Wellesley College

Report on Federal Awards in Accordance With OMB Circular A-133

June 30, 2012

EIN # 042103637

Wellesley College
Report on Federal Awards in Accordance with OMB Circular A-133
Index
June 30, 2012

Page(s)

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

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") at June 30, 2012 and 2011 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 audit. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012, 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, 2012. 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 financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards 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 financial statements. The information is the responsibility of management and was derived from the relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

October 24, 2012

PricewaterhouseCoopers LLP, 125 High Street, Boston, MA 02110
T: (617) 530 5000, F: (617) 530 5001, www.pwc.com/us

Wellesley College
Statements of Financial Position
June 30, 2012 and 2011
($000s)

	2012	2011
Assets		
Cash and cash equivalents	$ 40,541	$ 38,663
Cash and cash equivalents, restricted	57,591	4,231
Accounts receivable, net	876	774
Loans receivable, net	8,615	8,749
Contributions receivable, net	48,484	47,780
Grants receivable	1,827	1,220
Prepaid, inventory and other assets	3,169	4,368
Operating investments	45,566	-
Investments	1,468,582	1,523,683
Planned giving investments	70,342	72,850
Collateral received for securities lending	963	1,217
Land, buildings and equipment, net	299,704	307,560
Total assets	$2,046,260	$2,011,095
Liabilities		
Accounts payable and accrued expenses	$ 41,882	$ 31,334
Student deposits and deferred revenues	3,761	4,474
Advances under grants and contracts	5,233	3,666
Annuities and unitrusts payable	36,134	38,677
Asset retirement obligations	19,781	18,951
Accrued pension liability	25,472	11,610
Liability under securities lending transactions	963	1,217
Bonds and notes payable	249,020	147,721
Government loan advances	4,569	4,569
Total liabilities	386,815	262,219
Net Assets		
Unrestricted	547,240	604,702
Temporarily restricted	668,932	710,207
Permanently restricted	443,273	433,967
Total net assets	1,659,445	1,748,876
Total liabilities and net assets	$2,046,260	$2,011,095

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

Wellesley College
Statement of Activities
For the year ended June 30, 2012
($000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Operating Revenues				
Tuition and fees	$ 96,702	$ -	$ -	$ 96,702
Less financial aid				
Donor sponsored	(25,693)	-	-	(25,693)
Institutionally sponsored	(22,196)	-	-	(22,196)
Net tuition and fees	48,813	-	-	48,813
Auxiliary operations	33,876	-	-	33,876
Government grants	4,148	-	-	4,148
Private gifts and grants	17,289	4,848	-	22,137
Investment return designated for operations	38,003	40,389	-	78,392
Other	4,336	-	-	4,336
Net assets released from restrictions	40,426	(40,426)	-	-
Total operating revenues	186,891	4,811	-	191,702
Operating Expenses				
Instruction and departmental research	85,225	-	-	85,225
Sponsored research and other programs	10,493	-	-	10,493
Library	9,479	-	-	9,479
Student services	14,876	-	-	14,876
General administration	11,419	-	-	11,419
General institutional	28,175	-	-	28,175
Auxiliary operations	37,767	-	-	37,767
Total operating expenses	197,434	-	-	197,434
Nonoperating Activities				
Investment return, net of spending allocation	(25,182)	(46,745)	130	(71,797)
Matured planned giving agreements	2,520	(6,510)	3,990	-
Gifts and pledges	1,613	10,677	5,186	17,476
Pension related changes other than net periodic pension cost	(13,863)	-	-	(13,863)
Net realized/unrealized loss on interest swap	(13,085)	-	-	(13,085)
Loss on early extinguishment of debt	(2,430)	-	-	(2,430)
Net assets released from restrictions	3,508	(3,508)	-	-
Total nonoperating revenues	(46,919)	(46,086)	9,306	(83,699)
Net change in net assets	(57,462)	(41,275)	9,306	(89,431)
Net assets at beginning of year	604,702	710,207	433,967	1,748,876
Net assets at end of year	$ 547,240	$ 668,932	$ 443,273	$ 1,659,445

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

Wellesley College
Statement of Activities
For the year ended June 30, 2011
($000s)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
Operating Revenues				
Tuition and fees	$ 96,402	$ -	$ -	$ 96,402
Less financial aid				
Donor sponsored	(25,972)	-	-	(25,972)
Institutionally sponsored	(21,878)	-	-	(21,878)
Net tuition and fees	48,552	-	-	48,552
Auxiliary operations	32,998	-	-	32,998
Government grants	3,635	-	-	3,635
Private gifts and grants	15,667	3,071	-	18,738
Investment return designated for operations	38,312	40,795	-	79,107
Other	3,118	-	-	3,118
Net assets released from restrictions	44,677	(44,677)	-	-
Total operating revenues	186,959	(811)	-	186,148
Operating Expenses				
Instruction and departmental research	80,896	-	-	80,896
Sponsored research and other programs	9,570	-	-	9,570
Library	9,041	-	-	9,041
Student services	14,321	-	-	14,321
General administration	13,074	-	-	13,074
General institutional	26,649	-	-	26,649
Auxiliary operations	35,455	-	-	35,455
Total operating expenses	189,006	-	-	189,006
Nonoperating Activities				
Investment return, net of spending allocation	60,611	126,676	225	187,512
Matured planned giving agreements	1,758	(2,833)	1,075	-
Gifts and pledges	223	5,658	15,890	21,771
Pension related changes other than net periodic pension cost	7,758	-	-	7,758
Net realized/unrealized gain on interest swap	122	-	-	122
Net assets released from restrictions	19,084	(19,084)	-	-
Total nonoperating revenues	89,556	110,417	17,190	217,163
Net change in net assets	87,509	109,606	17,190	214,305
Net assets at beginning of year	517,193	600,601	416,777	1,534,571
Net assets at end of year	$ 604,702	$ 710,207	$ 433,967	$ 1,748,876

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

Wellesley College
Statements of Cash Flows
For the years ended June 30, 2012 and 2011
($000s)

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	$ (89,431)	$ 214,305
Adjustment to reconcile change in net assets		
to net cash used by operating activities:		
Depreciation and amortization	15,891	15,395
Contributions restricted for investments	(17,543)	(14,368)
Receipt of contributed securities	(1,636)	(2,379)
Realized and unrealized losses (gains) on investments	8,711	(268,936)
Change in discount and allowance for doubtful accounts	1,131	(650)
Unrealized loss (gain) on interest swap	11,320	(1,883)
Debt extinguishment charge	(533)	-
Bond premium	5,697	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(141)	861
Contributions receivable, net	(1,734)	(1,572)
Grants receivable	(607)	118
Prepaid, inventory and other assets	1,199	(1,660)
Accounts payable and accrued expenses	(796)	(18,201)
Student deposits and deferred revenue	(713)	955
Advances under grants and contracts	1,567	1,874
Annuities and unitrusts payable	(2,543)	1,092
Accrued pension liability	13,863	7,758
Net cash used in operating activities	(56,298)	(67,291)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(7,249)	(21,932)
Proceeds from student loans collections	704	829
Student loans issued	(632)	(469)
(Increase)/decrease in restricted cash for construction funds	(53,356)	11,200
(Increase)/decrease in restricted cash for plant and equipment	(4)	4,380
Purchases of investments	(347,993)	(547,812)
Proceeds from sales and maturities of investments	352,961	617,754
Net cash (used in)/provided by investing activities	(55,569)	63,950
Cash Flows from Financing Activities		
Proceeds from contributions for:		
Investment in endowment	8,863	12,679
Investment in planned giving	5,689	450
Plant and equipment	2,991	1,239
Proceeds from bonds	149,010	-
Payments on bonds and notes payable	(52,808)	(1,789)
Net cash provided by financing activities	113,745	12,579
Net increase in cash and cash equivalents	1,878	9,238
Cash and cash equivalents, beginning of year	38,663	29,425
Cash and cash equivalents, end of year	$ 40,541	$ 38,663

	2012	2011
Contributed securities	$ 1,636	$ 2,379
Cash paid for interest	$ 5,339	$ 4,517
Capital additions included in accounts payable and accrued expenses	$ 845	$ 97
Net change in securities lending	$ (254)	$ (2,526)

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 and losses on unrestricted endowment. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Unrestricted net assets generally result from revenues derived from providing services, receiving unrestricted contributions, unrealized and realized gains and losses on unrestricted endowment, and receiving dividends and interest from investing in income producing assets, less expenses incurred in providing services, raising contributions, and performing administrative functions.

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

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

(b) Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents representing endowment assets and planned giving assets are included in investments and planned giving investments, respectively. Restricted cash represents amounts for construction held by trustees in association with the Massachusetts Development Finance Agency Series J bond issue 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 limited partnership valuations consider variables such as the financial performance of the investments, recent sales prices of similar investments and other pertinent information. The estimated values as determined by the general partners and investment managers may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be materially higher or lower.

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

The College's split-interest agreements with donors consist of irrevocable charitable gift annuities, pooled life income funds, charitable remainder unitrusts and annuities and perpetual trusts. Unitrusts, in which the College has a remainder interest, but that are held in trust and administered by outside agents, have been recorded as gifts that are temporarily restricted. Unitrusts, in which the College has a remainder interest, and which are managed by the College, periodically pay income earned on the assets to designated beneficiaries. The College adjusts unitrusts for both the estimated return on the invested assets and the contractual payment obligations during the expected term of the agreement. For planned giving contracts, the contributed assets are included at fair value within planned giving investments 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, as updated in 2009. Future utilization of gains is dependent on market performance.

Deficiencies of $1,535,000 and $472,000 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 for the years ended June 30, 2012 and 2011, respectively. As the market value of the portfolio increases, the deficiency will decrease.

(d) Endowment Investment Return Spending Policy

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

In October 2010, the Board of Trustees approved a revised Endowment Spending Policy effective for the year ended June 30, 2012. Wellesley’s revised Endowment Spending Policy is based on a combination of the prior year’s spending and prior year’s endowment value with a weighting of 80% and 20%, respectively. The amount of allowable spending will be capped at 5.5% or no less than 4.0% of the average of the last three endowment values adjusted for inflation, with a target of approximately 4.5% of the prior year endowment market value. 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 2012 and 2011, are reported net of allowances for doubtful accounts of $272,000 and $311,000, respectively. Loans receivable for 2012 and 2011, are reported net of allowances for doubtful loans of $694,000 and $756,000, respectively. The provisions are intended to provide for student accounts and loans that may not be collected.

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

(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) 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	20-40
Buildings and building improvements	20-40
Equipment	4-12

(j) Financial Aid

The Statement of Activities reflects financial aid as an offset to tuition and fee 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.

(k) Auxiliary Operations

Auxiliary operations include 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.

(l) 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.

(m) 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. When the liability is initially recorded, the cost of the conditional 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.

(n) Interest Rate Swap

The College has entered into an interest rate swap agreement on the Massachusetts Development Finance Agency, Variable Rate Revenue Bonds, Series I in order to convert the variable rate debt to fixed rate, thereby 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.

(o) 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.

(p) New Accounting Pronouncements

On July 1, 2010, the College adopted new guidance enhancing the *Fair Value Measurement* standard. This standard requires further disclosure of significant transfers in and out of Level 1 and Level 2 fair value measurements, including the reasons for the transfers, and requires discussions of their fair value measurement disclosures on a disaggregated basis. On July 1, 2011, the College adopted the remaining enhancement of this standard. This standard required disclosure on the activity in the Level 3 rollforward to be reported gross, rather than net, basis.

On July 1, 2010, the College adopted the accounting standard, *Credit Quality*. This standard requires the disclosure about the credit quality of financing receivables and the related allowance for credit losses. See section (f) of this note for additional information.

(q) Reclassifications

Certain amounts from the 2011 financial statements have been reclassified to conform to the 2012 presentation.

2. Contributions Receivable

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

Unconditional promises expected to be collected in:	2012	2011
Less than one year	$ 3,943	$ 3,086
One year to five years	47,668	46,513
Over five years	1,120	3,458
Total	52,731	53,057
Less discounts and allowance for uncollectible accounts	4,247	5,277
Net contributions receivable	$ 48,484	$ 47,780

Contributions receivable expected to be collected within one year are recorded at their net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured at the time of the contribution using rates indicative of the market and credit risk associated with the contribution. Discount rates used to calculate the present value of contributions receivable ranged from 2.6% to 5.10%, and 2.10% to 5.10% at June 30, 2012 and 2011, respectively.

3. Land, Buildings and Equipment

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

	2012	2011
Land and land improvements	$ 50,226	$ 50,226
Buildings and building improvements	439,023	427,289
Equipment	8,395	8,641
Construction in progress	5,635	9,520
	503,279	495,676
Less: accumulated depreciation	203,575	188,116
	$ 299,704	$ 307,560

Depreciation expense was $15,959,000 and $15,644,000 for the years ended June 30, 2012 and 2011, respectively.

The College recognized $830,000 and $815,000 of operating expenses relating to the accretion of liabilities recorded for the years ended June 30, 2012 and 2011, respectively. Conditional asset retirement obligations of $19,781,000 and $18,951,000 at June 30, 2012 and 2011, respectively, are the College's asset retirement obligation presented in the Statement of Financial Position.

4. Investments

The book and market values of investments at June 30, 2012 and 2011 were as follows:

($000s)	2012 Book Value	2012 Market Value	2011 Book Value	2011 Market Value
Endowment Investments				
Investments pooled				
Cash and cash equivalents	$ 36,856	$ 36,856	$ 32,587	$ 32,587
Bonds	65,613	110,701	97,402	152,839
Equities	361,071	505,644	415,718	605,496
Private Equity	249,679	291,083	258,708	302,277
Real Assets	301,652	241,828	288,153	245,188
Absolute Return	197,300	257,645	92,435	160,605
Other assets	852	852	880	880
Total pooled investments	1,213,023	1,444,609	1,185,883	1,499,872
Faculty mortgages	23,761	23,761	23,580	23,580
Total pooled investments and faculty mortgages	1,236,784	1,468,370	1,209,463	1,523,452
Investments not pooled				
Cash and cash equivalents	212	212	231	231
Total investments not pooled	212	212	231	231
Total endowment investments	1,236,996	1,468,582	1,209,694	1,523,683
Other Investments				
Restricted Construction Funds	45,000	45,566	-	-
Total other investments	45,000	45,566	-	-
Total Investments	$ 1,281,996	$ 1,514,148	$ 1,209,694	$ 1,523,683
Planned Giving Investments				
Separate Pooled Funds				
Cash and cash equivalents	$ 1,937	$ 1,937	$ 992	$ 992
Bonds	10,495	10,667	11,913	12,070
Equities	29,160	31,723	30,414	33,914
Total pooled funds	41,592	44,327	43,319	46,976
Unitrusts				
Cash and cash equivalents	252	252	205	205
Bonds	4,686	4,944	5,098	5,620
Equities	8,241	10,806	7,766	10,900
Other assets	2,022	2,022	887	887
Assets held by Trustees	7,991	7,991	8,262	8,262
Total funds not pooled	23,192	26,015	22,218	25,874
Total planned giving investments	$ 64,784	$ 70,342	$ 65,537	$ 72,850

The absolute return alternative asset investments include equity hedge funds, risk arbitrage, distressed securities and commodity hedge funds. The College's investments in these strategies use minimal, 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 $258,593,000 and $295,521,000 and commingled funds with a market value of $189,961,000 and $244,671,000 at June 30, 2012 and 2011, respectively, whose holdings are bonds and equities.

The College is currently invested in exchange-traded futures contracts. The College uses these instruments to maintain target exposures to certain equity markets. At June 30, 2012, the College had long futures exposures with a net ending fair value of $9,698,000. The net loss from these derivative instruments at June 30, 2012 was $7,659,000, and is included in the investment return on the Statement of Activities.

The College's investment return from endowment and planned giving investments was as follows for the years ended June 30, 2012 and 2011 ($000s):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2012				
Dividends and interest (net of expenses of $11,439)	$ 545	$ (2,095)	$ 130	$ (1,420)
Net realized and unrealized gains/losses	142	7,873	-	8,015
Total return on endowment and planned giving investments	687	5,778	130	6,595
Investment return designated for current operations	(25,869)	(52,523)	-	(78,392)
	$ (25,182)	$ (46,745)	$ 130	$ (71,797)
2011				
Dividends and interest (net of expenses of $9,728)	$ 2	$ (2,319)	$ 225	$ (2,092)
Net realized and unrealized gains/losses	86,714	181,997	-	268,711
Total return on endowment and planned giving investments	86,716	179,678	225	266,619
Investment return designated for current operations	(26,105)	(53,002)	-	(79,107)
	$ 60,611	$ 126,676	$ 225	$ 187,512

The total return consisting of realized and unrealized gains and losses and dividends and interest net of investment management and custodial fees was 0.75% and 20.36% for the fiscal years ended June 30, 2012 and 2011, respectively.

At June 30, 2012 and 2011 investment securities having a fair value of $937,000 and $1,188,000 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 $963,000 and $1,217,000 and an offsetting liability for the return of the collateral on the Statement of Financial Position at June 30, 2012 and 2011, respectively.

5. Fair Value Disclosures

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

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data.

The following fair value hierarchy tables present information about the College's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at June 30, 2012 and 2011.

2012 ($000s)	Level 1	Level 2	Level 3	Total
Investments				
Equities	$ 146,884	$ 339,770	$ 18,990	$ 505,644
Bonds	16,603	94,098	-	110,701
Private equity	-	-	291,083	291,083
Real assets	-	13,831	227,997	241,828
Absolute return	-	79,510	178,135	257,645
Cash and other assets	37,068	45,566	852	83,486
Planned giving investments	52,061	8,403	9,878	70,342
Total assets at fair value	$ 252,616	$ 581,178	$ 726,935	$ 1,560,729
Interest rate swap	$ -	$ -	$ 16,253	$ 16,253
Total liabilities at fair value	$ -	$ -	$ 16,253	$ 16,253

2011 ($000s)	Level 1	Level 2	Level 3	Total
Investments				
Equities	$ 187,257	$ 395,253	$ 22,986	$ 605,496
Bonds	26,858	125,981	-	152,839
Private equity	-	-	302,276	302,276
Real assets	-	-	245,188	245,188
Absolute return	-	35,809	124,796	160,605
Cash and other assets	32,818	-	881	33,699
Planned giving investments	13,128	-	59,722	72,850
Total assets at fair value	$ 260,061	$ 557,043	$ 755,849	$ 1,572,953
Interest rate swap	$ -	$ -	$ 4,933	$ 4,933
Total liabilities at fair value	$ -	$ -	$ 4,933	$ 4,933

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

The following tables present the assets and liability carried at fair value as of June 30, 2012 and 2011 that are classified within level 3 of the fair value hierarchy. The table reflects gains and losses for the year, including gains and losses on assets and liabilities that were transferred to level 3 during the year, for all assets and liabilities categorized as level 3. Additionally, both observable and unobservable inputs may be used to determine the fair value of positions that the College has classified within the level 3 category. As a result, the unrealized gains and losses for assets and liabilities within level 3 may include changes in fair value that were attributable to both observable and unobservable inputs.

As a result of the reissued FASB accounting standards related to estimating fair value of investments, $13,831,000 and $8,814,000, has been reclassified from level 3 to level 2, for the years ended June 30, 2012 and June 30, 2011, respectively. The College reclassified $47,335,000 and $13,128,000 from level 3 to level 1 for the years ended June 30, 2012 and June 30, 2011, respectively. The College had no transfers from level 2 to level 1 in the current year.

2012 ($000s)	Balance July 1, 2011	Realized and Unrealized gains/losses	Purchases	Sales	Transfer in/(out) of level 3	Balance, June 30, 2012
Equities	$ 22,986	($5,592)	$ 1,596	$ -	$ -	$ 18,990
Private equity	302,276	18,290	64,168	(93,651)	-	291,083
Real assets	245,188	(3,185)	22,187	(17,233)	(18,960)	227,997
Absolute return	124,796	1,357	68,520	(16,538)	-	178,135
Cash and other assets	881	2,771	-	(2,800)	-	852
Planned giving investments	59,722	(1,017)	3,628	(5,120)	(47,335)	9,878
Interest rate swap - asset/liability	(4,933)	(11,320)	-	-	-	(16,253)
Balance, June 30, 2012	$ 750,916	$ 1,304	$ 160,099	$ (135,342)	$ (66,295)	$ 710,682

2011 ($000s)	Balance July 1, 2010	Realized and unrealized gains/losses	Purchases	Sales	Transfer in/(out) of level 3	Balance, June 30, 2011
Equities	$ 20,047	$1,804	$ 12,229	$ (2,280)	$ (8,814)	$ 22,986
Private equity	252,834	65,367	166,335	(182,260)	-	302,276
Real assets	201,847	25,843	43,037	(25,539)	-	245,188
Absolute return	82,390	14,108	35,000	(6,702)	-	124,796
Cash and other assets	888	1,820	1,553	(3,380)	-	881
Planned giving investments	64,671	9,445	843	(2,109)	(13,128)	59,722
Interest rate swap - asset/liability	(6,816)	1,883	-	-	-	(4,933)
Balance, June 30, 2011	$ 615,861	$ 120,270	$ 258,997	$ (222,270)	$ (21,942)	$ 750,916

The amount of total gains or losses for the year included in Investment Return in the Statement of Activities attributed to the change in unrealized gains or losses relating to assets still held at June 30, 2012 and 2011 are ($83,710,000) and $199,897,000, respectively.

The College uses Net Asset Value (NAV) or its equivalent to determine the fair value of certain investments, which may not have a readily determined fair value. These investments also have various redemption restrictions and redemption terms. The following investments are measured at NAV as of June 30, 2012 and 2011.

2012 ($000s) Investment	NAV in funds	Unfunded Commitments	Timing to draw Commitments	Redemption terms/Restrictions
Private equity	$291,083	$99,352	1 to 10 years	Funds are private equity, no ability to redeem.
Real assets	241,828	53,286	1 to 10 years	Funds are private equity, no ability to redeem.
Equities	358,760	152	1 to 10 years	80% of NAV is redeemable within 90 days; 10% of NAV is redeemable within a year; remaining 10% has a multi-year redemption period.
Bonds	94,098	-		76% of NAV is redeemable within 90 days; 16% of NAV is redeemable within a year; remaining 8% has a multi-year redemption period.
Absolute return	257,645	12,862	1 to 4 years	15% of NAV is redeemable within 90 days: 43% is redeemable within a year; 42% of NAV has a multi-year redemption period.
Other assets	852	-		No ability to redeem
Total	$1,244,266	$165,652		

2011 ($000s) Investment	NAV in funds	Unfunded Commitments	Timing to draw Commitments	Redemption terms/Restrictions
Private equity	$302,276	$101,699	1 to 10 years	Funds are private equity, no ability to redeem.
Real assets	245,188	70,792	1 to 10 years	Funds are private equity, no ability to redeem.
Equities	418,239	1,748	1 to 10 years	84% of NAV is redeemable within 90 days; 5% of NAV is redeemable within a year; remaining 11% has a multi-year redemption period.
Bonds	125,981	-		55% of NAV is redeemable within 90 days; the remaining 45% has a multi-year redemption period.
Absolute return	160,605	-		26% of NAV is redeemable within 90 days: 47% is redeemable within a year; 27% of NAV are redeemed investments.
Other assets	881	-		No ability to redeem
Total	$1,253,170	$174,239		

Beneficial interests in outside trusts held by third parties are valued at the present value of distributions expected to be received over the term of the agreement. Inputs used to value the College’s interest in these trust are considered unobservable and are categorized as level 3.

6. Pooled Funds

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

Pooled funds were as follows as of June 30:

	2012	2011
Investments in pooled funds and faculty mortgages, market value ($000s)	$1,468,370	$1,523,452
Total number of units	2,533,938	2,505,295
Market value per unit	$579.48	$608.09
Distribution per unit	$31.11	$31.68

The following are the components of the pooled and nonpooled endowment funds at market value at June 30, 2012 and 2011 ($000s):

	Units	Pooled Endowment	Nonpooled Endowment	Total Endowment
2012 Funds:				
Endowment and similar funds:				
Endowment funds	1,610,607	$ 933,316	$ -	$ 933,316
Term funds	89,553	51,895	212	52,107
Quasi-endowment	833,778	483,159	-	483,159
Total	2,533,938	$ 1,468,370	$ 212	$ 1,468,582
2011 Funds:				
Endowment and similar funds:				
Endowment funds	1,591,507	$ 967,779	$ -	$ 967,779
Term funds	88,231	53,660	231	53,891
Quasi-endowment	825,557	502,013	-	502,013
Total	2,505,295	$ 1,523,452	$ 231	$ 1,523,683

7. Related Parties

The College acts as fiscal agent and investment advisor for the Wellesley College Alumnae Association and a retired president of the College. Endowment investments held on their behalf are included in the College's 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 $13,854,000 and $14,139,000 at June 30, 2012 and 2011, respectively.

Mortgages due from faculty of $23,761,000 and $23,580,000 at June 30, 2012 and 2011, respectively, are included within investments on the Statement of Financial Position.

8. Notes and Bonds Payable

Indebtedness at June 30, 2012 and 2011 includes various bonds issued through the former Massachusetts Health and Education Facilities Authority (the Authority). On October 1, 2010, pursuant to certain provisions of Chapter 240 of the Acts of 2010 of the Massachusetts Legislature, signed into law by the Massachusetts governor on August 5, 2010, the Authority was merged into the Massachusetts Development Finance Agency (MDFA). Interest payments on debt totaled $3,574,000 and $2,748,000 during fiscal years 2012 and 2011, respectively.

During January 2008, the College issued $57,385,000 in Series I tax-exempt variable rate demand bonds. The proceeds will be used for major asset preservation and modernization projects and were used to retire the Series F bonds, with $30.0 million outstanding, on July 1, 2009, the earliest possible call date. The refunding allows the College to realize the present value savings through a restructuring of the College's debt. At June 30, 2011, restricted cash included $1,806,000 of construction funds held by trustees that were drawn down to fund various construction projects. All funds were drawn down during the fiscal year ended June 30, 2012.

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

During April 2012, the College issued $49,800,000 in Series J tax-exempt bonds. The bonds mature in 2042. The proceeds will be used for major asset preservation and modernization projects. The College incurred bond issue costs of $499,000 associated with the issue which have been capitalized and are being amortized over the life of the bonds. At June 30, 2012, restricted cash included $55,001,000 of construction funds held by trustees that will be drawn down to fund various construction projects.

During April 2012, the College issued $99,210,000 in Series K taxable bonds. The bonds mature in 2042. The proceeds will be used for major asset preservation and modernization projects and will be used to retire $50,040,000 of Series H bond debt. The College recognized a debt extinguishment charge of $2,430,000 which has been reflected in the statement of activities. The refunding allows the College to realize the present value savings a restructuring of the College’s debt. The College incurred costs of $525,000 associated with the issue which have been capitalized and are being amortized over the life of the bonds. At June 30, 2012, operating investments included $45,566,000 of construction funds that will be drawn down to fund various construction projects.

The College has two lines of credit with different banks. The College may borrow up to $40 million with various terms and interest rates at LIBOR plus 1/5 of 1%. There were no amounts outstanding under this line of credit as of June 30, 2012 and 2011. The second line of credit was entered into in February, 2012. The College may borrow up to $50 million with various terms and interest rates. This line of credit expires on February 10, 2015. There were no amounts outstanding as of June 30, 2012.

Balances of outstanding bonds and notes payable at June 30 consisted of the following ($000s):	2012	2011
MDFA, Series I, Variable Rate Demand Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2012 was 0.13%.	$ 57,385	$ 57,385
MDFA, Series H, Revenue Bonds issued at an interest rate of 4.0% to 5.0% maturing July 2033.	925	51,870
MDFA, Series G, Variable Rate Demand Bonds, bearing interest at a daily rate, maturing July 2039. The rate at June 30, 2012 was 0.13%.	20,000	20,000
MDFA, Series E, Variable Rate Demand Bonds, bearing interest at a daily rate, maturing July 2022. The rate at June 30, 2012 was 0.15%.	10,400	11,200
MDFA, Series J, Revenue Bonds, issued at an interest rate of 5.0%, maturing 2042.	49,800	-
Wellesley College, Series K, Taxable Bonds, bearing interest at a rate of 0.782% to 4.196%, maturing 2042.	99,210	-
Notes Payable Promissory Note, principal maturing November 2012. The rate at June 30, 2012 was 1.48%.	7,135	7,174
Total debt	244,855	147,629
Less unamortized bond issue costs	(1,489)	(797)
Add unamortized original issue premium	5,654	889
	$ 249,020	$ 147,721

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

2013	$8,860
2014	2,415
2015	2,695
2016	2,855
2017	3,020
Thereafter	225,010
Total bonds and notes payable	$ 244,855

In order to reduce exposure to floating interest rates on variable rate debt, in January 2008, the College entered into an interest rate swap agreement, with a term through 2039. This swap effectively locks in a fixed rate of 3.239% per annum. The agreement has a notional amount of $57,385,000. At June 30, 2012 and 2011, the market value of the swap agreement amounted to a liability of $16,253,000 and $4,933,000, respectively. The fair value of the swaps is the estimated amount that the College would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties. The value of the interest rate swap is reflected within accounts payable and accrued expenses on the Statement of Financial Position. The change in fair value resulted in a loss of $11,320,000 in 2012 and a gain of $1,883,000 in 2011 reflected in nonoperating activities on the Statement of Activities. Additionally, the College paid net interest expense in association with the swap agreement of $1,765,000 and $1,761,000 which is reflected as part of the net realized/unrealized loss/gain on interest swap for the years ended June 30, 2012 and 2011, respectively. This financial instrument necessarily involves counterparty credit exposure and the College's own nonperformance risk. The counterparty for this swap agreement is a major financial institution that meets the College's criteria for financial stability and credit-worthiness.

The College has outstanding at June 30, 2012 fixed rate debt of $149,935,000 and variable rate debt of $87,785,000. 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, 2012 approximates $165,853,000. 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.

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

9. Annuities and Unitrusts Payable `

The College has split-interest agreements consisting primarily of annuities, pooled life income funds, and charitable remainder unitrusts for which the College may or may not serve as trustee. 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 rate of return that ranges from 4% to 6%. The liability of $36,134,000 and $38,677,000 at June 30, 2012 and 2011, respectively, is adjusted during the term of the agreement for changes in actuarial assumptions. Payments of income to beneficiaries are principally funded by the investment income of the related gift annuity and unitrust investments.

10. 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 $7,900,000 and $7,627,000 respectively, for the years ended June 30, 2012 and 2011.

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 thirty-six months of consecutive earnings. Contributions to the plan are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974.

The measurement date of determining the benefit obligations and net periodic benefit cost was June 30, 2012 and 2011.

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

	2012	2011
Assumptions used to determine benefit obligations:		
Discount rate	4.000%	5.500%
Rate of compensation increase	3.500%	3.500%
Assumptions used to determine net periodic benefit cost:		
Discount rate	5.500%	5.375%
Expected return on plan assets	7.200%	7.800%
Rate of compensation increase	3.500%	4.000%
Change in projected benefit obligation ($000s)		
Benefit obligation at end of prior year	$ 46,908	$ 46,621
Service cost (including expense load)	1,533	1,629
Interest cost	2,505	2,454
Actuarial loss/(gain), net of administrative expenses paid	13,439	(2,370)
Benefits paid	(1,457)	(1,426)
Benefit obligation at end of year	$ 62,928	$ 46,908
Accumulated benefit obligation	$ 52,229	$ 39,332
Change in plan assets ($000s)		
Fair value of plan assets at end of prior year	$ 35,298	$ 27,253
Actual return on plan assets, net of administrative expenses	615	6,471
Employer contributions	3,000	3,000
Benefits paid	(1,457)	(1,426)
Fair value of plan assets at end of year	$ 37,456	$ 35,298
Funded status ($000s)		
Funded status	$ (25,472)	$ (11,610)
Components of net periodic benefit cost ($000s)		
Service cost	$ 1,533	$ 1,629
Interest cost	2,505	2,454
Expected return on plan assets	(2,588)	(2,136)
Amortization of prior service cost	64	64
Cost of prior events/net loss on amortization	291	841
Net periodic benefit cost	$ 1,805	$ 2,852

	2012	2011
New net actuarial loss/(gain)	$ 15,412	$ (6,705)
Net loss on benefit costs	(1,485)	(989)
Amortization of prior service cost	(64)	(64)
Total	$ 13,863	$ (7,758)
Amounts recognized in the Statement of Financial Position consist of a liability	$ (25,472)	$ (11,610)
Amounts recognized in unrestricted net assets		
Net prior service cost	$ 281	$ 345
Net actuarial loss/(gain)	13,582	(8,103)
Total unrestricted net asset	$ 13,863	$ (7,758)

The amount expected to be recognized as amortization of prior net service and the (gain)/loss to be recognized both as components of net periodic cost in both years are $64,500.

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

2013	1,646
2014	1,764
2015	1,920
2016	2,126
2017	2,358
2018 - 2022	15,577

The College expects to make employer contributions into the plan of $3,000,000 in the 2013 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 Allcoation
Equity securities	60%
Real estate investment trust	5%
Commodities	5%
Fixed income	27%
Cash and cash equivalents	3%
Total	100%

The following lists the Plan's asset allocation at June 30, 2012 and 2011:

Asset Category	Value at June 30, 2012	2012	2011
Equity securities	$ 23,640	63%	63%
Real estate investment trust	1,500	4%	3%
Commodities	1,788	5%	5%
Fixed income	10,031	27%	27%
Cash and cash equivalents	497	1%	2%
Total	$ 37,456	100%	100%

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

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

11. Net Assets

Net assets consist of the following at June 30, 2012 and 2011:

($000s)	2012	2011
Unrestricted:		
Designated for specific purposes and plant	$ 106,804	$ 142,746
Quasi-endowment	441,971	462,428
Deficiencies in donor-restricted endowments	(1,535)	(472)
	547,240	604,702
Temporarily restricted:		
Endowment and similar funds including pledges	583,004	624,232
Annuity, life income and unitrusts including pledges	33,584	32,931
Deficiencies in donor-restricted endowments	1,535	472
Other restricted	50,809	52,572
	668,932	710,207
Permanently restricted:		
Endowment including pledges	443,273	433,967
	443,273	433,967
	$ 1,659,445	$ 1,748,876

12. Endowment

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

The College’s endowment consists of approximately 3,800 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

At June 30, 2012, the endowment net asset composition by type of fund consisted of the following:

($000s)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 562,710	$ 422,711	$ 985,421
Board-designated and other unrestricted funds	483,161	-	-	483,161
	$ 483,161	$ 562,710	$ 422,711	$ 1,468,582

Changes in endowment net assets for the year ended June 30, 2012, consisted of the following:

($000s)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 502,013	$ 609,751	$ 411,919	$ 1,523,683
Investment income, net of expenses	698	1,417	-	2,115
Net appreciation (realized and unrealized)	1,775	3,186	-	4,961
Subtotal	504,486	614,354	411,919	1,530,759
Contributions and transfers to endowment	4,544	879	10,792	16,215
Appropriation of endowment assets for expenditure	(25,869)	(52,523)	-	(78,392)
Endowment net assets, end of year	$ 483,161	$ 562,710	$ 422,711	$ 1,468,582

At June 30, 2011, the endowment net asset composition by type of fund consisted of the following:

($000s)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 609,751	$ 411,919	$ 1,021,670
Board-designated and other unrestricted funds	502,013	-	-	502,013
	$ 502,013	$ 609,751	$ 411,919	$ 1,523,683

Changes in endowment net assets for the year ended June 30, 2011, consisted of the following:

($000s)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 449,273	$ 482,983	$ 397,988	$ 1,330,244
Investment income, net of expenses	3	4	-	7
Net depreciation (realized and unrealized)	81,111	178,054	-	259,165
Subtotal	530,387	661,041	397,988	1,589,416
Contributions and transfers to endowment	(2,269)	1,712	13,931	13,374
Appropriation of endowment assets for expenditure	(26,105)	(53,002)	-	(79,107)
Endowment net assets, end of year	$ 502,013	$ 609,751	$ 411,919	$ 1,523,683

13. Commitments and Contingencies

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

In 1991, the College arranged for the excavation of contaminated soils from two waste piles and a wastewater settling basin formerly associated with the paint factory. After the contaminated material was removed, the area was capped and seeded. These actions were undertaken in accordance with plans approved by the Department of Environmental Protection (DEP) on July 5, 1991. The College has continued to work with the DEP and has completed the process of remediating and restoring approximately 30 acres of land referred to as the Upland site. The College began in April 2001 excavating and consolidating contaminated soils from the upland, wetland, and pond ("Upland/Wetland/Pond") portions of the site. The soils have been treated and consolidated on site under a permanent engineered barrier. The capped area has been developed into three playing fields, an eight lane all weather track, and a softball field and was completed in October 2002. The cost of this project was $32.8 million; $10 million has been funded from a HEFA bond issuance and the remainder from unrestricted endowment. Costs associated with the campus improvement project are capitalized as land improvements. Costs incurred to remediate this property are charged to expense when they can be estimated. Ongoing expenses associated with the monitoring and maintenance of the engineered barrier are charged to operations. Total expenses for this project were $171,000 and $75,000, respectively for the years ended June 30, 2012 and 2011. 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 2005. The periodic monitoring program was initiated in 2008. The cost of this program is insignificant.

The Lower Waban Brook remedial project was originally anticipated to be undertaken in 2009 and was estimated to cost $3,600,000. Early project designs based upon risk assessments and feasibility studies performed prior to 2000 were not embraced by all constituents as satisfactory. Additional hydrological data gathering has been undertaken in keeping with proposals still under review with DEP, with the intent to develop an updated feasibility study and remedy selection process. It is desirable but not yet clear whether a new process will result in material increases to previous project cost estimates. For the years ending June 30, 2012 and 2011 total expenses to the Lower Waban Brook remedial project were $22,000 and $26,000, respectively. A liability of $2,777,000 and $2,799,000 has been recorded as of June 30, 2012 and 2011, respectively and is included in the Statement of Financial Position within accounts payable and accrued expenses.

Outstanding commitments amounted to approximately $169,863,000 and $174,417,000 as of June 30, 2012 and 2011, respectively for the following:

	2012	2011
Alternative investments	$ 165,652,000	$ 174,239,000
Construction contracts	4,211,000	178,000
	$ 169,863,000	$ 174,417,000

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 of Wellesley $111,000 annually as a guarantee for back-up power, at cost, to the College. This contract is in force until May 2013.

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

14. Subsequent Events

The College has assessed the impact of subsequent events through October 24, 2012, the date the audited financial statements were available for issuance, and has concluded that there are no such events that require adjustment to the audited financial statements or disclosure in the notes of the audited financial statements.

Wellesley College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Program Title	Federal Catalog Number	Pass-Through Entity Identifying Number	2012 Expenditures
Research and Development Cluster			
Direct Awards			
Department of Agriculture			
Miscellaneous USDA	10.unknown		$ 11,420
Total Department of Agriculture			11,420
National Aeronautics and Space Administration (NASA)			
Aerospace Education Service Program	43.001		6,886
NASA-Miscellaneous	43.unknown		215,415
Total NASA			222,301
National Endowment for the Humanities			
Promotion for the Humanities-Research	45.161		12,175
Total National Endowments for the Humanities			12,175
National Science Foundation			
Mathematical and Physical Sciences	47.049		297,058
Computer and Information Science and Engineering	47.070		174,847
Biological Sciences	47.074		918,345
Social Behavior and Economic Sciences	47.075		2,809
ARRA - Trans-NSF Recovery Act Research Support	47.082		130,072
Total National Science Foundation			1,523,131
Department of Health and Human Services			
Cancer Biology Research	93.396		104,390
Child Care and Development Block Grant	93.575		34,408
Social Services Research and Demonstration	93.647		20,221
Diabetes Endocrinology and Metabolism Research	93.847		113,660
Allergy, Immunology and Transplantation Research	93.855		99,989
Total Department of Health and Human Services			372,668
Research and Development Direct Awards Subtotal			2,141,695
Pass-Through Awards			
National Institute of Justice			
University of Chicago	16.560	5788-Wellesley-01	52,969
Total National Institute of Justice			52,969
National Aeronautics and Space Administration (NASA)			
Jet Propulsion Laboratory	43.unknown	1337028	1,928
Jet Propulsion Laboratory	43.unknown	1415721	134,425
University of California Los Angeles	43.unknown	2090 G NA860	37,152
Total NASA			173,505
National Science Foundation			
Cornell University	47.074	61468-9523	43,157
Total National Science Foundation			43,157
Department of Education			
The Providence Plan	84.359	Letter dated 12/15/2009	89,255
Total Department of Education			89,255

The accompanying notes are an integral part of the schedule.

Wellesley College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor, Pass-Through/Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	2012 Expenditures
Research and Development Cluster			
Pass-Through Awards			
Department of Health and Human Services			
Vida Health Communications	93.061	CDC#1 Wellesley	44,082
Harvard University School of Public Health	93.142	23515. 1121	16,003
University of Illinois at Chicago	93.242	2011-06805-02-00	218,072
Judge Baker Children's Center	93.242	Letter dated 5/4/2009	61,412
University of Massachusetts Medical School	93.865	3119	6,200
University of Chicago	93.unknown	6918wc01	4,225
Zero to Three	93.unknown	2012020023	5,101
Total Department of Health and Human Services			355,095
Agency for International Development			
Tetra Tech ARD, Inc.	98.unknown	1699-Wellesley-001	15,140
Total Agency for International Development			15,140
Total Research and Development Pass-Through Awards			729,121
Total Research and Development Cluster			2,870,816
Student Financial Aid Cluster			
Department of Education			
Federal Supplemental Educational Opportunity Grants Program	84.007		307,427
Federal Work Study Program	84.033		321,945
Federal Pell Grant Program	84.063		2,058,265
Total Student Financial Aid Cluster			2,687,637
Other Programs			
Pass-Through Awards			
National Science Foundation			
Wesleyan University	47.049	Memo dated 5/20/2011	29,577
Bowdoin College	47.076	Email dated 7/10/12	730
Computer Research Association	47.unknown	Agreement dated 6/30/11	998
Total National Science Foundation Pass-Through			31,305
Total Other Pass-Through Programs			31,305
Total Expenditures of Federal Awards			$ 5,589,758

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, 2012 recorded on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget ("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 or cash flows of the College.

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

Expenditures consist of direct and facility and administrative costs which are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the OMB Circular A-21*, Cost Principles for Educational Institutions.* 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, 2012 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 79.0% for on-campus and 17.6% for off-campus activity based on salaries and wages. These rates are effective from July 1, 2010 through June 30, 2013.

3. Subrecipients

The College passed through federal awards to subgrantee organizations in the Research and Development cluster totaling $99,788.

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 Direct Loan (“FDL”) issued to students of the College by financial institutions during the year ended June 30, 2012 are summarized as follows:

	CFDA Number	Amount
Perkins loans issued	84.038	$ 769,601
Total Perkins loans issued		769,601
FDL - guaranteed loan programs		
Stafford loans	84.268	1,908,407
Parent Loans for Undergraduate Students	84.268	2,228,218
Total FDL - guaranteed loans issued		4,136,625
Total federal loans issued		$ 4,906,226

The Perkins Loan Program is administered directly by the College, except for functions performed by University Accounting Services, Inc. Balances and transactions relating to this program are included in the College’s financial statements. The total outstanding loan balance under the Perkins program was $4,962,269 at June 30, 2012, and the College recovered an administrative cost allowance from the Perkins program of $0 for the year ending June 30, 2012. Perkins loan cancellations (CFDA 84.037) amounted to $19,017 for the year ending June 30, 2012.

Part II - Reports on Internal Control and Compliance

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

To the Board of Trustees of
Wellesley College

We have audited the financial statements of Wellesley College (the "College") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 24, 2012. 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 deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

<u>Compliance and Other Matters</u>
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 24, 2012.

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

PricewaterhouseCoopers LLP

October 24, 2012

Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With 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 OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012, except as described in the second paragraph of this report. The College's major federal program is 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 program is 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 could have a direct and material effect on its major federal program for the year ended June 30, 2012. 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 is described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

pwc

Internal Control Over Compliance
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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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 deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and correct on a timely basis.

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 over compliance that might be deficiencies, 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.

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the College's responses and accordingly, we express no opinion on the responses.

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

PricewaterhouseCoopers LLP

March 26, 2013

Part III – Schedule of Findings and Questioned Costs

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

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. Federal Award Findings and Questioned Costs

2012-1 Compliance Requirement: Student Status Changes

Grantor: Department of Education
Award Year: July 1, 2011 - June 30, 2012
CFDA Number: 84.268
CFDA Title: Federal Direct Loan

Criteria
The Code of Federal Regulations ("CFR") section 682.10 (c) states that "unless the College expects to complete its Student Status Confirmations Report ("SSCR") in 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."

Condition
In a sample of 25 students, out of a total population of greater than 250 students tested for compliance in fiscal year 2012, there were nine students for which the College did not comply with the student status changes reporting requirement. For these students, the change of status submitted to the National Student Loan Data System ("NSLDS") ranged from 68 to 136 days late. For 4 of the nine students no SSCR notifications of the student's status change had occurred as of June 30, 2012.

Cause
Due to turnover in the College's registrar office, the policy in place for manually reporting to NSLDS student status changes which occur after the last scheduled Spring submission to SSCR was not performed in a timely manner.

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

Questioned Costs
None.

Recommendation
Management should implement procedures to ensure all staff is made aware of policies and procedures in place to ensure 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.

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

2012-2 Compliance Requirement: Study Abroad Programs

Grantor: Department of Education
Award Year: July 1, 2011 - June 30, 2012
CFDA Number: 84.063, 84.007, 84.033 and 84.038
CFDA Title: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study and Federal Perkins Loan Program

Criteria
The Code of Federal Regulations ("CFR") section 668.39 states that, "a student enrolled in a program of study abroad is eligible to receive title IV, HEA program assistance if - (a) The student remains enrolled as a regular student in an eligible program at an eligible institution during his or her program of study abroad; and (b) The eligible institution approves the program of study abroad for academic credit."

Condition
The College has all of its students enrolled in study abroad programs sign a study abroad participation agreement and assumption of risk and release form (the "agreement") with the College to ensure students are participating in an eligible program. In a sample of 25 students, out of a total population of greater than 250 students tested for compliance in fiscal year 2012, there was one student for which no agreement was signed and one student for which the agreement was signed after the study abroad semester ended.

Cause
For the programs in which the students attended, the College did not have a formal mechanism for ensuring that the departmentally-administered program agreements were received prior to the students leaving for the programs.

Effect
There is no written evidence that the study abroad program the student participated in met the eligibility requirements of Wellesley College.

Questioned Costs
None.

Recommendation
Management should implement procedures to ensure all program participation agreements for its study abroad programs are signed and returned prior to the student's departure for the program.

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

2011-1 Compliance Requirement: Student Status Changes

Grantor: Department of Education
Award Year: July 1, 2010 - June 30, 2011
CFDA Number: 84.268
CFDA Title: Federal Direct Loan

Condition
In a sample of 25 students, out of a total population of greater than 250 students tested for compliance in fiscal year 2011, there was one student for which the College did not comply with the student status changes reporting requirement. For the one student, the change of status was submitted to the National Student Loan Data System ("NSLDS") 114 days after the deadline.

Current Year Status
The College's Registrar's office became aware of and responded to the 2011 finding in March 2012. Subsequent to this response, the Registrar's office has developed new policies and procedures which were implemented on July 1, 2012. These policies and procedures are monitored by the Registrar, related to the processing of student withdrawals. Additionally, the Registrar's office had implemented procedures, on March 1, 2012, for staff training to ensure that student status changes are processed timely. Although a similar finding occurred in 2012, these items were noted prior to the implementation of corrective action noted here.

WELLESLEY COLLEGE
OFFICE OF THE REGISTRAR

Update to Prior Fiscal Year Management Views and Corrective Action Plan
For the Fiscal Year ended 06/30/12

12-1 Student Status Changes

Management View

Management recognizes the importance of timely reporting under all federal regulations related to the student status changes reporting compliance requirements, and agrees that this reporting was not done within the required timeframe for nine students in fiscal year 2012.

Corrective Action

The Registrar's office has implemented new policies and procedures, monitored by the Registrar, related to the processing of student withdrawals. Additionally, the Registrar's office has implemented procedures for staff training to ensure that student status changes are processed timely.

Carol Shanmugaratnam 3/4/13

Carol Shanmugaratnam Date
Registrar and Assistant Dean of the College

106 Central Street, Wellesley, MA 02481 Tel 781.283.2307 Fax 781.283.3680

WELLESLEY COLLEGE
OFFICE OF INTERNATIONAL STUDIES

Update to Prior Fiscal Year Management Views and Corrective Action Plan
For the Fiscal Year ended 06/30/12

12-2 Study Abroad Programs

Management View

Management recognizes the importance of obtaining signed study abroad participation agreement & assumption of risk and release forms from every student participating in a study away program prior to student leaving for the program.

Corrective Action

The College has implemented policies and procedures for ensuring that the departmentally-administered program waivers are received prior to the students leaving for the study abroad programs.

3.4.13

Jennifer Thomas-Starck
Director of International Studies

Date

106 Central Street, Wellesley, MA 02481 Tel 781.283.2320 Fax 781.283.3618 www.wellesley.edu/OIS