

W E L L E S L E Y C O L L E G E



Annual Report
2001–2002

Wellesley College

Fiscal Year 2001–2002

Diana Chapman Walsh
President

Finance and Investments

Susan Vogt
*Vice President for Finance
and Treasurer*

Jane Mendillo
Chief Investment Officer

Linda Murphy Church
*Assistant Vice President, Finance;
Interim Controller*

Wellesley College

Annual Report for the Year Ended June 30, 2002

Contents

| | |
|--|----|
| Report of the President | 2 |
| Report of the Vice President for Finance and Treasurer | 6 |
| Financial Highlights | 8 |
| Senior Staff and Members of the Board of Trustees | 32 |

Schedules

| | |
|--|----|
| A Summary of Operating Revenues and Expenditures – Years Ended June 30, 2002 and 2001 | 9 |
| B Ten-Year Financial Summary 1993–2002 | 10 |
| C Key Statistics – Years Ended June 30, 1993, 1998, and 2002 | 12 |
| D Development Fund Report – Comparative Totals for Years Ended June 30, 2002 and 2001 | 13 |
| E Total Sources of Student Financial Aid – Grant and Work Assistance – Years Ended June 30, 2002 and 2001 | 14 |
| F Five-Year Endowment Summary 1998–2002 | 15 |
| G Investment of Endowment and Similar Funds and Planned Giving Funds – Year Ended June 30, 2002 | 16 |
| H Quarterly Market Value per Unit of Funds Participating in Various Investment Pools – Year Ended June 30, 2002 | 17 |
| I General Endowment Pool – Annual Total Return Since Inception | 18 |

Audited Financial Statements

| | |
|---|----|
| Report of Independent Accountants | 19 |
| Statements of Financial Position – June 30, 2002 and 2001 | 20 |
| Statement of Activities for the Year Ended June 30, 2002 | 21 |
| Statement of Activities for the Year Ended June 30, 2001 | 22 |
| Statements of Cash Flows for Years Ended June 30, 2002 and 2001 | 23 |
| Notes to the Financial Statements | 24 |

Report of the President

November 2002

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

I am pleased to submit the annual financial report of Wellesley College for the 2001–2002 academic year, a year of unprecedented challenge. The historic events of and following September 11, 2001 tested our resolve, deflected us from our goals for a time, shifted the ground under us, and surfaced value conflicts within our College community. Maintaining a sense of both equilibrium and forward momentum during this turbulent year required special focus and determination. We can take special satisfaction in having weathered the storms. I am deeply grateful for the many contributions that produced a record of which all of us can be proud.

Over the past several years, and for the foreseeable future, our institutional strategy has two elements:

1. an ambitious, and exciting, program of innovation and revitalization encapsulated in the campaign priorities and demanding major commitments of time, energy, and support from every sector of the extended College community;
2. an equally ambitious, if less visible, program of process and management improvements throughout the administration, including new disciplines for budgeting, staffing, and allocating the College's resources.

Difficulties arise not only because each of the two programs is demanding enough, but also because the two seem to be working at cross-purposes; one oriented toward expansion, the other toward contraction. To absorb the costs of this current cycle of innovation while maintaining our financial equilibrium, we must successfully hold this expansion-contraction tension. And that goal draws us into a second uncomfortable tension, between financial equilibrium and what I'll call organizational equanimity.

In her letter following this one, Susan Vogt, Vice President for Finance and Treasurer, reports on the financial status of the College and on our endowment outlook during the economic downturn in which we now find ourselves. Below I outline the progress we made over the past year on the two tasks: implementing the innovative new programs made possible by The Wellesley Campaign and making careful choices related to the management of the College in light of the current fiscal realities. I will also point to a few highlights from the academic year.

Year Two of The Wellesley Campaign

Even as the economy stuttered, our steadfast donors kept The Wellesley Campaign on track. We are so grateful for that. On June 30, 2002 we completed the second public year of the campaign with pledges and gifts totaling \$270.6 million, two thirds of our \$400 million goal. Annual Giving totaled \$9.3 million, a 3% increase over last year, the second highest tally ever for unrestricted and current-use financial aid gifts. Participation in Annual Giving matched last year's mark of 53.5%, extending to a second year our strongest overall participation rate during the past decade.

We took the campaign on the road again this year for regional celebrations. In November more than 1,000 members of the Wellesley family gathered in Los Angeles and San Francisco to connect, and reconnect, with each other and the College. Held at the Getty Museum in Los Angeles and at San Francisco's Museum of Modern Art, the two events each attracted a larger group than had ever assembled for the College on the West Coast. In March we celebrated The Wellesley Campaign in Florida, where more than 200 attended events in Naples and Palm Beach. Union Station in the nation's capital was the location for an April gathering that attracted close to 600 alumnae and friends from Washington, D.C., Virginia, and Maryland.

The Wellesley Campaign is ably led by three trustee co-chairs, Susan Marley Newhouse '55, Betsy Wood Knapp '64, and Beth Pfeiffer McNay '73 and by our talented team in the Office for Resources and Public Affairs. All of us are grateful for the hard work of our many volunteers and for the generous support of our remarkably loyal alumnae and friends.

Initiatives Made Possible by The Wellesley Campaign

Many of the new commitments to the campaign are already at work, enhancing educational opportunities for our students, creating new spaces for study and recreation, restoring vital elements of Wellesley's landscape, and building our financial aid endowment. Total campaign gifts and pledges already sum to more than a \$166 million increment to the endowment.

These endowment gifts include 11 named professorships; funds for new programs in environmental studies and neuroscience and for the creation of a state-of-the-art center for teaching and

research in the social sciences; and over \$56 million to support financial aid for U.S. and international students. In addition, donors have contributed \$59 million toward construction of the new campus center and underground parking garage, renovation of classrooms and other academic facilities, and major landscape restoration projects envisaged in the 1998 campus master plan.

In October we inaugurated the annual Tanner Conference, established through a campaign gift from trustee emerita Nicki Newman Tanner '57. The conference explores the relationship between the liberal arts classroom and student participation in an increasingly diverse and interdependent world. In workshops and panels, students, faculty, and alumnae reflect critically on significant off-campus learning experiences such as internships, service learning engagements, student teaching, study abroad, Wintersession programs in the U.S. and abroad, experiential assignments attached to courses, independent study, and research conducted away from the campus. The range of off-campus learning experiences available to our students has been dramatically enhanced through many gifts to the campaign.

We also dedicated the Pforzheimer Learning and Teaching Center in October. Trustee Elizabeth Strauss Pforzheimer '59 and her husband Carl H. Pforzheimer III were instrumental in securing support from the Carl and Lily Pforzheimer Foundation to endow the Center and its programs in May 2000. Bringing welcome financial stability, this gift will allow the Center to enhance and expand vital services and resources that support innovation in our two most fundamental activities, teaching and learning.

In addition, we continued planning for our new campus center/alumnae valley project throughout the year. The division of Administration and Planning is managing this complex multi-year project, with input from a multi-constituency campus committee and with the professional support of a team of nationally-known architects, planners, and engineers. We completed the schematic design phase of the project this year, incorporating much thoughtful input from all sectors of the campus community. In May the trustees voted to approve those preliminary plans and to authorize the development of final designs.

The Office of the Dean of the College was pleased this year to launch a popular new major in environmental studies. Mia Chandler Frost '47, trustee emerita and co-chair of Wellesley's previous campaign, endowed the environmental studies program through her important new gift to our current campaign.

In an effort to increase computer accessibility for students, the division of Information Services identified first-year students who owned no computer. A gift from the Class of 1976, on the occasion of their 25th reunion, enabled us to offer these students grants for the purchase of laptop computers. Through this initiative, we achieved 100% computer ownership in the first-year class.

Managing the College

Balancing the FY03 budget presented special challenges that extended throughout the year. The good work of all constituencies during this difficult process provided the spirit of cooperation we needed to implement unpalatable budget cuts relatively smoothly. At the same time, we invested in strengthening our managers' skills in assessing and documenting performance and providing constructive feedback (through the "Valuing Work at Wellesley" program), and expanded opportunities for staff training and professional development. Our position in the application of technology to learning and teaching, to library services, and to administrative operations continues to be strong.

At year's end we were nearing completion of the massive clean up of the site adjacent to Lake Waban of the abandoned paint factory we acquired in 1932. This year, under a remediation plan negotiated with the Commonwealth of Massachusetts, we cleared about 30 acres of uplands and wetlands, drained and dredged Paint Shop Pond, treated and contained more than 20,000 cubic yards of contaminated soil, then engineered and planted an attractive system of wetlands and athletic fields. This was an exceedingly complex and costly operation, funded by a special draw on the College endowment. Although we obviously would have preferred not to have incurred this large expense, we have done our best to manage responsibly a very vexing situation not of our own making. We are fortunate to have arrived at a solution that adds striking landscape features and much needed playing fields to the campus.

Academic Life this Year

In my annual letter last year, written in the days immediately following 9/11, I reported that the Wellesley community had mobilized magnificently to assist those directly affected by the terrorist attack, to support and console one another, and to call for responses grounded in reason, compassion, and respect.

The community continued to rally throughout the year in many ways. Individual faculty members held formal and informal discussions about how to understand the attacks and ensuing events. Groups of faculty from several academic departments and disciplines organized special seminars, panel discussions, and cultural events. Students raised money throughout the year for many causes addressing unfolding world events.

In place of the annual Wilson lecture, faculty organized a three-day symposium in February entitled “Responses to September 11.” Six leading experts on Islam, Central Asia, and civil liberties brought scholarly insights and direct experiences from the war in Afghanistan and a wide range of other issues related to terrorism, Islam, and the world situation.

As part of the College’s celebration of Black History Month, Marian Wright Edelman, founder and president of the Children’s Defense Fund, delivered an inspiring 2002 Martin Luther King, Jr. Memorial Lecture. An advocate for disadvantaged Americans her entire professional life, Edelman spoke about the importance of service to others.

In April, faculty in the social sciences hosted “AIDS in South Africa: The Social Expression of a Pandemic,” a wide-ranging interdisciplinary conference on the causes and consequences of the AIDS pandemic in South Africa. The event was hosted in the new Knapp Social Science Center, funded as part of The Wellesley Campaign. Live video linkages with activists and students in Johannesburg were highlights of the conference.

A collaboration of faculty and staff developed a new “Multicultural Education and Research Initiative” this year to encourage scholarly research, policy papers and creative pedagogy in the field of multicultural studies. The initiative supports faculty, staff, and students engaged in intellectual or creative work on questions related to multiculturalism and communication across differences.

Also this year, we completed a two-year study of the impact of electronic communication on our public discourse funded by the Andrew W. Mellon Foundation. A faculty-staff steering committee developed a set of “netiquette and acceptable use guidelines” for students and the wider College community. Committee members also ran a series of focus groups to understand better how electronic communication affects different subgroups in the College, and hosted a speaker series. They intend to continue their work.

This was the year, as well, in which we completed an eight-year cycle of external visiting committees to academic departments. We hosted our first cross-department visiting committee by bringing a group of outside experts in to advise us on educational and administrative questions related to our offerings in Asian studies through our departments of Chinese and Japanese and in several other departments.

We had another highly satisfactory admissions year in FY02. The applicant pool was 2,904 and the yield on the admitted students was 44%. The Class of 2006 looks promising in all respects. Our upper-class students were particularly successful this year in the competition for national fellowships, garnering a record 12 Fulbright Fellowships, out of approximately 200 grants awarded to seniors at undergraduate colleges. Two students received the prestigious Watson Fellowship and students were also recipients of Marshall Scholarships, the Andrew W. Mellon Fellowship in Humanistic Studies, the Mellon Minority Undergraduate Fellowship, the National Science Foundation Graduate Research Fellowship, the NCAA Walter Byers Postgraduate Scholarship and the Rockefeller Brothers Fund Fellowship, among others.

We ended the year on a high note with Whoopi Goldberg as a memorable commencement speaker for the Class of 2002.

Retirements and Staffing Changes

During the year we welcomed two individuals to important roles at the College. In recognition of the challenges inherent in managing an endowment of the complexity of Wellesley's, an Investment Office was created and is being led by Jane Mendillo, Chief Investment Officer. David Mickenberg was named the Ruth Gordon Shapiro '37 Director of the Davis Museum and Cultural Center and oversaw a successful first year of reorganization and program development.

Each year we say goodbye to members of our community who have served the College in a range of capacities. This year five of our impressive women scientists with a combined 133 years of service to scholarship and teaching retired: Priscilla Benson, Professor of Astronomy, Beverly Blazar, Associate Professor of Biological Sciences, Mary Coyne, Professor of Biological Sciences, Laurel Furumoto, Professor of Psychology and Margaret Merritt, Professor of Chemistry.

William S. Reed retired on June 30, 2002. He served the College with dedication for 13 years, originally as Vice President of Administration and Finance and, over the past 12 months, as Vice President, with special assignments. Among his contributions, Will Reed oversaw major construction projects, played a leadership role in planning initiatives, and led the Paint Shop Pond remediation project. Geneva Walker-Johnson announced her plans to leave her position as Dean of Students after four years at the College.

Two members of our Board of Trustees completed their service this year, Kathryn Wasserman Davis '28 and Cornelia Lichauco Fung '63. The board elected Alison Li Chung '73, Alecia DeCoudreaux '76 and Kathy Stone Kaufmann '67 as new trustees. Victoria Herget '73 continues to serve with distinction as the Board's chair and Edward Lawrence as the Vice Chair. Their wise counsel and stalwart support of the College is truly indispensable. They, and I, and all of us at the College are constantly aware – and deeply appreciative of – the many ways in which our many supporters help to ensure the continued success of our alma mater for the generations of students with us now and for the many more to follow.

Very sincerely yours,



Diana Chapman Walsh
President

Report of the Vice President for Finance and Treasurer

November 2002

To the Board of Trustees of Wellesley College

During the last fiscal year, the College recognized that its high level of expenditures per student provided both a rich environment and a position that exposed the College to risk when the economy was less robust. With the help of every member of the campus community, we reduced actual expense growth from almost 7% in the prior fiscal year to 2.4% in Fiscal Year 2001–2002. This is less than 1% above the 1.5% level of CPI increase. In the spring of 2002, the president introduced a rigorous system of position review focusing primarily on administrative positions, one of the fastest growing areas of the budget in the past several years. In addition, we are in the process of adjusting people's expectations about the size of funds that will be available from the endowment in the future. This Annual Report presents the results for the 2001–2002 fiscal year and discusses the prospects for the College's financial future.

The Results for the 2001–2002 Fiscal Year

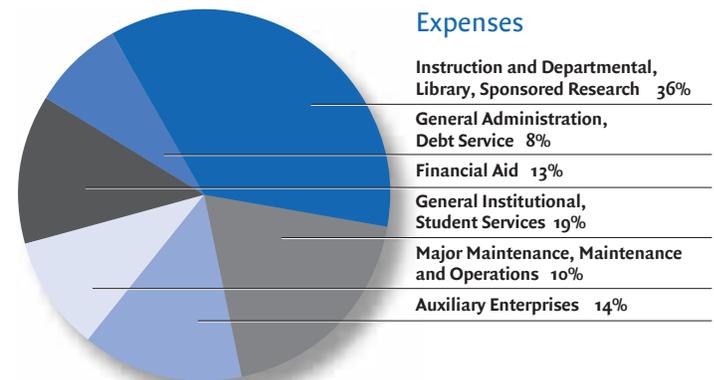
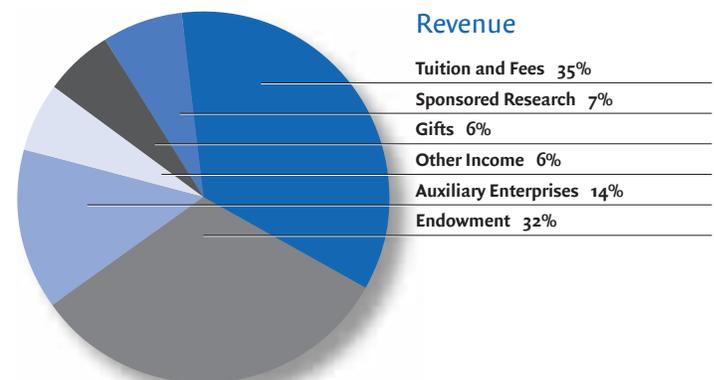
Financially, Wellesley College remains one of the strongest educational institutions in the country. The endowment, however, reflecting the difficulties experienced by most institutions, showed its second-year decline of 5.2%. Of that, the yield was 3.8% while the appreciation declined by 9%. In dollar terms, the endowment lost about \$104 million in value, but remained over \$1 billion at \$1,032,465,000. The funds used during the year to support the operating budget and to fund various capital projects equaled 5% of the endowment market value for the one-year average and 4.5% of the three-year rolling average. This level is the bottom of the spending range allowed by the Trustees. During the course of the year, the endowment per student decreased from \$513,755 to \$470,371. Total gift receipts were \$48.8 million, an impressive return given the difficult economic environment.

The operating budget was in balance in this fiscal year, with a slight surplus of \$26,692 and revenues and expenses totaling \$165.5 million. The revenue base for the operating budget was well diversified with 34.7% of tuition income. The endowment provided 32.2%, auxiliary enterprises 14.6%, gifts used for operations 7% and other sources of revenue 11.5%. Operating expenses had an incremental increase of 2.4% over the prior year, down from 6.8% in FY01. As might be expected in a labor-intensive institution, about 52% of the operating budget was used for salaries and benefits.

Wellesley continues to attract exceptional students and the number of applications for admission remains high.

Operating in Financial Equilibrium

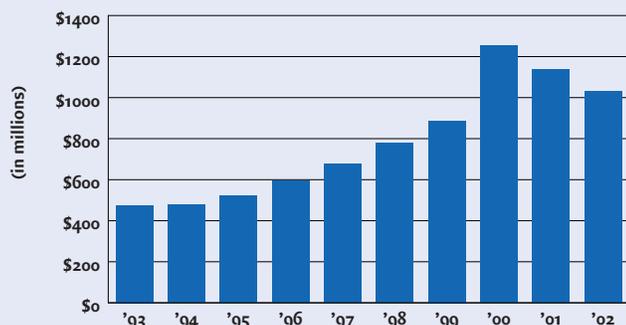
The requirements for achieving a state of financial equilibrium are (1) to balance revenues and expenses in the operating budget; (2) to preserve the purchasing power of the endowment; (3) to maintain the physical assets of the College; and (4) to sustain and support the human assets of the College.



1. Balancing Revenues and Expenses

The Budget Advisory Committee, which includes faculty, staff, and students, worked with the Budget Office during the fiscal year to maintain balance in the FY02 and FY03 budgets. In FY02, operating revenues were more constrained due to economic circumstances and lower interest rates. On the expense side, by using a disciplined approach, the College was able to balance the budget at year-end. Division heads monitored their expenses carefully and no requests for additional funds were made.

General Endowment Pool, 1993–2002



2. Preserving the Purchasing Power of the Endowment

A primary responsibility of the Board of Trustees and the senior management of the College is to balance the equity between current and future generations of students. A key component of this responsibility is to preserve the long-term purchasing power of the endowment through a prudent endowment spending policy. Wellesley’s spending policy is to take the amount used from the endowment add to that 5% of new gifts and increase this new total each year by 3% above the rate of inflation. We then monitor the amount actually available to ensure it does not drop below 4.5% or exceed 6% of a trailing three-year market average. In FY02, the three-year spending rate was at the low end of the range at 4.5%. The 42% support of the educational and general budget derived from the endowment highlights the College’s reliance on this funding source. During the next period, it is likely that the endowment-spending rate will show an upward trend (as the underlying asset depreciates or remains the same.) This illustrates the prudent decision made by the Trustees to limit the annual dollar growth of endowment spending during the years when the endowment increased so dramatically.

3. Maintaining the Physical Assets of the College

The Vice President for Administration and Planning has completed the first review of the major maintenance program. Over the past five years, the Trustees have directed that we incorporate \$5 million per year of major maintenance expenses into the operating budget. It is likely that number will increase to reflect the costs of operating new facilities and the costs of providing

services to existing facilities. The budget for new facilities will include an endowment for operations. The campus center planning is well underway. Construction to prepare for the campus center started in the spring of 2002 and is targeted for completion in 2004. The Paint Shop Pond project is nearing completion. With four new playing fields, the site provides a stunning look at the College from that newly cleared viewpoint.

4. Maintaining the Human Assets of the College

During this fiscal year, a process of staffing review was begun. We have started to shift away from the expansion that was appropriate during the recent period of growth and unprecedented economic prosperity. We will look for cross-divisional impacts, substitutions, and job combinations/consolidations in an effort to slow the growth in administrative staff. At the same time, we plan to be vigilant in our new hiring practices to make sure that we maintain or increase diversity in new staff hiring.

Future Challenges

Revenues

Endowment returns are likely to remain stable at best over the next period, so the College’s support from that revenue source will be limited to modest increases only. As the economy contracts, fund-raising will be a challenge. Wellesley donors, however, remain a remarkably generous and committed group.

Expenses

Depending on the state of the economy, the need for financial aid is likely to grow, after remaining at a relatively constant level for the past several years. Increased support may be needed to maintain the strength of this important program. Higher education will need to adjust to a period of lower resources. The College community will need to understand how the new state of the economy will affect college resources.

Respectfully submitted,

Susan Vogt
Vice President for Finance and Treasurer

Wellesley College Financial Highlights

Stated in oooos

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|------------|--------------|--------------|--------------|--------------|
| Total College Summary | | | | | |
| Total Revenues | \$ 235,030 | \$ 252,447 | \$ 542,558 | \$ 64,757 | \$ 91,107 |
| Total Expenses | 132,879 | 143,014 | 157,192 | 167,351 | 171,751 |
| Net Surplus/(Deficit) | \$ 102,151 | \$ 109,433 | \$ 385,366 | (\$ 102,594) | (\$ 80,644) |
| Current Operations Summary | | | | | |
| Revenues Including Trustee Approved | | | | | |
| Use of Unrestricted Bequests | \$ 132,115 | \$ 140,928 | \$ 151,664 | \$ 161,708 | \$ 165,546 |
| Expenditures | 131,729 | 140,547 | 151,458 | 161,708 | 165,519 |
| Operating Surplus/(Deficit) | \$ 386 | \$ 381 | \$ 206 | \$ 0 | \$ 27 |
| Resources | | | | | |
| Unrestricted Gifts | \$ 6,578 | \$ 7,270 | \$ 7,476 | \$ 8,068 | \$ 7,847 |
| Endowment Gifts and Bequests | 23,173 | 30,210 | 31,733 | 18,314 | 23,482 |
| Planned Gifts | 7,432 | 10,038 | 10,733 | 2,276 | 2,544 |
| Facilities Gifts | 950 | 1,938 | 2,792 | 8,089 | 4,572 |
| Current-Use Gifts and Grants | 5,607 | 4,564 | 6,776 | 8,934 | 10,335 |
| Total | \$ 43,740 | \$ 54,020 | \$ 59,510 | \$ 45,681 | \$ 48,780 |
| Endowment | | | | | |
| Market Value | \$ 780,872 | \$ 887,489 | \$ 1,253,385 | \$ 1,136,426 | \$ 1,032,465 |
| Total Return | \$ 104,810 | \$ 114,526 | \$ 376,256 | (\$ 84,592) | (\$ 48,718) |
| Total Return Used for Operations | \$ 39,161 | \$ 41,516 | \$ 47,546 | \$ 53,520 | \$ 54,932 |
| Unit Value | \$ 410.41 | \$ 446.73 | \$ 610.15 | \$ 543.88 | \$ 484.59 |
| Investment Return – Total | 15.2% | 15.0% | 42.8% | (6.6%) | (5.2%) |
| Yield | 3.2% | 3.9% | 4.4% | 3.7% | 3.8% |
| Appreciation | 12.0% | 11.1% | 38.4% | (10.3%) | (9.0%) |
| Average Endowment Operating Support (% of Average Market Value) | | | | | |
| One-Year Average | 5.1% | 4.8% | 4.2% | 4.2% | 5.0% |
| Three-Year Average | 5.3% | 5.1% | 4.7% | 4.4% | 4.5% |
| Assets | | | | | |
| Total College Net Assets | \$ 929,753 | \$ 1,039,186 | \$ 1,424,551 | \$ 1,321,957 | \$ 1,241,312 |

Wellesley College

Summary of Operating Revenues and Expenditures

Years ended June 30, 2002 and 2001

| | 2002 | 2001 | Increase (Decrease) | % |
|---|---------------|---------------|------------------------|---------|
| Revenues from Operations | | | | |
| Tuition and Fees | \$ 57,490,729 | \$ 55,197,209 | \$2,293,520 | 4.2% |
| Endowment Income | | | | |
| Education and General Support | 27,423,098 | 25,114,628 | 2,308,470 | 9.2% |
| Endowment Income – Prior Year | 1,443,909 | 1,199,386 | 244,523 | 20.4% |
| Special Purposes | 3,189,395 | 5,229,602 | (2,040,207) | -39.0% |
| Major Maintenance Supplement | — | 600,000 | (600,000) | -100.0% |
| Debt Service Support | 3,729,747 | 4,171,362 | (441,615) | -10.6% |
| Total Endowment Support | 35,786,149 | 36,314,978 | (528,829) | -1.5% |
| Unrestricted Gifts | 7,846,659 | 8,068,513 | (221,854) | -2.7% |
| Comprehensive Campaign Funding | 1,635,357 | 2,516,540 | (881,183) | -35.0% |
| Restricted and Capital Gifts and Use of Reserves | 2,069,313 | 3,846,033 | (1,776,720) | -46.2% |
| Other Income | 3,825,314 | 3,064,281 | 761,033 | 24.8% |
| Student Financial Aid | | | | |
| Endowment Income | 17,476,855 | 16,100,372 | 1,376,483 | 8.5% |
| Federal and State Grants | 2,015,037 | 1,836,769 | 178,268 | 9.7% |
| Restricted Gifts | 1,385,972 | 897,139 | 488,833 | 54.5% |
| Total Student Financial Aid | 20,877,864 | 18,834,280 | 2,043,584 | 10.9% |
| Total Education and General | 129,531,385 | 127,841,834 | 1,689,551 | 1.3% |
| Sponsored Research | 11,955,500 | 9,746,273 | 2,209,227 | 22.7% |
| Auxiliary Enterprises | 24,059,338 | 24,119,637 | (60,299) | -0.2% |
| Total Revenues | 165,546,223 | 161,707,744 | 3,838,479 | 2.4% |
| Operating Expenditures | | | | |
| Instruction and Departmental | 42,104,355 | 40,073,931 | 2,030,424 | 5.1% |
| Library | 5,574,293 | 5,194,838 | 379,455 | 7.3% |
| Student Services | 9,875,649 | 8,516,766 | 1,358,883 | 16.0% |
| Student Financial Aid | 20,877,864 | 19,188,501 | 1,689,363 | 8.8% |
| General Administration | 8,328,798 | 7,640,679 | 688,119 | 9.0% |
| General Institutional | 19,477,246 | 18,693,723 | 783,523 | 4.2% |
| Comprehensive Campaign Costs | 1,660,095 | 2,516,540 | (856,445) | -34.0% |
| Maintenance and Operations | 8,654,408 | 9,858,347 | (1,203,939) | -12.2% |
| Debt Service | 6,531,928 | 7,218,082 | (686,154) | -9.5% |
| Major Maintenance, Capital Expenditures, and Reserves | 7,170,755 | 9,303,824 | (2,133,069) | -22.9% |
| Total Educational and General Expenditures | 130,255,391 | 128,205,231 | 2,050,160 | 1.6% |
| Sponsored Research | 12,680,865 | 10,138,139 | 2,542,726 | 25.1% |
| Auxiliary Enterprises | 22,583,275 | 23,364,374 | (781,099) | -3.3% |
| Total Expenditures | 165,519,531 | 161,707,744 | 3,811,787 | 2.4% |
| Operating Surplus | \$ 26,692 | \$ — | \$ 26,692 | 0.0% |

Wellesley College

Ten-Year Financial Summary 1993–2002

Stated in o00s

| | 1993 | 1994 | 1995 | 1996 |
|---|-------------------|-------------------|-------------------|-------------------|
| Total Revenues | | | | |
| Tuition and Fees | \$ 38,523 | \$ 40,205 | \$ 41,846 | \$ 44,109 |
| Investment Return | 67,146 | 15,137 | 73,205 | 100,670 |
| Private Gifts, Grants, Bequests, and Contracts | 24,528 | 24,064 | 24,610 | 31,043 |
| Federal Grants and Contracts – Restricted | 4,089 | 4,642 | 3,984 | 3,425 |
| Sales and Services of Auxiliary Enterprises | 19,214 | 19,972 | 20,649 | 20,438 |
| Interest Income | 668 | 885 | 937 | 845 |
| Other | 690 | 731 | 1,148 | 1,409 |
| Total Revenues and Other Additions | \$154,858 | \$105,636 | \$166,379 | \$201,939 |
| Total Expenditures | | | | |
| Instruction and Departmental | \$ 25,933 | \$ 27,734 | \$ 31,338 | \$ 34,078 |
| Library | 3,283 | 3,729 | 4,023 | 4,322 |
| Student Services | 4,620 | 5,068 | 5,131 | 5,367 |
| Maintenance and Operations | 6,243 | 6,895 | 8,433 | 7,876 |
| Provision for Depreciation | 5,498 | 6,864 | 6,930 | 7,115 |
| Interest on Indebtedness | 1,602 | 1,559 | 4,046 | 3,438 |
| General Administration | 5,657 | 3,824 | 4,425 | 6,038 |
| General Institutional | 7,694 | 11,260 | 11,669 | 13,151 |
| Student Financial Aid | 12,825 | 13,846 | 14,449 | 14,102 |
| Sponsored Research | 6,054 | 6,726 | 6,316 | 6,014 |
| Auxiliary Enterprise Expenditures | 17,274 | 18,068 | 18,988 | 19,272 |
| Other | 788 | 301 | 1,517 | |
| Changes in Accounting Policies | | | 2,366 | |
| Total Expenditures and Other Deductions | \$ 97,471 | \$105,874 | \$ 119,631 | \$120,773 |
| Excess of Revenues over Expenditures | \$ 57,387 | (\$ 238) | \$ 46,748 | \$ 81,166 |
| Excess of Revenues over Expenditures as a Percent of Expenditures | 58.9% | (0.2%) | 39.1% | 67.2% |
| Endowment Total Return Used to Support Current Operations | \$ 21,670 | \$ 25,679 | \$ 31,250 | \$ 32,771 |
| Endowment End-of-Year Market Value | \$ 485,115 | \$ 484,126 | \$ 528,405 | \$ 605,509 |
| Average Endowment Return Used to Support Current Operations as a Percent of: | | | | |
| One Year – Beginning and Ending Market Value | 4.4% | 4.9% | 5.6% | 5.6% |
| Three Year – Average of Three Years | 4.3% | 4.5% | 5.0% | 5.4% |
| Tuition and Fees per Student | | | | |
| Comprehensive Fee | \$ 22,900 | \$ 23,815 | \$ 24,860 | \$ 25,810 |
| Tuition | \$ 16,690 | \$ 17,390 | \$ 18,345 | \$ 19,610 |
| Enrollment (Average FTE) | 2,241 | 2,245 | 2,179 | 2,201 |
| Educational and General Costs per Student | \$ 32,733 | \$ 35,982 | \$ 41,507 | \$ 43,383 |
| Tuition as a Percent of Educational and General Expenses | 51.0% | 48.3% | 44.2% | 45.2% |
| Endowment per Student | \$ 216,473 | \$ 215,646 | \$ 242,499 | \$ 275,106 |

Wellesley College

Ten-Year Financial Summary 1993–2002

Stated in oooos

| 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | Average Annual Percent Change Since 6-30-93 | |
|-----------|------------|------------|-------------|--------------|-------------|---|---------|
| | | | | | | Nominal % | Real % |
| \$ 46,645 | \$ 49,150 | \$ 51,469 | \$ 53,669 | \$ 55,197 | \$ 57,491 | 5.1% | 2.3% |
| 103,473 | 105,908 | 111,934 | 361,536 | (87,307) | (51,431) | (47.9%) | (45.1%) |
| 36,531 | 51,744 | 57,906 | 94,098 | 62,234 | 49,355 | 9.0% | 6.2% |
| 4,021 | 3,865 | 4,092 | 4,641 | 5,251 | 6,225 | 7.1% | 4.3% |
| 21,432 | 21,310 | 22,317 | 23,180 | 24,120 | 24,059 | 3.9% | 1.1% |
| 1,208 | 1,153 | 1,929 | 3,333 | 2,910 | 1,253 | 8.6% | 5.8% |
| 1,912 | 1,900 | 2,800 | 2,101 | 2,352 | 4,155 | 20.2% | 17.4% |
| \$215,222 | \$235,030 | \$252,447 | \$ 542,558 | \$ 64,757 | \$ 91,107 | 15.7% | 12.9% |
| \$ 31,406 | \$ 34,994 | \$ 35,983 | \$ 38,815 | \$ 40,074 | \$ 42,104 | 6.3% | 3.5% |
| 4,585 | 4,934 | 4,819 | 4,849 | 5,195 | 5,574 | 7.0% | 4.2% |
| 5,789 | 6,236 | 7,001 | 7,670 | 8,516 | 9,876 | 7.4% | 4.6% |
| 10,288 | 11,686 | 14,632 | 14,330 | 18,291 | 15,635 | 11.7% | 8.9% |
| 7,234 | 7,338 | 7,468 | 8,527 | 8,745 | 8,718 | 7.0% | 4.2% |
| 3,141 | 3,093 | 3,888 | 5,194 | 5,077 | 4,237 | 16.6% | 13.8% |
| 5,787 | 6,598 | 7,827 | 8,336 | 7,626 | 8,328 | 9.1% | 6.3% |
| 13,584 | 14,880 | 15,859 | 18,445 | 21,136 | 21,137 | 14.4% | 11.6% |
| 14,941 | 15,174 | 15,843 | 18,281 | 19,189 | 20,878 | 7.4% | 4.6% |
| 8,282 | 8,371 | 9,077 | 9,932 | 10,138 | 12,681 | 11.5% | 8.7% |
| 19,033 | 19,575 | 20,617 | 21,523 | 23,364 | 22,583 | 4.5% | 1.7% |
| | | | 1,290 | | | | |
| \$124,070 | \$132,879 | \$ 143,014 | \$ 157,192 | \$ 167,351 | \$ 171,751 | 6.3% | 3.5% |
| \$ 91,152 | \$ 102,151 | \$109,433 | \$ 385,366 | (\$ 102,594) | (\$ 80,644) | | |
| 73.5% | 76.9% | 76.5% | 245.2% | (61.3%) | (47.0%) | | |
| \$ 35,861 | \$ 39,161 | \$ 41,516 | \$47,546 | \$53,520 | \$54,931 | 10.9%* | |
| \$691,088 | \$780,872 | \$887,489 | \$1,253,385 | \$1,136,426 | \$1,032,465 | 8.8%* | |
| 5.3% | 5.1% | 4.8% | 4.2% | 4.2% | 5.0% | | |
| 5.5% | 5.3% | 5.1% | 4.7% | 4.4% | 4.5% | | |
| \$ 26,970 | \$ 28,330 | \$ 29,520 | \$ 30,554 | \$ 31,654 | \$ 33,394 | 4.8% | 2.0% |
| \$ 20,174 | \$ 21,254 | \$ 22,114 | \$ 22,894 | \$ 23,718 | \$ 25,022 | 5.1% | 2.3% |
| 2,227 | 2,224 | 2,222 | 2,248 | 2,212 | 2,195 | (0.1%) | |
| \$ 43,446 | \$ 47,182 | \$ 50,999 | \$ 55,359 | \$ 60,510 | \$ 62,193 | 8.2% | 5.4% |
| 46.4% | 45.0% | 43.4% | 41.4% | 39.2% | 40.2% | (2.7%) | (5.5%) |
| \$310,322 | \$ 351,112 | \$399,410 | \$ 557,556 | \$ 513,755 | \$ 470,371 | 11.3% | 8.5% |

*compound growth

Wellesley College

Key Statistics

Years ended June 30, 1993, 1998, and 2002

| | 1993 | 1998 | 2002 |
|---|---------------|---------------|-----------------|
| Faculty / Student FTE Headcount | | | |
| Student Enrollment (Average FTE) | 2,241 | 2,224 | 2,195 |
| Faculty Teaching Strength (FTE) | 222 | 227 | 228 |
| Student/Faculty Ratio | 10.09 | 9.80 | 9.63 |
| Enrollment | | | |
| Number of First-Year Student Applications | 2,894 | 3,227 | 3,049 |
| First-Year Students Admitted as a % of Applicants | 42.4% | 43.4% | 42.6% |
| First-Year Students Enrolled as a % of Applicants | 20.1% | 18.5% | 19.0% |
| First-Year Students Enrolled as a % of Students Admitted | 49.7% | 42.7% | 44.5% |
| Financial Aid | | | |
| Percent of Students Receiving Financial Aid Grant Assistance | 49.7% | 45.9% | 48.0% |
| Average Financial Aid Grant as % of Comprehensive Fee | 49.3% | 47.9% | 55.2% |
| Student Aid Expense as % of Educational and General Expense | 18.0% | 14.5% | 15.3% |
| Educational & General Cost per Student | \$31,767 | \$47,182 | \$62,193 |
| Tuition Rate as % of Educational and General Expense | 52.5% | 45.0% | 40.2% |
| Development | | | |
| Total Development Fund-Raising | \$22,898,000 | \$43,740,000 | \$48,779,548 |
| Total Alumnae Giving Including Bequests | \$16,461,000 | \$34,145,000 | \$37,326,628 |
| Number of Alumnae Donors | 14,183 | 13,928 | 15,510 |
| Percent of Alumnae Contributing | 50.9% | 48.9% | 53.5% |
| Total Unrestricted Gifts | \$4,594,000 | \$6,383,900 | \$7,846,659 |
| Total Planned Gifts | \$2,694,000 | \$7,432,300 | \$2,544,063 |
| Total Bequests | \$3,338,000 | \$13,533,300 | \$9,826,645 |
| Unrestricted Gifts as % of Educational and General Expenditures | 6.5% | 6.3% | 5.9% |
| Endowment | | | |
| Endowment Market Value (June 30) | \$485,115,000 | \$780,872,216 | \$1,032,464,639 |
| Endowment per Student | \$216,473 | \$351,112 | \$470,371 |
| Endowment Income as % of Educational and General Expense | 30.4% | 37.3% | 39.0% |
| Physical Plant | | | |
| Plant Replacement Value | \$365,120,000 | \$511,675,000 | \$703,250,000 |
| Gross Square Feet of Buildings | 2,282,000 | 2,425,000 | 2,425,000 |
| Replacement Cost per Square Foot | \$160.00 | \$211.00 | \$290.00 |
| Library | | | |
| Library Collections in Volumes | 1,179,382 | 1,344,732 | 1,500,587 |

Wellesley College
Development Fund Report
Comparative Totals for Fiscal Years 2002 and 2001

| | 2002 | 2001 | % Change |
|----------------|--------------|--------------|----------|
| By Type | | | |
| Outright Gifts | \$36,408,840 | \$38,473,592 | -5.4% |
| Deferred Gifts | 2,544,063 | 2,338,653 | 8.8% |
| Subtotal | 38,952,903 | 40,812,245 | -4.6% |
| Bequests | | | |
| Restricted | 6,211,212 | 3,458,189 | 79.6% |
| Unrestricted | 3,615,433 | 1,411,051 | 156.2% |
| Subtotal | 9,826,645 | 4,869,240 | 101.8% |
| Total | \$48,779,548 | \$45,681,485 | 6.8% |

By Source

| | | | |
|-----------------------------|--------------|--------------|--------|
| Alumnae: | | | |
| Gifts | \$30,985,808 | \$28,622,646 | 8.3% |
| Bequests | 6,340,820 | 2,512,739 | 152.3% |
| Parents | 813,468 | 426,895 | 90.6% |
| Other Individuals and Clubs | 5,880,801 | 5,003,919 | 17.5% |
| Corporate: | | | |
| Grants | 192,341 | 324,333 | -40.7% |
| Matching Gifts | 682,254 | 727,791 | -6.3% |
| Foundations | 3,884,056 | 8,063,162 | -51.8% |
| Total | \$48,779,548 | \$45,681,485 | 6.8% |

Notes

| | | | |
|---------------------------|--------------|--------------|-------|
| Unrestricted Gifts | \$ 7,846,659 | \$ 8,073,252 | -2.8% |
| Current-Use Financial Aid | 1,425,664 | 933,573 | 52.7% |
| | \$ 9,272,323 | \$ 9,006,825 | 2.9% |
| Pledges Outstanding | \$83,401,856 | \$84,202,099 | -1.0% |
| Alumnae Solicited | 28,971 | 29,276 | -1.0% |
| Alumnae Donors | 15,510 | 15,672 | -1.0% |
| Participation | 53.5% | 53.5% | 0.0% |
| Durant Society Membership | 3,072 | 3,132 | -1.9% |

Wellesley College
Total Sources of Student Financial Aid
Grant and Work Assistance

Years ended June 30, 2002 and 2001

| | 2002 | 2001 | Increase/ (Decrease) |
|---|---------------|---------------|-------------------------|
| Unrestricted Revenue | | | |
| General College Revenues | \$ — | \$ 354,221 | (\$ 354,221) |
| Total Unrestricted Revenue | \$ — | \$ 354,221 | (\$ 354,221) |
| Restricted Revenue | | | |
| Restricted Endowment | | | |
| Income | \$ 15,897,962 | \$ 14,100,372 | \$ 1,797,590 |
| Income – Special Supplement | 1,578,893 | 2,000,000 | (421,107) |
| Federal Government | | | |
| Pell Grants | 884,357 | 799,582 | 84,775 |
| Supplemental Educational Opportunity Grants | 391,356 | 392,541 | (1,185) |
| College Work Study Program – Federal Government Share | 444,024 | 381,236 | 62,788 |
| Total Government Grants | \$ 1,719,737 | \$ 1,573,359 | \$ 146,378 |
| Commonwealth of Massachusetts | 295,300 | 263,410 | 31,890 |
| Restricted Gifts | 1,385,972 | 897,139 | 488,833 |
| Total Restricted Revenue | 20,877,864 | 18,834,280 | 2,043,584 |
| Total Unrestricted and Restricted Revenues | \$ 20,877,864 | \$ 19,188,501 | \$ 1,689,363 |

Wellesley College

Five-Year Endowment Summary 1998–2002

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|-----------|-----------|-------------|-------------|-------------|
| Total Endowment | | | | | |
| General Endowment Pool (thousand \$) | \$780,202 | \$887,036 | \$1,253,008 | \$1,135,925 | \$1,031,991 |
| Nonpooled Endowment | \$ 670 | \$ 453 | \$ 377 | \$ 501 | \$ 474 |
| Total Endowment | \$780,872 | \$887,489 | \$1,253,385 | \$1,136,426 | \$1,032,465 |
| General Endowment Pool | | | | | |
| Market Value (thousand \$) | \$780,202 | \$887,036 | \$1,253,008 | \$1,135,925 | \$1,031,991 |
| Unit Value | \$ 410.41 | \$ 446.73 | \$ 610.15 | \$ 543.88 | \$ 484.59 |
| Unit Distribution | \$ 21.00 | \$ 22.00 | \$ 23.50 | \$ 24.75 | \$ 26.04 |
| Total Return Comparison | | | | | |
| Yield | 3.2% | 3.9% | 4.4% | 3.7% | 3.8% |
| Appreciation | 12.0% | 11.1% | 38.4% | -10.3% | -9.0% |
| Total Nominal Return | 15.2% | 15.0% | 42.8% | -6.6% | -5.2% |
| Real Return | 13.3% | 12.7% | 37.8% | -9.6% | -6.2% |
| Market Indices (Nominal) | | | | | |
| S&P 500 | 30.2% | 22.8% | 7.2% | -14.8% | -18.0% |
| Salomon Bros. Bond Index | 10.5% | 3.1% | 4.5% | 11.3% | 8.5% |
| Composite Index | 23.2% | 16.2% | 6.5% | -6.1% | -9.1% |
| Consumer Price Index | 1.7% | 2.0% | 3.7% | 3.3% | 1.5% |
| Annual Compound Returns | | | | | |
| Period Ending | 5 | 4 | 3 | 2 | 1 |
| Wellesley: Nominal | 10.9% | 9.8% | 8.1% | -5.9% | -5.2% |
| Real | 8.3% | 7.1% | 5.3% | -7.9% | -6.2% |
| S&P 500 | 3.7% | -2.1% | -9.1% | -16.4% | -18.0% |
| Salomon Bros. Bond Index | 7.5% | 6.8% | 8.1% | 9.9% | 8.5% |
| Composite Index | 5.4% | 1.4% | -3.1% | -7.6% | -9.1% |
| Consumer Price Index | 2.7% | 3.0% | 3.5% | 3.3% | 1.5% |
| General Endowment Pool Asset Allocation | | | | | |
| Liquid Funds | 11.1% | 12.8% | 12.0% | 14.0% | 5.6% |
| Fixed Income Investments | 23.3% | 19.9% | 20.1% | 24.9% | 29.8% |
| Equities | 45.5% | 47.9% | 43.8% | 42.2% | 43.2% |
| Other | 20.1% | 19.4% | 24.1% | 18.9% | 21.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Endowment/Student | \$351,112 | \$399,410 | \$557,556 | \$513,755 | \$470,371 |
| Enrollment (Average FTE) | 2,224 | 2,222 | 2,248 | 2,212 | 2,195 |
| Endowment Income Support for Current Operations | | | | | |
| Average Operating Support / Average Endowment Market Value | | | | | |
| One-Year Average | 5.1% | 4.8% | 4.2% | 4.2% | 5.0% |
| Three-Year Average | 5.3% | 5.1% | 4.7% | 4.4% | 4.5% |

Wellesley College

Investment of Endowment and Similar Funds and Planned Giving Funds

Year ended June 30, 2002

| | Market Value | % of Total |
|---|-----------------|------------|
| Investments Pooled | | |
| Liquid Funds (Net Payables and Receivables) | \$ 76,440,378 | 7.41% |
| Fixed Income | | |
| U.S. Bonds | 234,760,445 | 22.75% |
| Non - U.S. Bonds | 20,968,492 | 2.03% |
| High-Yield Bonds | 28,388,203 | 2.75% |
| Faculty Mortgages | 20,683,016 | 2.00% |
| Total Fixed Income | 304,800,156 | 29.54% |
| Common Stocks | | |
| U.S. Stocks | 271,744,498 | 26.33% |
| Non - U.S. Stocks (including ADRs) | 162,158,871 | 15.71% |
| Total Common Stocks | 433,903,369 | 42.05% |
| Alternative Assets | | |
| Venture Capital | 44,936,661 | 4.35% |
| Buyout Funds | 27,403,914 | 2.66% |
| Hedge and Arbitrage Funds | 111,220,700 | 10.78% |
| Oil and Gas | 4,232,208 | 0.41% |
| Distressed Securities | 26,480,366 | 2.57% |
| Real Estate | 947,769 | 0.09% |
| Miscellaneous Other | 1,625,017 | 0.16% |
| Total Alternative Assets | 216,846,635 | 21.01% |
| Total General Pooled Investments | 1,031,990,538 | 100.00% |
| Investments Not Pooled | | |
| Total Endowment and Similar Funds | 474,101 | |
| | 1,032,464,639 | |
| Planned Giving | | |
| Separate Pooled Funds | 39,947,807 | |
| Unitrusts and Other Not Pooled Funds | 23,230,134 | |
| Total Planned Giving Funds | 63,177,941 | |
| Grand Total | \$1,095,642,580 | |

Wellesley College
Quarterly Market Value per Unit of Funds
Participating in Various Investment Pools

Year ended June 30, 2002

| | Number of Units | Market Value | Market Value Per Unit |
|------------------------------------|-----------------|-----------------|--------------------------|
| General Investment Pool | | | |
| June 30, 2001 | 2,088,546 | \$1,135,924,618 | \$543.883 |
| September 30, 2001 | 2,098,318 | 1,061,839,253 | 506.043 |
| December 31, 2001 | 2,105,253 | 1,076,424,539 | 511.304 |
| March 31, 2002 | 2,112,670 | 1,087,779,991 | 514.884 |
| June 30, 2002 | 2,129,629 | 1,031,990,539 | 484.587 |
| Annuity Pool | | | |
| June 30, 2001 | 116,946 | \$24,370,229 | \$208.389 |
| September 30, 2001 | 117,508 | 22,016,407 | 187.360 |
| December 31, 2001 | 127,409 | 25,192,087 | 197.725 |
| March 31, 2002 | 128,824 | 24,980,566 | 193.913 |
| June 30, 2002 | 126,204 | 22,425,899 | 177.696 |
| Life Income Pool (Pre 1970) | | | |
| June 30, 2001 | 1,522 | \$369,812 | \$242.989 |
| September 30, 2001 | 1,522 | 345,691 | 227.140 |
| December 31, 2001 | 1,522 | 356,393 | 234.172 |
| March 31, 2002 | 1,522 | 357,315 | 234.778 |
| June 30, 2002 | 1,522 | 346,818 | 227.880 |
| Life Income Pool | | | |
| June 30, 2001 | 25,046 | \$5,616,217 | \$224.237 |
| September 30, 2001 | 25,046 | 5,447,097 | 217.485 |
| December 31, 2001 | 24,804 | 5,385,263 | 217.113 |
| March 31, 2002 | 24,295 | 5,265,362 | 216.727 |
| June 30, 2002 | 24,269 | 5,195,915 | 214.093 |
| Growth Fund Pool | | | |
| June 30, 2001 | 5,610 | \$2,738,189 | \$488.128 |
| September 30, 2001 | 5,610 | 2,472,779 | 440.815 |
| December 31, 2001 | 5,547 | 2,650,005 | 477.719 |
| March 31, 2002 | 5,666 | 2,733,946 | 482.513 |
| June 30, 2002 | 5,652 | 2,578,833 | 456.273 |
| Balanced Fund Pool | | | |
| June 30, 2001 | 16,691 | \$2,982,210 | \$178.676 |
| September 30, 2001 | 16,416 | 2,804,402 | 170.829 |
| December 31, 2001 | 16,428 | 2,837,069 | 172.700 |
| March 31, 2002 | 15,577 | 2,691,925 | 172.819 |
| June 30, 2002 | 15,588 | 2,648,805 | 169.924 |
| High Yield Pool | | | |
| June 30, 2001 | 52,626 | \$5,684,433 | \$108.015 |
| September 30, 2001 | 52,358 | 5,668,257 | 108.260 |
| December 31, 2001 | 52,194 | 5,465,924 | 104.724 |
| March 31, 2002 | 51,472 | 5,354,830 | 104.034 |
| June 30, 2002 | 49,622 | 5,239,899 | 105.596 |

Wellesley College
General Endowment Pool
Annual Total Return Since Inception

| Year Ended | Market Value (thousands) | Ending Unit Value | Distribution | Total Return | | |
|------------|--------------------------|-------------------|--------------|--------------|----------------|---------|
| | | | | Yield % | Appreciation % | Total % |
| | | \$100.00 | | | | |
| 1970 | \$ 92,600 | 107.13 | \$5.50 | 5.13 | 7.13 | 12.26 |
| 1971 | 121,050 | 138.68 | 5.70 | 4.11 | 29.46 | 33.57 |
| 1972 | 136,273 | 154.80 | 5.90 | 3.81 | 11.63 | 15.44 |
| 1973 | 126,928 | 139.30 | 6.00 | 4.31 | (10.01) | (5.70) |
| 1974 | 109,672 | 116.43 | 7.30 | 6.27 | (16.42) | (10.15) |
| 1975 | 111,340 | 116.82 | 7.05 | 6.03 | 0.33 | 6.36 |
| 1976 | 115,922 | 119.77 | 7.00 | 5.84 | 2.52 | 8.36 |
| 1977 | 119,152 | 122.86 | 7.30 | 5.94 | 2.58 | 8.52 |
| 1978 | 111,852 | 116.54 | 7.68 | 6.59 | (6.15) | 1.44 |
| 1979 | 119,151 | 119.70 | 8.05 | 6.73 | 2.72 | 9.45 |
| 1980 | 133,168 | 119.32 | 9.30 | 7.79 | (0.03) | 7.76 |
| 1981 | 134,871 | 121.64 | 9.11 | 7.49 | 2.71 | 10.20 |
| 1982 | 127,842 | 110.90 | 10.72 | 9.67 | (8.77) | 0.90 |
| 1983 | 167,556 | 135.78 | 10.40 | 7.66 | 21.94 | 29.60 |
| 1984 | 156,258 | 123.60 | 9.00 | 7.28 | (9.69) | (2.41) |
| 1985 | 201,793 | 149.44 | 9.09 | 6.36 | 21.62 | 27.98 |
| 1986 | 260,481 | 188.93 | 8.41 | 5.50 | 26.90 | 32.40 |
| 1987 | 294,574 | 207.66 | 8.90 | 4.34 | 10.38 | 14.72 |
| 1988 | 290,270 | 198.53 | 10.25 | 5.20 | (4.30) | 0.90 |
| 1989 | 319,235 | 211.06 | 11.10 | 5.50 | 7.28 | 12.78 |
| 1990 | 352,537 | 222.70 | 11.30 | 5.20 | 6.00 | 11.20 |
| 1991 | 371,464 | 231.81 | 11.30 | 5.15 | 4.08 | 9.23 |
| 1992 | 409,082 | 252.95 | 11.02 | 4.50 | 10.00 | 14.50 |
| 1993 | 475,797 | 281.83 | 11.37 | 4.00 | 11.50 | 15.50 |
| 1994 | 475,961 | 278.97 | 14.00 | 3.50 | 0.50 | 4.00 |
| 1995 | 520,108 | 305.01 | 16.15 | 3.20 | 12.00 | 15.20 |
| 1996 | 595,950 | 336.88 | 17.02 | 3.21 | 15.03 | 18.24 |
| 1997 | 677,932 | 371.67 | 19.60 | 2.89 | 14.28 | 17.17 |
| 1998 | 780,203 | 410.41 | 21.00 | 3.24 | 11.98 | 15.22 |
| 1999 | 887,036 | 446.73 | 22.00 | 3.91 | 11.05 | 14.96 |
| 2000 | 1,253,008 | 610.15 | 23.50 | 4.41 | 38.44 | 42.85 |
| 2001 | 1,135,925 | 543.88 | 24.75 | 3.72 | (10.34) | (6.62) |
| 2002 | 1,031,991 | 484.59 | 26.04 | 3.81 | (9.00) | (5.19) |



To The Board of Trustees of Wellesley College:

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Wellesley College at June 30, 2002 and 2001 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management; our responsibility is to express an opinion on these statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the

audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in black ink, written in a cursive style, that reads "PricewaterhouseCoopers LLP". The signature is positioned to the right of the main text block.

November 15, 2002

Wellesley College
Statements of Financial Position

June 30, 2002 and 2001

| | 2002 | 2001 |
|---|------------------------|------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 46,893,280 | \$ 36,333,753 |
| Accounts receivable, net | 2,057,093 | 1,555,557 |
| Bond proceeds receivable | — | 10,940,965 |
| Loans receivable, net | 5,415,937 | 5,505,965 |
| Contributions receivable, net | 61,669,139 | 61,683,257 |
| Grants receivable | 2,402,859 | 1,931,513 |
| Prepays, inventory and other | 1,672,501 | 2,376,976 |
| Investments | 1,032,464,639 | 1,136,426,034 |
| Planned giving investments | 63,177,941 | 66,087,755 |
| Land, buildings and equipment, net | 187,133,204 | 167,464,990 |
| Total assets | \$1,402,886,593 | \$1,490,306,765 |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 15,414,046 | \$ 12,861,379 |
| Student deposits and deferred revenues | 2,447,575 | 3,260,688 |
| Advances under grants and contracts | 6,154,712 | 6,037,398 |
| Annuities and unitrusts payable | 26,404,421 | 32,859,886 |
| Bonds payable | 106,876,764 | 109,171,201 |
| Government loan advances | 4,276,576 | 4,159,608 |
| Total liabilities | 161,574,094 | 168,350,160 |
| Net Assets | | |
| Unrestricted | 449,249,294 | 479,733,887 |
| Temporarily restricted | 514,410,081 | 555,094,131 |
| Permanently restricted | 277,653,124 | 287,128,587 |
| Total net assets | 1,241,312,499 | 1,321,956,605 |
| Total liabilities and net assets | \$1,402,886,593 | \$1,490,306,765 |

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

Wellesley College
Statement of Activities

For the year ended June 30, 2002

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2002 Total |
|---|---------------|---------------------------|---------------------------|-----------------|
| Operating Revenues | | | | |
| Tuition and Fees | \$ 57,490,729 | | | \$ 57,490,729 |
| Less financial aid | | | | |
| Donor sponsored | (19,993,507) | | | (19,993,507) |
| Net tuition and fees | 37,497,222 | | | 37,497,222 |
| Auxiliary operations | 24,059,338 | | | 24,059,338 |
| Government grants | 5,340,875 | | | 5,340,875 |
| Private gifts and grants | 14,119,310 | 54,864 | | 14,174,174 |
| Investment return designated for operations | 19,603,400 | 35,328,291 | | 54,931,691 |
| Other | 5,408,158 | | | 5,408,158 |
| Net assets released from restrictions | 35,021,026 | (35,021,026) | | — |
| Total operating revenues | 141,049,329 | 362,129 | | 141,411,458 |
| Operating Expenses | | | | |
| Instruction and departmental research | 54,466,262 | | | 54,466,262 |
| Sponsored research and other programs | 12,680,866 | | | 12,680,866 |
| Library | 8,401,752 | | | 8,401,752 |
| Student services | 12,157,055 | | | 12,157,055 |
| General administration | 9,515,245 | | | 9,515,245 |
| General institutional | 22,486,745 | | | 22,486,745 |
| Auxiliary operations | 31,165,711 | | | 31,165,711 |
| Total operating expense | 150,873,636 | | | 150,873,636 |
| Nonoperating Activities | | | | |
| Investment return not used for operations | (45,540,630) | (60,969,793) | 147,244 | (106,363,179) |
| Matured planned giving agreements | 2,938,454 | (3,097,374) | 158,920 | — |
| Gifts and pledges | 18,564,176 | 26,398,702 | (9,781,627) | 35,181,251 |
| Net assets released from restrictions | 3,377,714 | (3,377,714) | | — |
| Total nonoperating revenues | (20,660,286) | (41,046,179) | (9,475,463) | (71,181,928) |
| Net change in net assets | (30,484,593) | (40,684,050) | (9,475,463) | (80,644,106) |
| Net assets at beginning of year | 479,733,887 | 555,094,131 | 287,128,587 | 1,321,956,605 |
| Net assets at end of year | \$449,249,294 | \$514,410,081 | \$277,653,124 | \$1,241,312,499 |

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

Wellesley College
Statement of Activities

For the year ended June 30, 2001

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2001 Total |
|---|---------------|---------------------------|---------------------------|-----------------|
| Operating Revenues | | | | |
| Tuition and Fees | \$ 55,197,209 | | | \$ 55,197,209 |
| Less financial aid | | | | |
| Donor sponsored | (18,034,698) | | | (18,034,698) |
| Institutionally sponsored | (354,221) | | | (354,221) |
| Net tuition and fees | 36,808,290 | | | 36,808,290 |
| Auxiliary operations | 24,119,629 | | | 24,119,629 |
| Government grants | 4,451,242 | | | 4,451,242 |
| Private gifts and grants | 18,236,319 | | | 18,236,319 |
| Investment return designated for operations | 20,857,411 | 32,663,429 | | 53,520,840 |
| Other | 5,262,359 | | | 5,262,359 |
| Net assets released from restrictions | 30,665,628 | (30,665,628) | | — |
| Total operating revenues | 140,400,878 | 1,997,801 | | 142,398,679 |
| Operating Expenses | | | | |
| Instruction and departmental research | 53,959,482 | | | 53,959,482 |
| Sponsored research and other programs | 10,138,139 | | | 10,138,139 |
| Library | 8,370,788 | | | 8,370,788 |
| Student services | 11,079,363 | | | 11,079,363 |
| General administration | 8,958,846 | | | 8,958,846 |
| General institutional | 22,651,167 | | | 22,651,167 |
| Auxiliary operations | 33,004,621 | | | 33,004,621 |
| Total operating expense | 148,162,406 | | | 148,162,406 |
| Nonoperating Activities | | | | |
| Investment return not used for operations | (47,745,557) | (93,137,909) | 54,607 | (140,828,859) |
| Matured planned giving agreements | 3,120,456 | (4,345,363) | 1,224,907 | — |
| Gifts and pledges | 2,204,409 | 26,749,205 | 15,044,091 | 43,997,705 |
| Net assets released from restrictions | (773,911) | 1,449,764 | (675,853) | — |
| Total nonoperating revenues | (43,194,603) | (69,284,303) | 15,647,752 | (96,831,154) |
| Net change in net assets | (50,956,131) | (67,286,502) | 15,647,752 | (102,594,881) |
| Net assets at beginning of year | 530,690,018 | 622,380,633 | 271,480,835 | 1,424,551,486 |
| Net assets at end of year | \$479,733,887 | \$555,094,131 | \$287,128,587 | \$1,321,956,605 |

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

Wellesley College
Statements of Cash Flows

For the years ended June 30, 2002 and 2001

| | 2002 | 2001 |
|--|-----------------|------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | (\$ 80,644,106) | (\$ 102,594,881) |
| Adjustment to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation and amortization | 8,718,316 | 8,744,847 |
| Contributions restricted for investments | (36,279,401) | (43,997,705) |
| Investment income on planned giving agreements | (2,779,769) | (2,024,100) |
| Matured annuity and life income contracts | (3,097,374) | (4,345,363) |
| Realized and unrealized losses on investments | 79,016,183 | 117,785,032 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (501,536) | (267,002) |
| Contributions receivable, net | 14,118 | (16,727,664) |
| Grants receivable | (471,346) | 686,848 |
| Other | 704,475 | (428,572) |
| Accounts payable and accrued expenses | 2,552,667 | (413,726) |
| Student deposits and deferred revenue | (813,113) | (620,214) |
| Advances under grants and contracts | 117,314 | 1,651,773 |
| Net cash used by operating activities | (33,463,572) | (42,550,727) |
| Cash Flows from Investing Activities | | |
| Purchase of plant and equipment | (28,386,530) | (14,149,930) |
| Proceeds from student loans collections | 988,754 | 1,180,124 |
| Student loans issued | (898,726) | (879,037) |
| Purchases of investments | (1,395,461,739) | (1,210,990,529) |
| Proceeds from sales and maturities of investments | 1,423,316,765 | 1,216,180,866 |
| Net cash provided by (used by) in investing activities | (441,476) | (8,658,506) |
| Cash Flows from Financing Activities | | |
| Proceeds from contributions for: | | |
| Investment in endowment | 26,260,949 | 33,631,804 |
| Investment in planned giving | 2,544,063 | 2,276,419 |
| Plant and equipment | 7,474,389 | 8,089,482 |
| Investment income on planned giving agreements | 2,779,769 | 2,024,100 |
| Annuities and unitrusts payable | (6,455,465) | (874,071) |
| Matured planned giving agreements | 3,097,374 | 4,345,363 |
| Increase in federal student loan funds | 116,968 | 123,403 |
| Bond proceeds receivable, net | 10,940,965 | 11,993,028 |
| Payment on long-term debt | (2,294,437) | (2,140,878) |
| Net cash provided by financing activities | 44,464,575 | 59,468,650 |
| Net increase in cash and cash equivalents | 10,559,527 | 8,259,417 |
| Cash and cash equivalents, beginning of year | 36,333,753 | 28,074,336 |
| Cash and cash equivalents, end of year | \$ 46,893,280 | \$ 36,333,753 |

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

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of Wellesley College (the “College”) have been prepared in accordance with generally accepted accounting principles using the accrual basis of accounting.

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

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

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

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

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

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets.

Non-operating activities reflect transactions of a long-term investment or capital nature including contributions to be invested by the College to generate a return that will support future operations, contributions to be received in the future, contributions to be used for facilities and equipment and investment return beyond what the College has appropriated for current operational support in accordance with the College’s investment return spending guidelines.

(b) Cash Equivalents

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing endowment assets and planned giving assets are included in endowment investments and planned giving investments, respectively.

(c) Investments

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

Venture capital and buyout limited partnerships include investments in both publicly and privately owned securities. The fair values of private investments are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable public market values. These values are audited annually, most typically based on calendar year end information. The values of public investments not yet distributed generally reflect discounts for illiquidity. The limited partnership valuations consider variables such as the financial performance of the investments, recent sales prices of similar investments and other pertinent information. The estimated values as determined by the general partners and investment managers may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be materially higher or lower.

Derivative investments in the College's portfolio may include currency forward contracts, currency and interest rate swaps, call and put options, debt futures contracts and other vehicles that may be appropriate in certain circumstances as permitted within the managers' investment guidelines. The College's external managers use investments in derivative securities predominantly to reduce interest rate risk and risk in the foreign fixed income market. The College adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement requires derivative instruments to be carried at market value. The effect on the College's financial position and results of operations was immaterial.

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

Net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by the College in accordance with the Massachusetts Management of Institutional Funds Act and guidance from the Massachusetts Attorney General. Future utilization of gains is dependent on market performance. Deficiencies of \$4,239,492 for donor-restricted endowment funds, resulting from declines in market value, have been offset by an allocation from unrestricted net assets to temporarily restricted net assets. As the market value of the portfolio increases, the deficiency will reverse. The allocation of deficiencies is recorded in accordance with FAS 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations".

(d) Endowment Investment Return Spending Policy

The College uses a "total return" approach to managing endowment assets. Funds are invested to maximize total return consistent with prudent risk without regard to the mix of current investment income and realized and unrealized gains or losses. The College's endowment distribution policy determines a payout rate that is based on total investment value over a rolling twelve quarter average within a range of 4.5% to 6%. The sources of the payout are endowment earned income (interest and dividends), both current and previously reinvested income and a portion of realized gains. Any income earned in excess of the spending limit is reinvested while funds may be withdrawn from investment return earned in prior years if income is less than the spending limit. The spending policy is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuations in capital markets.

(e) Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

(f) Accounts Receivable and Student Loans Receivable

Accounts receivable include amounts due from students, student organizations and other miscellaneous receivables. Loans to students are carried at cost. Accounts receivable for 2002 and 2001, are reported net of provisions for doubtful accounts of \$263,000 and \$440,000, respectively. Loans receivable are reported net of provisions for doubtful loans of \$940,000 for both years. The provisions are intended to provide for student accounts and loans that may not be collected.

(g) Grant and Contract Revenue

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

(h) Pledges

The College recognizes the present value of unconditional pledges as revenues in the period in which the pledges are made.

(i) Loans Receivable

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

(j) Land, Buildings, and Equipment

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

| | Years |
|----------------------------|-------|
| Land improvements | 25–60 |
| Buildings and improvements | 15–50 |
| Equipment | 6–20 |

(k) Financial Aid

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

(l) Auxiliary Operations

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

(m) Internal Revenue Code Status

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

(n) Use of Estimates

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

(o) Reclassifications

Certain June 30, 2001 balances previously reported have been reclassified to conform to June 30, 2002 presentation.

2. Pledges Receivable

Pledges receivable, net, are summarized as follows at June 30:

| Unconditional promises expected to be collected in: | 2002 | 2001 |
|---|--------------|--------------|
| Less than one year | \$11,407,237 | \$14,691,902 |
| One year to five years | 62,995,380 | 59,897,890 |
| Over five years | 5,685,793 | 6,406,043 |
| Total | 80,088,410 | 80,995,835 |
| Less discounts and allowance for uncollectible accounts | 18,419,271 | 19,312,578 |
| Net contributions receivable | \$61,669,139 | \$61,683,257 |

3. Land, Buildings and Equipment

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

| | 2002 | 2001 |
|---------------------------------------|---------------|---------------|
| Land, land improvements and buildings | \$230,321,760 | \$228,513,354 |
| Equipment | 27,661,349 | 28,179,408 |
| Construction in progress | 27,964,149 | 1,409,549 |
| | 285,947,258 | 258,102,311 |
| Less: Accumulated depreciation | (98,814,054) | (90,637,321) |
| | \$187,133,204 | \$167,464,990 |

Wellesley College
Notes to the Financial Statements

4. Investments

The book and market values of investments at June 30, 2002 and 2001 were as follows:

| | 2002 Book Value | 2002 Market Value | 2001 Book Value | 2001 Market Value |
|-----------------------------------|--------------------|----------------------|--------------------|----------------------|
| Endowment Investments | | | | |
| Investments pooled | | | | |
| Cash and cash equivalents | \$ 76,440,378 | \$ 76,440,378 | \$ 158,935,952 | \$ 159,016,585 |
| Bonds | 319,449,525 | 304,800,156 | 295,435,411 | 282,655,895 |
| Equities | 433,614,856 | 433,903,369 | 432,951,598 | 479,807,402 |
| Other assets | 213,906,714 | 216,846,635 | 180,143,862 | 214,444,736 |
| Total pooled investments | 1,043,411,473 | 1,031,990,538 | 1,067,466,823 | 1,135,924,618 |
| Investments not pooled | | | | |
| Cash and cash equivalents | 478,730 | 474,101 | 501,416 | 501,416 |
| Total investments not pooled | 478,730 | 474,101 | 501,416 | 501,416 |
| Total endowment investments | \$1,043,890,203 | \$1,032,464,639 | \$1,067,968,239 | \$1,136,426,034 |
| Planned Giving Investments | | | | |
| Separate pooled funds | | | | |
| Cash and cash equivalents | \$ 407,755 | \$ 407,755 | \$ 729,883 | \$ 729,883 |
| Bonds | 18,995,057 | 19,972,078 | 22,321,773 | 26,019,264 |
| Equities | 18,590,774 | 19,567,974 | 14,295,172 | 16,661,484 |
| Total pooled funds | 37,993,586 | 39,947,807 | 37,346,828 | 43,410,631 |
| Unitrusts | | | | |
| Cash and cash equivalents | 1,050,865 | 1,050,865 | 243,078 | 243,078 |
| Bonds | 6,825,745 | 7,177,450 | 7,053,220 | 6,993,516 |
| Equities | 6,456,831 | 7,340,826 | 5,688,776 | 7,918,514 |
| Other assets | 1,094,037 | 1,094,037 | 394,036 | 394,036 |
| Assets held by Trustees | 3,462,865 | 6,566,956 | 2,818,473 | 7,127,980 |
| Total funds not pooled | 18,890,343 | 23,230,134 | 16,197,583 | 22,677,124 |
| Total planned giving investments | \$ 56,883,929 | \$ 63,177,941 | \$ 53,544,411 | \$ 66,087,755 |

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

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

Wellesley College
Notes to the Financial Statements

The College's investment return from endowment and planned giving was as follows:

| | Temporarily Unrestricted | Permanently Restricted | Restricted | Total |
|--|-----------------------------|---------------------------|------------|-----------------|
| Dividends and interest (net of expenses of \$5,180,480) | \$ 8,822,166 | \$ 18,615,285 | \$147,244 | \$ 27,584,695 |
| Net realized and unrealized losses | (34,759,396) | (44,256,787) | — | (79,016,183) |
| Total return on endowment and planned giving investments | (25,937,230) | (25,641,502) | 147,244 | (51,431,488) |
| Investment return designated for current operations | (19,603,400) | (35,328,291) | — | (54,931,691) |
| | (\$45,540,630) | (\$60,969,793) | \$147,244 | (\$106,363,179) |

The total return consisting of realized and unrealized gains and losses and dividends and interest net of investment management and custodial fees was -5.2 % and -6.6% for the fiscal years ended June 30, 2002 and 2001, respectively.

5. Pooled Funds

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

Pooled funds were as follows as of June 30:

| | 2002 | 2001 |
|---|-----------------|-----------------|
| Investments in pooled funds, market value | \$1,031,990,538 | \$1,135,924,618 |
| Total number of units | 2,129,629 | 2,088,547 |
| Market value per unit | \$484.59 | \$543.88 |
| Distribution per unit | \$26.04 | \$24.75 |

The following two schedules list the components of the pooled and nonpooled endowment funds at market value at June 30, 2002 and 2001:

| 2002 Funds | Units | Pooled Endowment | Nonpooled Endowment | Total Endowment |
|------------------------------|-----------|---------------------|------------------------|--------------------|
| Endowment and similar funds: | | | | |
| Endowment funds | 1,317,978 | \$ 638,675,017 | | \$ 638,675,017 |
| Term funds | 42,217 | 20,457,867 | \$474,101 | 20,931,968 |
| Quasi-endowment | 769,434 | 372,857,654 | | 372,857,654 |
| Total | 2,129,629 | \$1,031,990,538 | \$474,101 | \$1,032,464,639 |

| 2001 Funds | Units | Pooled Endowment | Nonpooled Endowment | Total Endowment |
|------------------------------|-----------|---------------------|------------------------|--------------------|
| Endowment and similar funds: | | | | |
| Endowment funds | 1,296,783 | \$ 691,602,236 | | \$ 691,602,236 |
| Term funds | 41,063 | 30,096,727 | \$501,416 | 30,598,143 |
| Quasi-endowment | 750,701 | 414,225,655 | | 414,225,655 |
| Total | 2,088,547 | \$1,135,924,618 | \$501,416 | \$1,136,426,034 |

Wellesley College

Notes to the Financial Statements

6. Related Parties

The College acts as fiscal agent and investment advisor for the Wellesley College Alumnae Association and a retired president of the College. Endowment investments held on their behalf are included in the College's general pool of investments and are reflected either as part of the College's net assets or a pension liability. The market value of the assets totaled \$9,251,930 and \$10,166,362 at June 30, 2002 and 2001, respectively.

7. Notes and Bonds Payable

Indebtedness at June 30, 2002 and 2001 includes various bonds issued through the Massachusetts Health and Education Facilities Authority (MHEFA). Based on rates currently available to the College for debt with similar terms and remaining maturities, the estimated fair value of the College's total existing debt approximates its carrying value. Interest payments on debt totaled \$4,171,143 and \$5,030,539 during fiscal years 2002 and 2001, respectively.

Balance of outstanding bonds payable at June 30 consisted of the following:

| | 2002 | 2001 |
|--|---------------|---------------|
| MHEFA, Series F, Revenue Bonds issued at an interest rate of 5.125% maturing July, 2039. | \$ 30,000,000 | \$30,000,000 |
| MHEFA, Series G, Variable Rate Revenue Bonds, bearing interest at a daily rate, maturing July, 2039. The rate at June 30, 2002 was 1.30%. | 20,000,000 | 20,000,000 |
| MHEFA Capital Asset Program, Series B & C, Variable Rate Demand Bonds, monthly amortization of principal with final payment due April, 2005. Interest rate reset semi-annually. The rate at June 30, 2002 was 2.30%. | 2,576,764 | 3,371,201 |
| MHEFA, Series E, Variable Rate Demand Bonds, scheduled amortization of principal with final maturity July, 2022. Interest adjusted weekly. The rate at June 30, 2002 was 1.21%. | 16,700,000 | 17,200,000 |
| MHEFA, Series D, Revenue Bonds, Periodic Auction Reset Securities (PARS) converted to term bonds November, 1993 with annual scheduled amortization of principal maturing July, 2019. Interest rates range from 2.7% to 5.1%. | 37,600,000 | 38,600,000 |
| Total outstanding bonds payable at June 30 | \$106,876,764 | \$109,171,201 |

The total of the College's bonds payable described above matures as follows:

| | |
|---------------------|---------------|
| 2003 | \$ 2,351,866 |
| 2004 | 2,613,448 |
| 2005 | 2,711,450 |
| 2006 | 1,900,000 |
| 2007 | 2,100,000 |
| Thereafter | 95,200,000 |
| Total bonds payable | \$106,876,764 |

8. Annuities and Unitrusts Payable

Annuities, life income plans and unitrusts payable of \$26,404,421 and \$32,859,886 at June 30, 2002 and 2001, respectively, represent actuarially determined liabilities for contractual obligations of gift annuities and unitrusts. Payments of income to beneficiaries are principally funded by the investment income of the related gift annuity and unitrust investments.

9. Pension Plans

The College has a defined contribution, noncontributory annuity pension plan for faculty and administrative personnel administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund ("TIAA/CREF"). Under this Plan, the College contributed \$4,129,224 and \$3,851,115 respectively, for the years ended June 30, 2002 and 2001.

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

Wellesley College
Notes to the Financial Statements

| | 6/30/02 | 6/30/01 |
|---|---------------------|---------------------|
| Weighted average assumptions as of | | |
| Discount rate | 7.00% | 7.25% |
| Expected return on plan assets | 8.00% | 8.00% |
| Rate of compensation increase | 4.50% | 5.00% |
| Change in projected benefit obligation | | |
| Benefit obligation at end of prior year | \$21,535,511 | \$18,995,074 |
| Service cost | 895,439 | 815,037 |
| Interest cost | 1,488,529 | 1,411,393 |
| Amendments | 0 | 0 |
| Actuarial loss/(gain) | (679,346) | 997,861 |
| Benefits paid | (776,745) | (683,854) |
| Benefit obligation at end of year | \$22,463,388 | \$21,535,511 |
| Change in plan assets | | |
| Fair value of plan assets at end of prior year | \$19,279,407 | \$21,612,276 |
| Actual return on plan assets | (1,015,010) | (1,797,056) |
| Employer contributions | 518,013 | 148,041 |
| Benefits paid | (776,745) | (683,854) |
| Fair value of plan assets at end of year | \$18,005,665 | \$19,279,407 |
| Funded status | | |
| Funded status | (\$4,457,723) | (\$2,256,104) |
| Unrecognized transition obligation/(asset) | (226,279) | (428,313) |
| Unrecognized prior service cost | 1,417,669 | 1,592,219 |
| Unrecognized net actuarial loss/(gain) | 3,158,638 | 1,309,588 |
| Prepaid (accrued) benefit cost | (\$ 107,695) | \$ 217,390 |
| Components of net periodic benefit cost | | |
| Service cost | \$895,439 | \$815,037 |
| Interest cost | 1,488,529 | 1,411,393 |
| Expected return on plan assets | (1,513,386) | (1,700,640) |
| Amortization of transition obligation/(asset) | (202,034) | (202,034) |
| Amortization of prior service cost | 174,550 | 174,550 |
| Recognized net actuarial loss/(gain) | 0 | (52,682) |
| Net periodic benefit cost | \$843,098 | \$445,624 |

10. Net Assets

Net assets consist of the following at June 30, 2002 and 2001:

| | 2002 | 2001 |
|--|------------------------|------------------------|
| Unrestricted | | |
| Designated for specific purposes | \$ 15,366,280 | \$ 13,225,809 |
| Quasi-endowment | 372,857,654 | 414,225,655 |
| Net investment in plant | 65,264,852 | 52,282,423 |
| Deficiencies in donor-restricted endowments | (4,239,492) | — |
| | 449,249,294 | 479,733,887 |
| Temporarily Restricted | | |
| Endowment and similar funds including pledges | 406,399,304 | 496,755,049 |
| Annuity, life income and unitrusts including Pledges | 35,675,371 | 33,227,869 |
| Deficiencies in donor-restricted endowments | 4,239,492 | — |
| Other restricted | 68,095,914 | 25,111,213 |
| | 514,410,081 | 555,094,131 |
| Permanently restricted | | |
| Endowment including pledges | 277,653,124 | 287,128,587 |
| | 277,653,124 | 287,128,587 |
| | \$1,241,312,499 | \$1,321,956,605 |

11. Commitments and Contingencies

In 1975 the College identified the presence of soil tainted with various hazardous materials on the site of an abandoned 19th century paint factory acquired by the College in 1932. In 1991, the College arranged for the excavation of contaminated soils from two waste piles and a wastewater settling basin formerly associated with the paint factory.

After the contaminated material was removed, the area was capped and seeded. These actions were undertaken in accordance with plans approved by the Department of Environmental Protection (DEP) on July 5, 1991. The College has continued to work with the DEP and has substantially completed the process of remediating and restoring approximately 30 acres of land referred to as the Upland site. The College began in April 2001 excavating contaminated soils and sediments from the upland and wetland portions of the site and along the Northern Shoreline and West Cove of Lake Waban. The soils have been treated and consolidated on site under a permanent engineered barrier. The capped area is being developed into three playing fields, an eight lane all weather track, and a softball field and is expected to be completed by November 2002. The estimated cost of this project is approximately \$30 million; \$10 million has been funded from a HEFA bond issuance and the remainder from unrestricted endowment. Costs associated with the campus improvement project are capitalized as land improvements. Costs incurred to remediate this property are charged to expense when they can be estimated. Ongoing monitoring expenses are charged to operations. Total expenses for this project were \$1,437,656 and \$46,234 respectively for the years ended June 30, 2002 and 2001. The College has purchased an insurance policy to cover cost overruns and ground water remediation.

The Commonwealth of Massachusetts has agreed to pay up to \$1.4 million toward the clean up of the Northern Shoreline and Western Cove. This clean up was substantially completed during the year and the College has recorded a receivable of \$900,000 from the Commonwealth. The College is in process of submitting to the Commonwealth the required documentation of project costs for reimbursement, which is subject to the Commonwealth's approval. The College and the Commonwealth continue to explore the steps needed to resolve the remediation issues of Lake Waban and Lower Waban Brook.

Outstanding commitments under venture capital limited partnership agreements and construction contracts amounted to approximately \$113,237,000 and \$115,200,000 respectively, as of June 30, 2002 and June 30, 2001.

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

The College built a gas-fired cogeneration plant capable of producing 7.5 megawatts of electricity. The plant supplies electricity for the entire campus. The College has a contractual obligation to provide the Town of Wellesley with 1,350 kilowatts for up to 800 hours annually, and, in addition, pays the Town \$109,620 annually as a guarantee for back-up power to the College. In the event the College is unable to provide power to the Town, the College must pay a fee approximately equal to the Town's cost of purchasing the power. In fiscal 2002, the College paid \$128,918 in penalty fees. This contract is in force until May, 2004.

Senior Staff
2001–2002

Jane E. Bachman
Assistant to the President

David Blinder
Vice President for Resources
and Public Affairs

Linda Brothers
Director of Equal Opportunity

Patricia Byrne
Vice President for
Administration and Planning

Lee Cuba
Dean of the College

Micheline Jedrey
Vice President for Information
Services and College Librarian

Andrea G. Levitt
Associate Dean of the College

Janet Lavin Rapelye
Dean of Admission

William S. Reed
Vice President

Andrew Shennan
Associate Dean of the College

Susan Vogt
Vice President for Finance and
Treasurer

Geneva M. Walker-Johnson
Dean of Students

Diana Chapman Walsh
President

Board of Trustees
2001–2002

John Clarkeson
Boston, Massachusetts

Nader F. Darehshori
Boston, Massachusetts

Kathryn Wasserman Davis
Tarrytown, New York

Christine Grimstad Franklin*
President of the Wellesley
College Alumnae Association
New York, New York

Cornelia Lichauco Fung
People's Republic of China

M. Dozier Gardner
Brookline, Massachusetts

Victoria J. Herget
Chair
Chicago, Illinois

Janet McDonald Hill
(Resigned 2/02)
Washington, District of Columbia

Judith Gaillard Jones
Pacific Palisades, California

Lois Juliber
New York, New York

William Kaiser
Boston, Massachusetts

Amalie Moses Kass
Lincoln, Massachusetts

Stephen W. Kidder
Boston, Massachusetts

Gail Heitler Klapper
Denver, Colorado

Sidney R. Knafel
New York, New York

Betsy Wood Knapp
Los Angeles, California

Edward P. Lawrence
Vice Chair
Boston, Massachusetts

Pamela Leach Lewis
Jamaica Estates, New York

Richard J. Light
Cambridge, Massachusetts

Beth Pfeiffer McNay
Chestnut Hill, Massachusetts

Ellen Gill Miller
Bethesda, Maryland

William J. Mitchell
Cambridge, Massachusetts

Regina Montoya
Dallas, Texas

Theresa Mall Mullarkey
Locust Valley, New York

Susan Marley Newhouse
New York, New York

Wendy Paulson
New York, New York

Elizabeth Strauss Pforzheimer
Scarsdale, New York

Lia Gelin Poorvu
Cambridge, Massachusetts

Barbara Scott Preiskel
New York, New York

Lynn B. Sherr
New York, New York

Meredith Riggs Spangler
Charlotte, North Carolina

Isabel Johnston Stewart
Chicago, Illinois

Marisa Van Saanen
Bethesda, Maryland

Lulu Chow Wang
New York, New York

Dorothy Collins Weaver
Miami, Florida

Diana Chapman Walsh*
President
Wellesley, Massachusetts

Diane Kinch Corry
Clerk of the Board of Trustees
*ex officio

Wellesley College
106 Central Street
Wellesley
Massachusetts 02481

