	23,374	23,227
Realized and unrealized gains accrued interest		385	378
Additions		550	550
Payments received		(1,325)	(781)
Balance end of year	$	22,984	23,374

Detailed liquidity of the College's investments as of June 30, 2024 and 2023 is as follows (in thousands):

		2024						
		Daily	Monthly	Quarterly	Greater than quarterly and less than one year	Greater than one year	Illiquid	Total
Investments:								
Equities	$	—	536,414	175,532	82,324	67,489	25,080	886,839
Fixed income		84,028	—	—	—	—	—	84,028
Private equity		—	—	—	—	—	1,060,887	1,060,887
Real assets		—	—	—	—	—	173,739	173,739
Absolute return		—	164,213	136,030	209,636	57,684	49,591	617,154
Cash equivalents and other assets		157,377	—	—	—	—	22,984	180,361
Total investments at fair value	$	241,405	700,627	311,562	291,960	125,173	1,332,281	3,003,008

		2023						
		Daily	Monthly	Quarterly	Greater than quarterly and less than one year	Greater than one year	Illiquid	Total
Investments:								
Equities	$	—	494,065	171,591	88,860	59,401	21,960	835,877
Fixed income		67,832	—	—	—	—	—	67,832
Private equity		—	—	—	—	—	1,075,658	1,075,658
Real assets		—	—	—	—	—	173,111	173,111
Absolute return		—	107,012	117,034	209,305	49,754	55,647	538,752
Cash equivalents and other assets		185,219	—	—	—	—	23,374	208,593
Total investments at fair value	$	253,051	601,077	288,625	298,165	109,155	1,349,750	2,899,823

(5) 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, 2024, the fair market value of certain endowment funds was less than their original donated value of $10,517,000 ("underwater") by a total of $607,000. At June 30, 2023, the fair market value of certain endowment funds was less than their original donated value of $15,524,000 ("underwater") by a total of $994,000.

At June 30, 2024 and 2023, endowment net assets consisted of the following (in thousands):

		2024		
		Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	$	875,862	—	875,862
Donor-restricted endowment funds:				
Historical cost		—	715,007	715,007
Appreciation		—	1,400,355	1,400,355
Total endowment net assets	$	875,862	2,115,362	2,991,224

	2023		
	Without donor restrictions	**With donor restrictions**	**Total**
Board designated endowment funds	$ 859,066	—	859,066
Donor-restricted endowment funds:			
Historical cost	—	695,870	695,870
Appreciation	—	1,333,934	1,333,934
Total endowment net assets	$ 859,066	2,029,804	2,888,870

Changes in endowment net assets for the year ended June 30, 2024 and 2023 were as follows (in thousands):

	Without donor restrictions	**With donor restrictions**	**Total**
Balance June 30, 2023	$ 859,066	2,029,804	2,888,870
Net investment return	61,888	145,358	207,246
Contributions and transfers	(1,321)	19,137	17,816
Distributions	(43,771)	(78,937)	(122,708)
Balance June 30, 2024	$ 875,862	2,115,362	2,991,224

	Without donor restrictions	**With donor restrictions**	**Total**
Balance June 30, 2022	$ 857,577	1,989,288	2,846,865
Net investment return	39,901	68,125	108,026
Contributions and transfers	753	42,997	43,750
Distributions	(39,165)	(70,606)	(109,771)
Balance June 30, 2023	$ 859,066	2,029,804	2,888,870

(6) Land, Buildings and Equipment

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

		2024	2023
Land and land improvements	$	53,515	52,601
Buildings and building improvements		942,463	886,435
Equipment		18,296	16,156
Construction in progress		59,996	29,496
		1,074,270	984,688
Less accumulated depreciation		(440,970)	(412,149)
Total	$	633,300	572,539

Depreciation and amortization expense was $28,879,000 and $26,671,000 for the years ended June 30, 2024 and 2023, respectively.

As of June 30, 2024, the College has commitments of approximately $102,562,000 related to open construction contracts and capital acquisitions. This amount is expected to be financed from operating cash flows, a previously approved endowment draw, and donations.

The College recognized $1,062,000 and $1,052,000 of operating expenses relating to the accretion of environmental liabilities associated with the asset retirement obligations for the years ended June 30, 2024 and 2023, respectively. Conditional asset retirement obligations of $25,207,000 and $24,953,000 at June 30, 2024 and 2023, respectively, are presented in the liabilities section of the Statements of Financial Position.

(7) Bonds Payable and Lines of Credit

Indebtedness at June 30, 2024 and 2023 includes various bonds issued through the Massachusetts Development Finance Agency (MDFA) and other parties. Interest payments on debt totaled $17,121,000 and $15,889,000 during fiscal years 2024 and 2023, 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 a monthly variable rate based on one-month SOFR plus 0.25%. This line of credit can be used for varying purposes and expires on March 01, 2026. As of June 30, 2024 and 2023, there were no amounts outstanding under this line of credit.

In April of 2022, the College issued $44,960,000 in Series M tax-exempt Refunding Revenue Bonds. The proceeds, together with available funds, were used retire the Series J bonds with $49,800,000 outstanding on July 1, 2022, the earliest possible call date. The refunding allows the College to realize the present value savings through a restructuring of the College’s debt. The College recognized a gain on the debt extinguishment of $2,892,000 which has been reflected in the statement of activities. The College incurred costs of $562,000 associated with the issue, which have been capitalized and are being amortized over the life of the bonds.

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

		2024	2023
MDFA, Series I, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2024 was 4.8%.	$	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, 2024 was 4.8%.		20,000	20,000
Wellesley College, Series K, Taxable Bonds, bearing interest at a rate of 3.585% to 4.196%, maturing 2042.		80,125	81,325
MDFA, Series L, Revenue Bonds, issued at an interest rate of 4.000% to 5.000%, maturing 2048.		87,190	89,610
MDFA, Series M, Revenue Bonds, issued at an interest rate of 2.500% to 5.000%, maturing 2041.		44,960	44,960
New York Life Note Agreement, issued at an interest rate of 3.00%, maturing through 2050.		150,000	150,000
Total bonds payable		439,660	443,280
Less unamortized bond issue costs		(1,610)	(1,727)
Add unamortized original issue premium		11,087	11,956
	$	449,137	453,509

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

2025	$	3,785
2026		5,315
2027		5,520
2028		7,605
2029		7,940
Thereafter		409,495
Total bonds payable	$	439,660

In order to reduce exposure to floating interest rates on the MDFA Series I variable Rate Demand Bonds, 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, 2024 and 2023, the fair value of the swap agreement was a liability of $3,363,000 and $5,683,000, 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, considering 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 gain of $2,321,000 in 2024 and a gain of $3,133,000 in 2023. The College paid no net interest expense in association with the swap agreement for the year ended June 30, 2024. For the year ended June 30, 2023, the College paid $336,831 in net interest expense associated with the swap, which was recorded as interest expense and allocated to functional categories in the operating section of the Statements of Activities.

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, 2024 and 2023, there is approximately $11,201,000 and $10,941,000, respectively, invested alongside the endowment, which is included within the investments totals on the Statements of Financial Position. Contributions are recognized at the dates 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 5.0%. The liability of $33,283,000 and $28,682,000 at June 30, 2024 and 2023, 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 $9,518,000 and $8,579,000 for the years ended June 30, 2024 and 2023, respectively.

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

The measurement dates for determining the benefit obligations and net periodic benefit cost for the defined benefit plan were June 30, 2024 and 2023.

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):

		2024	2023
Assumptions used to determine benefit obligations:			
Discount rate		5.45 %	5.10 %
Rate of compensation increase		3.00	3.00
Assumptions used to determine net periodic benefit cost:			
Discount rate		5.10 %	4.60 %
Expected return on plan assets		7.00	7.00
Rate of compensation increase		3.00	3.00
Change in projected benefit obligation:			
Benefit obligation at beginning of year	$	66,033	69,568
Service cost		1,283	1,524
Interest cost		3,250	3,100
Actuarial (gain)/loss, net of administrative expenses paid		(2,452)	(3,699)
Benefits paid		(4,826)	(4,460)
Benefit obligation at end of year	$	63,288	66,033

		2024	2023
Accumulated benefit obligation	$	58,848	60,920
Change in plan assets:			
Fair value of plan assets at end of prior year	$	58,365	53,549
Actual return on plan assets, net of administrative expenses		8,461	6,421
Employer contributions		3,892	2,855
Benefits paid		(4,826)	(4,460)
Fair value of plan assets at end of year	$	65,892	58,365
Funded status:			
Funded status	$	2,603	(7,668)
Components of net periodic benefit cost:			
Service cost	$	1,283	1,524
Interest cost		3,250	3,100
Expected return on plan assets		(3,813)	(3,557)
Net loss on amortization		—	384
Net periodic benefit cost	$	720	1,451

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

2025	$	4,416
2026		4,026
2027		4,108
2028		3,786
2029		4,692
2030–2033		24,924
	$	45,952

The College expects to make an employer contribution into the defined benefit plan of $3,535,000 in the 2025 fiscal year.

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

The following lists the Plan’s asset allocation at June 30, 2024 and 2023 (in thousands):

		Fair value at June 30	
Asset category		**2024**	**2023**
Equity securities	$	54,876	47,530
Fixed income		10,195	9,681
Cash and cash equivalents		821	1,154
	$	65,892	58,365

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.

(Continued)

(10) Net Assets

Net assets consist of the following at June 30, 2024 and 2023 (in thousands):

	2024	2023
Without donor restrictions:		
Board designated endowments:		
Student financial aid	$ 44,992	47,314
Professorships	162,510	157,846
Other programming	668,360	653,906
Total board designated endowments	875,862	859,066
Undesignated	(27,528)	(25,738)
Accrued pension liability	—	(7,668)
Interest rate swap liability	(3,363)	(5,683)
Net investment in plant	170,079	137,089
Total without donor restrictions	1,015,050	957,066
With donor restrictions:		
Donor restricted endowments:		
Student financial aid	799,510	771,985
Professorships	580,781	560,078
Other programming	735,071	697,741
Total donor restricted endowments	2,115,362	2,029,804
Purpose restricted and other:		
Student financial aid and loans	12,289	11,848
Capital	27,874	23,432
Annuity funds	36,191	35,941
Life income funds	2,499	2,662
Other programming	39,410	45,014
Unexpended endowment income	48,732	41,932
Total with donor restrictions	2,282,357	2,190,633
Total net assets	$ 3,297,407	3,147,699

(11) Expenses

The Statements of Activities present expenses by functional classification. The College also summarizes its expenses by natural classification. The composition of functional expenses for the years ended June 30, 2024 and 2023 by natural classification are as follows (in thousands):

	2024						
		Salaries and wages	Employee benefits	Supplies and services	Other expenses	Depreciation, amortization and interest	Total expenses
Instruction	$	55,240	18,736	4,703	13,594	14,750	107,023
Sponsored research		4,838	1,475	1,579	2,778	—	10,670
Student services		21,255	7,102	11,382	6,411	18,437	64,587
Academic support		9,402	3,176	3,666	5,320	4,148	25,712
Institutional support		19,259	6,740	6,235	10,496	5,531	48,261
Auxiliary operations		1,917	642	2,164	3,186	3,226	11,135
Total	$	111,911	37,871	29,729	41,785	46,092	267,388

	2023						
		Salaries and wages	Employee benefits	Supplies and services	Other expenses	Depreciation, amortization and interest	Total expenses
Instruction	$	52,804	17,843	4,472	12,384	13,909	101,412
Sponsored research		5,417	1,688	1,276	3,787	—	12,168
Student services		19,888	6,631	10,839	5,148	17,386	59,892
Academic support		8,917	3,016	3,905	4,150	3,912	23,900
Institutional support		17,761	6,184	5,140	9,696	5,216	43,997
Auxiliary operations		1,750	539	2,154	2,701	3,042	10,186
Total	$	106,537	35,901	27,786	37,866	43,465	251,555

(12) Related Parties

The College has a written conflict of interest policy that requires annual reporting by each member of the Board of Trustees and senior management regarding any association, either directly or indirectly, with organizations doing business with the College. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms in the best interest of the College.

(Continued)

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 $11,846,000 and $11,505,000 at June 30, 2024 and 2023, respectively, and are included within investments on the Statements of Financial Position and a corresponding liability included within other liabilities. Effective July 1, 2024, the Wellesley College Alumnae Association merged with the College to be one organization.

(13) Commitments and Contingencies

In 1975, the College identified the presence of hazardous materials from an abandoned 19th century paint factory on land 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.

In 2018, the College offered a voluntary retirement program to eligible faculty and staff. Total expenses related to the program were $9,832,000, for the year ended June 30, 2018. The future payment obligations of $706,000 and $847,000 at June 30, 2024 and 2023, respectively, are included in accounts payable and accrued expenses on the Statements 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) Subsequent Events

The College has assessed the impact of subsequent events through October 24, 2024, the date the audited financial statements were issued, and has concluded that there are no such events that require adjustment to the audited financial statements or disclosure in the notes of the audited financial statements.