Wellesley College

Report on Federal Awards in Accordance with OMB Circular A-133
June 30, 2008
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PART I - FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PricewaterhouseCoopers LLP
125 High Street
Boston, MA 02110-1707
Telephone (617) 530 5000
Facsimile (617) 530 5001
www.pwc.com

Report of Independent Auditors

To the Board of Trustees of
Wellesley College

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Wellesley College (the "College") as of June 30, 2008 and 2007 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 financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the accompanying financial statements, the College changed the manner in which it reports the funded status of its defined benefit plan in 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2008 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

October 23, 2008

Wellesley College
Statements of Financial Position
June 30, 2008 and 2007
($000s)

	2008	2007
Assets		
Cash and cash equivalents	$ 18,538	$ 24,583
Cash and cash equivalents, restricted	39,985	17,783
Accounts receivable, net	747	1,549
Loans receivable, net	8,801	8,120
Contributions receivable, net	46,950	47,835
Grants receivable	1,176	1,310
Prepaid, inventory and other assets	2,807	2,509
Investments	1,629,447	1,672,473
Planned giving investments	76,530	83,558
Collateral received for securities lending	103,246	87,820
Land, buildings and equipment, net	285,785	278,582
Total assets	$ 2,214,012	$ 2,226,122
Liabilities		
Accounts payable and accrued expenses	$ 25,610	$ 30,083
Student deposits and deferred revenues	3,664	3,691
Advances under grants and contracts	2,166	2,313
Annuities and unitrusts payable	38,580	39,041
Asset retirement obligation	16,883	16,395
Liability under securities lending transactions	103,246	87,820
Bonds and notes payable	156,938	136,289
Government loan advances	4,569	4,569
Total liabilities	351,656	320,201
Net Assets		
Unrestricted	649,079	624,644
Temporarily restricted	812,235	886,231
Permanently restricted	401,042	395,046
Total net assets	1,862,356	1,905,921
Total liabilities and net assets	$ 2,214,012	$ 2,226,122

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

Wellesley College
Statement of Activities
For the year ended June 30, 2008
($000s)

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

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

Wellesley College
Statement of Activities
For the year ended June 30, 2007
($000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total
Operating Revenues				
Tuition and Fees	$ 79,298	$ -	$ -	$ 79,298
Less financial aid				
Donor sponsored	(26,384)	-	-	(26,384)
Institutionally sponsored	(7,260)	-	-	(7,260)
Net tuition and fees	45,654			45,654
Auxiliary operations	29,382	-	-	29,382
Government grants	4,278	-	-	4,278
Private gifts and grants	15,854	9,013	-	24,867
Investment return designated for operations	35,751	38,745	-	74,496
Other	6,070	-	-	6,070
Net assets released from restrictions	41,964	(41,964)	-	-
Total operating revenues	178,953	5,794		184,747
Operating Expenses				
Instruction and departmental research	77,610	-	-	77,610
Sponsored research and other programs	10,662	-	-	10,662
Library	10,158	-	-	10,158
Student services	14,034	-	-	14,034
General administration	12,196	-	-	12,196
General institutional	24,077	-	-	24,077
Auxiliary operations	36,950	-	-	36,950
Total operating expenses	185,687			185,687
Nonoperating Activities				
Investment return, net of spending allocation	78,157	159,912	307	238,376
Matured planned giving agreements	1,915	(1,986)	71	-
Gifts and pledges	2,284	20,684	10,443	33,411
Other	(3,600)	-	-	(3,600)
Net assets released from restrictions	891	(891)	-	-
Total nonoperating revenues	79,647	177,719	10,821	268,187
Change in net assets before cumulative effect of change in accounting principle	72,913	183,513	10,821	267,247
Cumulative effect of a change in accounting principle	(918)	-	-	(918)
Net change in net assets	71,995	183,513	10,821	266,329
Net assets at beginning of year	552,649	702,718	384,225	1,639,592
Net assets at end of year	$ 624,644	$ 886,231	$ 395,046	$ 1,905,921

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

Wellesley College
Statements of Cash Flows
For the years ended June 30, 2008 and 2007

($000s)

	2008	2007
Cash Flows from Operating Activities		
Change in net assets	$ (43,565)	$ 266,329
Adjustment to reconcile change in net assets		
to net cash used by operating activities:		
Depreciation and amortization, net	13,504	12,376
Contributions restricted for investments	(12,098)	(28,071)
Receipt of contributed securities	(5,898)	(6,063)
Realized and unrealized (gains) losses on investments	(7,141)	(308,788)
Change in discount and allowance for doubtful accounts	(1,311)	(457)
Debt extinguishment charge	1,540	-
Unrealized gain on interest swap	(37)	-
Cumulative effect of change in accounting principle	-	918
Changes in operating assets and liabilities:		
Accounts receivable, net	802	(938)
Contributions receivable, net	2,126	8,204
Grants receivable	134	(139)
Prepaid, inventory and other assets	(261)	563
Accounts payable and accrued expenses	(7,469)	10,555
Student deposits and deferred revenue	(27)	(267)
Advances under grants and contracts	(147)	222
Annuities and unitrusts payable	(461)	(870)
Net cash used in operating activities	(60,309)	(46,426)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(17,247)	(9,104)
Proceeds from student loans collections	1,168	1,051
Student loans issued	(1,779)	(1,646)
Increase in restricted cash for construction funds	(21,620)	-
Increase in restricted cash for plant and equipment	(582)	(898)
Purchases of investments	(811,163)	(765,554)
Proceeds from sales and maturities of investments	874,256	813,841
Net cash provided by investing activities	23,033	37,690
Cash Flows from Financing Activities		
Proceeds from contributions for:		
Investment in endowment	7,186	12,504
Investment in planned giving	670	861
Plant and equipment	4,242	14,706
Bond and notes payable proceeds received, net	55,303	-
Payments on bonds and notes payable	(36,170)	(12,470)
Net cash provided by financing activities	31,231	15,601
Net (decrease)/increase in cash and cash equivalents	(6,045)	6,865
Cash and cash equivalents, beginning of year	24,583	17,718
Cash and cash equivalents, end of year	$ 18,538	$ 24,583
Contributed securities	$ 5,898	$ 6,063
Cash paid for interest	$ 4,996	$ 5,508
Capital additions included in accounts payable and accrued expenses	$ 4,587	$ 1,103
Net change in securities lending	$ 15,426	$ 25,262

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

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

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

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

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

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

(b) Cash Equivalents

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing endowment assets and planned giving assets are included in endowment investments and planned giving investments, respectively. Restricted cash represents amounts for construction held by trustees in association with the Massachusetts Health and Education Facilities Authority (MHEFA) Series I bond issue and amounts restricted by a donor for the Science Center and Power Plant.

(c) Investments

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

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

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

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

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

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

(e) Inventories

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

(f) Accounts Receivable and Student Loans Receivable

Accounts receivable include amounts due from students, student organizations and other miscellaneous receivables. Loans to students are carried at net realizable value. Accounts receivable for 2008 and 2007, are reported net of allowances for doubtful accounts of $374,000. Loans receivable for 2008 and 2007, are reported net of allowances for doubtful loans of $694,000 and $624,000, respectively. The provisions are intended to provide for student accounts and loans that may not be collected.

(g) Grant Revenue

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

(h) Pledges

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

(i) Loans Receivable

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

(j) Land, Buildings, and Equipment

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

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

(k) Financial Aid

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

(l) Auxiliary Operations

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

(m) Internal Revenue Code Status

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

(n) Conditional Asset Retirement Obligations

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

(o) Interest Rate Swap

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

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

(p) Use of Estimates

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

(q) New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued SFAS No. 157, Fair Value Measurements, SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, and Staff Position 117-1, Endowments of Not-for-Profit Organizations. The standards and staff position are effective for the College's fiscal year ending June 30, 2009, except for certain provisions of the standards which were deferred for an additional year. The College is still evaluating the impact of SFAS No. 157. The College does not believe the adoption of SFAS No. 159 and Staff Position 117-1 will have a material impact on the financial statements.

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

(r) Cumulative Effect of Change in Accounting Principle

Effective June 30, 2007, the College adopted SFAS No. 158, *Employer's Accounting for Defined Benefit Pension and Other Post Retirement Plans*. The cumulative effect of this change is discussed in Note 9.

(s) Revised Presentation and Changes in Classifications

During fiscal year 2008, the College determined that based on certain securities lending activity, $87,820,000 should have been reflected gross as both collateral received for securities lending as an asset and as a liability under securities lending transactions within the Statement of Financial Position at June 30, 2007. Net assets as of June 30, 2007 and the Statement of Activities for fiscal year 2007 were not impacted as a result of this adjustment. The College has reflected this on their financial statements as of June 30, 2007 within the financial statements issued for June 30, 2008 for comparative purposes.

The classification of the receipt of contributed securities in the Statement of Cash Flows for the year ended June 30, 2007 has been changed to conform to the presentation for the year ended June 30, 2008.

2. Contributions Receivable

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

Unconditional Promises Expected to be Collected in:	2008	2007
Less than one year	$ 6,298	$ 7,880
One year to five years	48,477	13,709
Over five years	1,220	36,586
Total	55,995	58,175
Less discounts and allowance for uncollectible accounts	9,045	10,340
Net contributions receivable	$ 46,950	$ 47,835

Discount rates used to calculate the present value of contributions receivable ranged from 3.00% to 5.10% at June 30, 2008 and 2007.

3. Land, Buildings and Equipment

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

	2008	2007
Land and land improvements	$ 46,015	$ 45,500
Buildings and building improvements	376,245	353,292
Equipment	12,696	14,806
Construction in progress	1,707	5,444
	436,663	419,042
Less: accumulated depreciation	150,878	140,460
	$ 285,785	$ 278,582

Depreciation expense was $13,527,000 and $12,418,000 for the years ended June 30, 2008 and 2007, respectively.

The College recognized $620,000 and $603,000 of operating expenses relating to the accretion of liabilities recorded under FIN No. 47 for the years ended June 30, 2008 and 2007, respectively. Conditional asset retirement obligations of $16,883,000 and $16,395,000 at June 30, 2008 and 2007, respectively, are included in the College's asset retirement obligation. Substantially all of the impact of adopting FIN No. 47 relates to estimated costs to remove asbestos that is contained within the College's facilities.

4. Investments

The book and market values of investments at June 30, 2008 and 2007 were as follows ($000s):

	2008 Book Value	2008 Market Value	2007 Book Value	2007 Market Value
Endowment Investments				
Investments pooled				
Cash and cash equivalents	$ 60,329	$ 60,329	$ 63,547	$ 63,547
Bonds	212,188	260,992	206,562	209,240
Equities	357,880	482,451	395,495	632,417
Other assets	644,559	807,546	572,170	751,361
Total pooled investments	1,274,956	1,611,318	1,237,774	1,656,565
Faculty mortgages	17,913	17,913	15,670	15,670
Total pooled investments and faculty mortgages	1,292,869	1,629,231	1,253,444	1,672,235
Investments not pooled				
Cash and cash equivalents	216	216	238	238
Total investments not pooled	216	216	238	238
Total endowment investments	$1,293,085	$1,629,447	$1,253,682	$1,672,473
Planned Giving Investments				
Separate pooled funds				
Cash and cash equivalents	$ 266	$ 266	$ 236	$ 236
Bonds	5,750	5,730	6,549	6,287
Equities	7,632	11,498	6,866	13,250
Total pooled funds	13,648	17,494	13,651	19,773
Unitrusts				
Cash and cash equivalents	1,065	1,065	1,288	1,288
Bonds	19,329	18,667	23,428	23,203
Equities	26,439	30,706	19,443	30,728
Other assets	889	889	889	889
Assets held by Trustees	7,248	7,709	7,248	7,677
Total funds not pooled	54,970	59,036	52,296	63,785
Total Planned Giving Investments	$ 68,618	$ 76,530	$ 65,947	$ 83,558

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

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

Included in bonds and equities are alternative investment vehicles including hedge funds with a market value of $261,349,000 and $237,381,000 and commingled funds with a market value of $270,519,000 and $358,954,000 at June 30, 2008 and 2007, respectively, whose holdings are bonds and equities.

The College's investment return from endowment and planned giving was as follows for the years ended June 30, 2008 and 2007 ($000s):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2008				
Dividends and interest (net of expenses of $7,216)	$ 2,338	$ 2,857	$ 505	$ 5,700
Net realized and unrealized gains/losses	33,482	(26,341)	-	7,141
Total return on endowment and planned giving investments	35,820	(23,484)	505	12,841
Investment return designated for current operations	(36,585)	(39,999)	-	(76,584)
	$ (765)	$ (63,483)	$ 505	$ (63,743)
2007				
Dividends and interest (net of expenses of $8,639)	$ 1,372	$ 2,405	$ 307	$ 4,084
Net realized and unrealized gains/losses	112,536	196,252	-	308,788
Total return on endowment and planned giving investments	113,908	198,657	307	312,872
Investment return designated for current operations	(35,751)	(38,745)	-	(74,496)
	$ 78,157	$ 159,912	$ 307	$ 238,376

The total return consisting of realized and unrealized gains and losses and dividends and interest net of investment management and custodial fees was 1.22% and 22.70% for the fiscal years ended June 30, 2008 and 2007, respectively.

At June 30, 2008 and 2007 investment securities having a fair value of $100,808,000 and $86,046,000, respectively, were loaned to various brokerage firms through a securities lending agent. The loaned securities are returnable on demand and are collateralized by cash deposits. The College has recorded the fair value of the collateral received of $103,246,000 and $87,820,000 and an offsetting liability for the return of the collateral on the Statement of Financial Position at June 30, 2008 and 2007, 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:

	2008	2007
Investments in pooled funds and faculty mortgages, market value ($000s)	$1,629,231	$1,672,235
Total number of units	2,436,021	2,417,538
Market value per unit	$668.81	$691.71
Distribution per unit	$31.55	$30.74

The following are the components of the pooled and nonpooled endowment funds at market value at June 30, 2008 and 2007 ($000s):

	Units	Pooled Endowment	Nonpooled Endowment	Total Endowment
2008 Funds:				
Endowment and similar funds:				
Endowment funds	1,543,330	$ 1,032,192	$ -	$ 1,032,192
Term funds	81,843	54,737	216	54,953
Quasi-endowment	810,848	542,302	-	542,302
Total	2,436,021	$ 1,629,231	$ 216	$ 1,629,447
2007 Funds:				
Endowment and similar funds:				
Endowment funds	1,535,268	$ 1,061,960	$ -	$ 1,061,960
Term funds	79,498	54,990	238	55,228
Quasi-endowment	802,772	555,285	-	555,285
Total	2,417,538	$ 1,672,235	$ 238	$ 1,672,473

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 $14,893,000 and $15,018,000 at June 30, 2008 and 2007, respectively.

Mortgages due from faculty of $17,913,000 and $15,670,000 at June 30, 2008 and 2007, respectively, are included within investments on the Statement of Financial Position.

7. Notes and Bonds Payable

Indebtedness at June 30, 2008 and 2007 includes various bonds issued through the Massachusetts Health and Education Facilities Authority (MHEFA). Interest payments on debt totaled $4,844,000 and $5,588,000 during fiscal years 2008 and 2007, respectively.

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

The Series I bonds, which mature in 2039, currently bear variable interest rates payable monthly. Interest on the bonds is calculated on the basis of twelve thirty-day months for a 360-day year. Pending the redemption of the Series F bonds, proceeds of the Series I bonds were deposited into a refunding account established under the indenture and held by the Trustee and were invested in authorized investments as directed by the College. At June 30, 2008, the trust fund of $31,850,000 is available to service principal and interest obligations, which will be fully repaid in fiscal year 2009. Since the refunded bonds are no longer deemed to be outstanding for financial reporting purposes, neither the debt nor the irrevocable trust assets are included in the Statement of Financial Position.

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

Balances of outstanding bonds and notes payable at June 30 consisted of the following ($000s):	2008	2007
MHEFA, Series I, Variable Rate Revenue Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2008 was 1.30%.	$ 57,385	$ -
MHEFA, Series H, Revenue Bonds issued at an interest rate of 2.0% - 5.0% maturing July 2033.	$ 54,120	$ 54,705
MHEFA, Series F, Revenue Bonds issued at an interest rate of 5.125% maturing July 2039.	-	30,000
MHEFA, Series G, Variable Rate Revenue Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2008 was 1.55%.	20,000	20,000
MHEFA Capital Asset Program, Series B & C, Variable Rate Demand Bonds, monthly amortization of principal with final payment due June 2010. Interest rate reset semi-annually. The rate at June 30, 2008 was 4.75%.	1,458	2,144
MHEFA, Series E, Variable Rate Demand Bonds, scheduled amortization of principal with final maturity July 2022. Interest adjusted weekly. The rate at June 30, 2008 was 1.40%.	13,300	13,900
Notes Payable Promissory Note, principal maturing July 2008. The rate at June 30, 2008 was 2.58%.	10,512	14,810
Total debt	156,775	135,559
Less unamortized bond issue costs	(920)	(420)
Add unamortized original issue premium	1,083	1,150
	$ 156,938	$ 136,289

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

2009	12,668
2010	2,172
2011	1,480
2012	1,705
2013	1,725
Thereafter	137,025
Total bonds and notes payable	$ 156,775

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

The College has outstanding at June 30, 2008 fixed rate debt of $54,120,000 and variable rate debt of $102,655,000. Included in variable rate debt is $57,385,000 of synthetic fixed debt which is debt that has an underlying variable rate but has an interest rate swap agreement that effectively locks in a fixed rate. The fair market value of the College's fixed rate debt at June 30, 2008 approximates $60,893,000. The College's variable rate debt approximates fair value. Fair value for fixed and variable rate debt is based on estimates using current interest rates available for debt with equivalent maturities.

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. All split-interest agreements are included in planned giving investments. Contributions are recognized at the date the trusts are established net of a liability for the present value of the estimated future cash outflows to beneficiaries. The present value of payments is discounted at a risk-free rate of return that ranges from 4% to 6%. The liability of $38,580,000 and $39,041,000 at June 30, 2008 and 2007, 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. 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 $7,546,000 and $6,232,000 respectively, for the years ended June 30, 2008 and 2007.

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

The measurement date of determining the benefit obligations and net periodic benefit (income) cost was June 30, 2008 and 2007.

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

	2008	2007
Assumptions used to determine benefit obligations:		
Discount rate	6.875%	6.250%
Rate of compensation increase	4.000%	4.000%
Assumptions used to determine net periodic benefit (income) cost:		
Discount rate	6.875%	6.250%
Expected return on plan assets	7.800%	7.800%
Rate of compensation increase	4.000%	4.000%
Change in projected benefit obligation ($000s)		
Benefit obligation at end of prior year	$ 34,346	$ 30,856
Service cost	1,230	1,154
Interest cost	2,076	1,911
Actuarial loss/(gain)	(3,639)	1,697
Benefits paid	(1,189)	(1,265)
Administrative expenses paid	(3)	(7)
Benefit obligation at end of year	$ 32,821	$ 34,346
Accumulated benefit obligation	$ 26,338	$ 26,799
Change in plan assets ($000s)		
Fair value of plan assets at end of prior year	$ 31,989	$ 26,890
Actual return on plan assets	(1,311)	4,711
Employer contributions	1,279	1,660
Benefits paid	(1,189)	(1,265)
Administrative expenses paid	(3)	(7)
Fair value of plan assets at end of year	$ 30,765	$ 31,989

In September 2006, the FASB issued SFAS No. 158 *Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans*. SFAS 158 focuses primarily on the Statement of Financial Position reporting for the funded status of benefit plans and requires recognition of benefit liabilities for under-funded plans and benefit assets for over-funded plans, with offsetting impacts to unrestricted net assets. The impact of adoption resulted in a net decrease of $918,000 in unrestricted net assets, which has been recorded as a cumulative effect of a change in accounting principle. The net decrease is comprised of the net prior service cost of $621,000 and actuarial loss of $297,000.

	2008	2007
Funded status ($000s)		
Funded status	$ (2,056)	$ (2,357)
Unrecognized prior service cost	-	-
Unrecognized net actuarial loss	-	-
Accrued benefit liability	$ (2,056)	$ (2,357)
Components of net periodic benefit cost ($000s)		
Service cost	$ 1,230	$ 1,154
Interest cost	2,076	1,911
Expected return on plan assets	(2,488)	(2,089)
Amortization of prior service cost	75	98
Net periodic benefit cost	$ 893	$ 1,074

	2008	2007
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
SFAS 158 change in accounting principle	$ -	$ (918)
New net actuarial loss	160	-
Amortization of prior service cost	(75)	-
Total	$ 85	$ (918)
Amounts recognized in unrestricted net assets		
Net prior service cost	$ 546	$ 621
Net actuarial loss	$ 457	$ 297

The incremental effect of applying SFAS 158 on individual line items in the statement of financial position as of June 30, 2007 is as follows:

	Before Application of SFAS 158	Defined Benefit Plan Adjustments	After Application of SFAS 158
Accounts payable and accrued expenses	$ 29,165	$ 918	$ 30,083
Total liabilities	319,283	918	320,201
Unrestricted net assets	625,562	(918)	624,644
Total net assets	1,906,839	(918)	1,905,921

The amount expected to be recognized as amortization of prior net service cost and a component of net periodic cost in the upcoming year is $75,000.

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

2009	$ 1,170
2010	1,237
2011	1,242
2012	1,378
2013	1,572
2014-2018	11,188

The College expects to make employer contributions into the plan of $458,000 in the 2009 fiscal year.

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

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

Asset Category	Target Allocation
Equity Securities	60%
Real Estate Investment Trust	5%
Commodities	5%
Fixed Income	27%
Cash and Equivalents	3%
Total	100%

The following lists the Plan's asset allocation at June 30, 2008 and 2007:

Asset Category	2008	2007
Equity Securities	58%	59%
Real Estate Investment Trust	3%	3%
Commodities	5%	5%
Fixed Income	28%	30%
Cash and Equivalents	6%	3%
Total	100%	100%

10. Net Assets

Net assets consist of the following at June 30, 2008 and 2007:

($000s)	2008	2007
Unrestricted:		
Designated for specific purposes and plant	$ 116,431	$ 108,468
Quasi-endowment	532,700	516,176
Deficiencies in donor-restricted endowments	(52)	-
	649,079	624,644
Temporarily restricted:		
Endowment and similar funds including pledges	716,105	769,714
Annuity, life income and unitrusts including pledges	37,908	44,463
Deficiencies in donor-restricted endowments	52	-
Other restricted	58,170	72,054
	812,235	886,231
Permanently restricted:		
Endowment including pledges	401,042	395,046
	401,042	395,046
	$ 1,862,356	$ 1,905,921

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 completed the process of remediating and restoring approximately 30 acres of land referred to as the Upland site. The College began in April 2001 excavating and consolidating contaminated soils from the upland, wetland, and pond ("Upland/Wetland/Pond") portions of the site. The soils have been treated and consolidated on site under a permanent engineered barrier. The capped area has been developed into three playing fields, an eight lane all weather track, and a softball field and was completed in October 2002. The cost of this project was $32.8 million; $10 million has been funded from a HEFA bond issuance and the remainder from unrestricted endowment. Costs associated with the campus improvement project are capitalized as land improvements. Costs incurred to remediate this property are charged to expense when they can be estimated. Ongoing expenses associated with the monitoring and maintenance of the engineered barrier are charged to operations. Total expenses for this project were $254,000 and $463,000, respectively for the years ended June 30, 2008 and 2007. The College has purchased an insurance policy to cover cost overruns associated with the Upland/Wetland/Pond project as well as the assessment, monitoring, and, if necessary, remediation of contaminated groundwater located under the Uplands/Wetlands/Pond area. In September 2004, the College submitted a report to DEP recommending that no remedial action be taken in respect of the groundwater portion of the site beyond periodic monitoring of hexavalent chromium concentrations. DEP has not yet responded to this report.

In 2001, the Commonwealth of Massachusetts and the College entered an agreement pursuant to which the Commonwealth agreed to share in the cost of dredging the Northern Shoreline and Western Cove portion of Lake Waban, with the Commonwealth's share capped at $1.4 million. The dredging project was completed in 2002 at a total cost of approximately $1.2 million. Additional reimbursable costs of approximately $100,000 were incurred after the completion of dredging. In three payments made in 2005 and 2006, the Commonwealth reimbursed the College a total of approximately $1.06 million, fully satisfying the Commonwealth's reimbursement obligations under the 2001 cost-sharing agreement. In a report filed with DEP in May 2005, the College recommended that no remedial action be taken in portions of Lake Waban beyond the Northern Shoreline and Western Cove, apart from periodic monitoring of water quality and fish-growth patterns. DEP responded favorably to this report in a letter dated October 2006. The College anticipates that the periodic monitoring program will be initiated in 2009. The cost of this program should be insignificant. After completing preliminary discussions with the DEP about the risk-based goals for the remediation of Lower Waban Brook, the College currently is in the early stages of designing and permitting that project. The Lower Waban Brook remedial project is anticipated to be undertaken in 2009 and is estimated to cost $3,600,000. For the year ended of June 30, 2008, total expenses to the Lower Waban Brook remedial project were $347,000. A liability of $3,253,000 and $3,600,000 has been recorded as of June 30, 2008 and 2007, respectively and is included in the Statements of Financial Position within accounts payable and accrued expenses.

Outstanding commitments amounted to approximately $329,528,000 and $366,620,000 as of June 30, 2008 and 2007, respectively for the following:

	2008	2007
Alternative investments	$321,500,000	$355,400,000
Construction contracts	8,028,000	11,220,000
	$329,528,000	$366,620,000

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

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

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

Wellesley College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/Program Title	Federal Catalog Number	Pass-Through Entity Identifying Number	2008 Expenditures
Research and Development Cluster			
Direct Awards			
National Aeronautics and Space Administration (NASA)			
NASA-Miscellaneous	43.unknown		$ 117,963
Total National Aeronautics and Space Administration			117,963
National Endowment for the Humanities			
Promotion of the Humanities - Research	45.161		44,777
Total National Endowment for the Humanities			44,777
National Science Foundation			
Mathematical and Physical Sciences	47.049		383,548
Biological Sciences	47.074		344,440
Social, Behavioral, and Economic Sciences	47.075		64,989
Education and Human Resources	47.076		204,630
Total National Science Foundation			997,607
Department of Education			
International: Overseas Faculty Research Abroad	84.019		53,680
Total Department of Education			53,680
Department of Health and Human Services			
Mental Health Research Grants	93.242		254,619
Occupational Safety and Health Research Grants	93.262		59,932
Child Care and Development Block Grant	93.575		194,996
Diabetes Endocrinology and Metabolism Research	93.847		76,597
Pharmacology Physiology and Biological Chemistry	93.859		55,729
Research for Mothers and Children	93.865		487,371
Medical Library Assistance	93.879		143,385
Total Department of Health and Human Services			1,272,629
Research and Development Direct Programs Subtotal			2,486,656
Pass-Through Awards			
National Aeronautics and Space Administration			
Pass-Through Jet Propulsion Laboratory	43.unknown	1280033	188,151
Pass-Through Jet Propulsion Laboratory	43.unknown	1337028	3,654
Pass-Through Southwest Research Institute	43.unknown	599787Q	9,116
Total NASA Pass-Through			200,921
National Science Foundation (NSF)			
Pass-Through Cornell University	47.074	46222-7764	27,513
Pass-Through Education Development Ctr., Inc.	47.076	5214	18,932
Total NSF Pass-Through			46,445
Department of Health and Human Services (DHHS)			
Pass-Through Harvard University School of Public Health	93.113	111945	30,867
Pass-Through University of Illinois at Urbana-Champaign	93.136	2007-04267-01	46,960
Pass-Through The McLean Hospital	93.242	No Sub #/2 R01 MH51290-09A2	94,332
Pass-Through Dartmouth College	93.243	Letter dated 12/6/2007	2,965
Total DHHS Pass-Through			175,124
Department of Education			
Pass-Through University of Massachusetts-Boston	84.349	S0000604200000	154,977
Total Department of Education			154,977

The accompanying notes are an integral part of the schedule.

Wellesley College
Schedule of Expenditures of Federal Awards, Continued
Year Ended June 30, 2008

Federal Grantor/Program Title	Federal Catalog Number	Pass-Through Entity Identifying Number	2008 Expenditures
National Institute of Justice			
Pass-Through Caliber Associates, Inc.	16.560	Letter dated 9/28/05	$ 15,529
Total National Institute of Justice Pass-Through			15,529
Total Research and Development Pass-Through Awards			592,996
Total Research and Development Cluster			3,079,652
Student Financial Aid			
Department of Education			
Federal Supplemental Educational Opportunity Grants Program	84.007		338,989
Federal Work Study Program	84.033		333,232
Federal Pell Grant Program	84.063		1,056,919
Academic Competitiveness Grants	84.375		79,725
National Science and Mathematic Access to Retain Talent Grants	84.376		66,000
Total Student Financial Aid			1,874,865
Other Programs			
Institute of Museum and Library Services	45.301		20,125
Institute of Museum and Library Services-Conservation Project Support	45.303		1,514
National Institute of Standards and Technology	11.609		7,315
Total Other Programs			28,954
Total Expenditures of Federal Awards			$ 4,983,471

The accompanying notes are an integral part of the schedule.

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of Wellesley College (the "College") under programs of the federal government for the year ended June 30, 2008 recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the activities of the College, it is not intended to and does not present the financial position, changes in net assets and cash flows of the College.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the College and agencies and departments of the federal government and all subawards to the College by nonfederal organizations pursuant to federal grants, contracts and similar agreements. CFDA numbers and pass through numbers are provided when available.

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

2. Facility and Administrative Costs

Facility and administrative costs allocated to certain awards for the year ended June 30, 2008 were based on predetermined rates negotiated with the College's federal oversight agency, the Department of Health and Human Services. The College negotiated three-year predetermined indirect cost rates of 77% for on-campus and 15% for off-campus activity based on salaries and wages. These rates are effective from July 1, 2007 through June 30, 2010.

3. Subrecipients

The College passed through federal awards to subgrantee organizations in the Research and Development cluster totaling $217,065.

4. Federal Student Loan Programs

Loans made by the College to eligible students under the Perkins loan program and federally guaranteed loans under the Federal Family Education Loan Program (FFEL) issued to students of the College by financial institutions during the year ended June 30, 2008 are summarized as follows:

	CFDA Number	Amount
Perkins loans issued	84.038	$ 954,134
Total Perkins loans issued		954,134
FFEL - guaranteed loan programs		
Stafford loans	84.032	2,029,141
Parent Loans for Undergraduate Students	84.032	2,662,340
Total FFEL - guaranteed loans issued		4,691,481
Total federal loans issued		$ 5,645,615

The Perkins Loan Program is administered directly by the College, except for functions performed by University Accounting Services, Inc. (UAS). Balances and transactions relating to these programs are included in the College's financial statements. The total outstanding loan balance under the Perkins program was $5,637,777 at June 30, 2008.

PART II - REPORTS ON INTERNAL CONTROL AND COMPLIANCE

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
125 High Street
Boston, MA 02110-1707
Telephone (617) 530 5000
Facsimile (617) 530 5001
www.pwc.com

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

To the Board of Trustees of
Wellesley College

We have audited the financial statements of Wellesley College (the "College") as of and for the year ended June 30, 2008, and have issued our report thereon dated October 23, 2008, which includes an additional paragraph regarding the reporting of its defined benefit plan in 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting
In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated October 23, 2008.

This report is intended solely for the information and use of the College's Board of Trustees, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

October 23, 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
125 High Street
Boston, MA 02110-1707
Telephone (617) 530 5000
Facsimile (617) 530 5001
www.pwc.com

Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees of
Wellesley College

Compliance

We have audited the compliance of Wellesley College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008, except as described in the second paragraph of this report. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We did not audit the College's compliance with the billing, collections and due diligence compliance requirements specified by the Federal Perkins Loan Program, and described in the *OMB Circular A-133 Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the College's compliance with those requirements, is based solely on the report of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, based on our audit and the report of other auditors, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 08-1.

Internal Control over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, except as noted in the following paragraph, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

We did not consider internal control over compliance with the billing, collections and due diligence compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 *Compliance Supplement*. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to the College's internal control over those compliance requirements, is based solely upon the report of the other auditors.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration and the other auditors' consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. Also, the report of the other auditors did not identify any deficiencies in internal control over compliance that they consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the College's Board of Trustees, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

March 4, 2009

PART III – SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Wellesley College
Schedule of Findings and Questioned Costs
June 30, 2008

I. Summary of Auditor's Results

Financial statements

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

Federal awards

Internal control over major programs	
Material weakness(es) identified	___ Yes √ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes √ None Reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	√ Yes ___ No

Identification of major programs

CFDA Number	**Name of Federal Program or Cluster**
Various	Student Financial Aid Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs	$300,000
Auditee qualifies as a low-risk auditee?	Yes

II. Financial Statement Findings

No matters are reported.

III. III. Federal Award Findings and Questioned Costs

08-1 Student Status Changes
Grantor: Department of Education
Award Year: July 1, 2007 - June 30, 2008
CFDA #84.032
CFDA Title: Federal Family Education Loans

Condition
In a sample of five students, out of a total population of 37 students, tested for compliance in fiscal year 2008, there were two students for which the College did not comply with the student status changes reporting requirement. For the two students, the change of status was submitted to the National Student Loan Data System ("NDLS") 103 and 23 days, respectively, after the deadline.

Criteria
The Code of Federal Regulations ("CFR") section 682.610 (c) states that "unless the College expects to complete its next Student Status Change Report (SSCR) within 60 days, the College must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis."

Cause
The College does not have a policy in place for manually reporting student status changes to NDLS which occur after the last scheduled Spring/Fall submission of the SSCR. Therefore, changes to student status are not necessarily reported in a timely manner.

Effect
The federal agency is not made aware of changes in student eligibility in a timely manner.

Questioned Cost
None.

Recommendation
Management should implement procedures to ensure that all changes in student status are tracked and communicated on a timely basis including those student status changes that occur after the last scheduled student status confirmation report for each semester is sent.

Management's Views and Corrective Action Plan
Following this finding is management's views and corrective action plan.

Wellesley College
Summary Schedule of Prior Year Findings
June 30, 2008

There were no prior year audit findings.

Student Financial Services

Wellesley College

106 Central Street, Wellesley, Massachusetts 02481-8203
Financial Aid and Student Employment (781) 283-2360 FAX (781) 283-3946
Student Accounts and Educational Financing (781) 283-2456 FAX (781) 283-3636

Management's Views and Corrective Action Plan
For the Fiscal Year Ended 6/30/08

08-1

The Registrar will continue to report enrollment status to the National Student Loan Clearinghouse three times each semester.

The Registrar will create individual notifications as necessary in order to comply with the timing mandated by the federal government.

Kathryn Osmond, Executive Director of Student Financial Services, is responsible for implementing the corrective action plan.

Kathryn Osmond 2-11-09

Kathryn Osmond — Date
Executive Director for Student Financial Services