

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



Annual Report  
2001–2002

**Wellesley College**

Fiscal Year 2001–2002

Diana Chapman Walsh  
*President*

**Finance and Investments**

Susan Vogt  
*Vice President for Finance  
and Treasurer*

Jane Mendillo  
*Chief Investment Officer*

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

# Wellesley College

Annual Report for the Year Ended June 30, 2002

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# Report of the President

November 2002

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

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

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

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

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

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

## Year Two of The Wellesley Campaign

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

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

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

## Initiatives Made Possible by The Wellesley Campaign

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

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

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

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

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

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

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

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

### Managing the College

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

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

## Academic Life this Year

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

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

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

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

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

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

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

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

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

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

## Retirements and Staffing Changes

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

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

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

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

Very sincerely yours,



Diana Chapman Walsh  
President

# Report of the Vice President for Finance and Treasurer

November 2002

## To the Board of Trustees of Wellesley College

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

## The Results for the 2001–2002 Fiscal Year

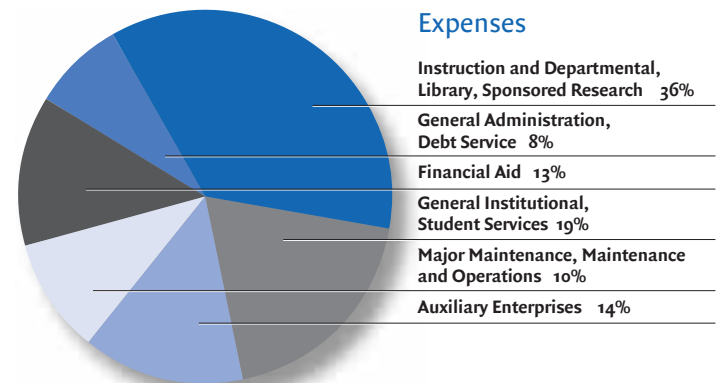
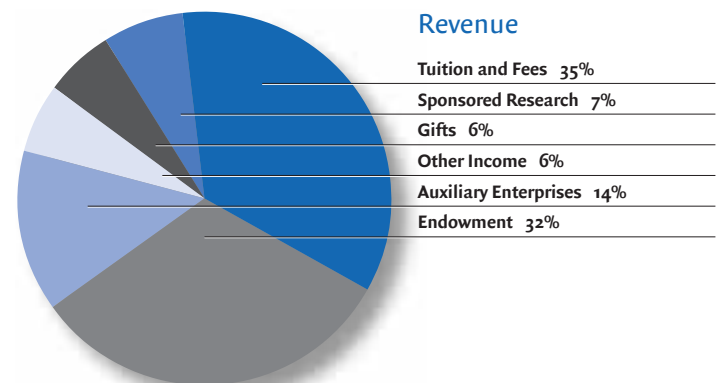
Financially, Wellesley College remains one of the strongest educational institutions in the country. The endowment, however, reflecting the difficulties experienced by most institutions, showed its second-year decline of 5.2%. Of that, the yield was 3.8% while the appreciation declined by 9%. In dollar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

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

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

## Operating in Financial Equilibrium

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

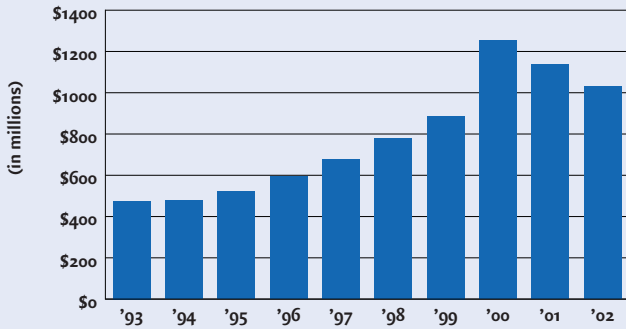


### 1. Balancing Revenues and Expenses

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



General Endowment Pool, 1993–2002



### 2. Preserving the Purchasing Power of the Endowment

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

### 3. Maintaining the Physical Assets of the College

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

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

### 4. Maintaining the Human Assets of the College

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

## Future Challenges

### Revenues

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

### Expenses

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

Respectfully submitted,

Susan Vogt  
Vice President for Finance and Treasurer

# Wellesley College Financial Highlights

Stated in oooos

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

# Wellesley College

## Summary of Operating Revenues and Expenditures

Years ended June 30, 2002 and 2001

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

# Wellesley College

## Ten-Year Financial Summary 1993–2002

Stated in oooos

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

## Wellesley College

## Ten-Year Financial Summary 1993–2002

Stated in oooos

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

\*compound growth

## Wellesley College

## Key Statistics

Years ended June 30, 1993, 1998, and 2002

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

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

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

**By Source**

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

**Notes**

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

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

Years ended June 30, 2002 and 2001

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



## Wellesley College

### Five-Year Endowment Summary 1998–2002

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

**Wellesley College**  
**Investment of Endowment and Similar Funds**  
**and Planned Giving Funds**

Year ended June 30, 2002

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

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

Year ended June 30, 2002

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

Wellesley College  
General Endowment Pool  
Annual Total Return Since Inception

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



To The Board of Trustees of Wellesley College:

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

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

A handwritten signature in black ink, written in a cursive style, that reads "PricewaterhouseCoopers LLP".

November 15, 2002

Wellesley College  
Statements of Financial Position

June 30, 2002 and 2001

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

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

**Wellesley College**  
**Statement of Activities**

For the year ended June 30, 2002

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

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

**Wellesley College**  
**Statement of Activities**

For the year ended June 30, 2001

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

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



# Wellesley College

## Statements of Cash Flows

For the years ended June 30, 2002 and 2001

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

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

## 1. Summary of Significant Accounting Policies

### (a) Basis of Presentation

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

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

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

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

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

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

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

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

### (b) Cash Equivalents

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

### (c) Investments

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

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

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

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

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

#### **(d) Endowment Investment Return Spending Policy**

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

#### **(e) Inventories**

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

#### **(f) Accounts Receivable and Student Loans Receivable**

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

#### **(g) Grant and Contract Revenue**

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

#### **(h) Pledges**

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

### (i) Loans Receivable

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

### (j) Land, Buildings, and Equipment

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

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

### (k) Financial Aid

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

### (l) Auxiliary Operations

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

### (m) Internal Revenue Code Status

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

### (n) Use of Estimates

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

### (o) Reclassifications

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

## 2. Pledges Receivable

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

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

## 3. Land, Buildings and Equipment

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

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

Wellesley College  
Notes to the Financial Statements

#### 4. Investments

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

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

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

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

Wellesley College  
Notes to the Financial Statements

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

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

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

## 5. Pooled Funds

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

Pooled funds were as follows as of June 30:

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

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

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

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

# Wellesley College

## Notes to the Financial Statements

### 6. Related Parties

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

### 7. Notes and Bonds Payable

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

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

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

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

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

### 8. Annuities and Unitrusts Payable

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

### 9. Pension Plans

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

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

Wellesley College  
Notes to the Financial Statements

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

## 10. Net Assets

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

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



## 11. Commitments and Contingencies

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

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

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

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

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

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

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**Wellesley College**  
106 Central Street  
Wellesley  
Massachusetts 02481

