



WELLESLEY COLLEGE

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

WELLESLEY COLLEGE

Financial Statements
June 30, 2022 and 2021

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

Independent Auditors' Report

The Board of Trustees
Wellesley College:

Opinion

We have audited the financial statements of Wellesley College (the College), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



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

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

KPMG LLP

Boston, Massachusetts
October 27, 2022

WELLESLEY COLLEGE
 Statements of Financial Position
 June 30, 2022 and 2021
 (In thousands)

Assets	2022	2021
Cash and cash equivalents	\$ 214,155	212,220
Receivables, net	12,564	19,086
Contributions receivable, net	35,772	40,474
Prepaid, inventory and other assets	7,548	6,760
Investments	2,858,931	3,250,684
Planned giving investments	51,481	67,517
Land, buildings and equipment, net	550,111	528,788
Total assets	<u>\$ 3,730,562</u>	<u>4,125,529</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 62,324	65,028
Deferred income and advances under grants and contracts	15,724	10,307
Annuities and unitrusts payable	31,976	35,112
Asset retirement and environmental obligations	24,160	23,716
Accrued pension liability	16,019	24,883
Bonds payable	458,829	466,209
Other liabilities	20,251	32,472
Total liabilities	<u>629,283</u>	<u>657,727</u>
Net assets:		
Without donor restrictions	936,125	990,578
With donor restrictions	2,165,154	2,477,224
Total net assets	<u>3,101,279</u>	<u>3,467,802</u>
Total liabilities and net assets	<u>\$ 3,730,562</u>	<u>4,125,529</u>

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statement of Activities

Year ended June 30, 2022

(In thousands)

	Without donor restrictions	With donor restrictions	2022 Total
Operating revenues:			
Tuition, fees, room and board, net of financial aid of \$79,353	\$ 103,561	—	103,561
Auxiliary operations	4,555	—	4,555
Government grants	9,652	—	9,652
Private gifts and grants	14,146	9,230	23,376
Endowment distributed for operations	33,423	65,631	99,054
Amounts transferred from endowment funds	7,302	—	7,302
Other	5,367	—	5,367
Net assets released from restrictions	67,547	(67,547)	—
Total operating revenues	<u>245,553</u>	<u>7,314</u>	<u>252,867</u>
Operating expenses:			
Instruction	96,107	—	96,107
Sponsored research and centers	12,529	—	12,529
Student services	58,415	—	58,415
Academic support	23,254	—	23,254
Institutional support	48,820	—	48,820
Auxiliary operations	8,741	—	8,741
Total operating expenses	<u>247,866</u>	<u>—</u>	<u>247,866</u>
Change in net assets from operating activities	<u>(2,313)</u>	<u>7,314</u>	<u>5,001</u>
Nonoperating activities:			
Investment return, net of spending allocation	(108,114)	(299,629)	(407,743)
Endowment distributed for operations	(7,302)	—	(7,302)
Matured planned giving agreements	3,662	(3,662)	—
Gifts and pledges	3,119	24,660	27,779
Pension related changes other than net periodic pension cost	7,553	—	7,553
Net unrealized gain on interest swap	10,288	—	10,288
Gain on debt extinguishment	2,892	—	2,892
Other changes	(4,991)	—	(4,991)
Net assets released from restrictions	40,753	(40,753)	—
Total nonoperating revenues	<u>(52,140)</u>	<u>(319,384)</u>	<u>(371,524)</u>
Change in net assets	<u>(54,453)</u>	<u>(312,070)</u>	<u>(366,523)</u>
Net assets:			
Beginning of year	<u>990,578</u>	<u>2,477,224</u>	<u>3,467,802</u>
End of year	<u>\$ 936,125</u>	<u>2,165,154</u>	<u>3,101,279</u>

See accompanying notes to financial statements.

WELLESLEY COLLEGE

Statement of Activities

Year ended June 30, 2021

(In thousands)

	Without donor restrictions	With donor restrictions	2021 Total
Operating revenues:			
Tuition, fees, room and board, net of financial aid of \$70,917	\$ 80,192	—	80,192
Auxiliary operations	5,081	—	5,081
Government grants	7,903	—	7,903
Private gifts and grants	20,090	5,516	25,606
Endowment distributed for operations	34,936	60,613	95,549
Amounts transferred from endowment funds	937	—	937
Restricted and designated funds used in operations	1,829	—	1,829
Other	4,043	—	4,043
Net assets released from restrictions	59,866	(59,866)	—
Total operating revenues	214,877	6,263	221,140
Operating expenses:			
Instruction	88,716	—	88,716
Sponsored research and centers	11,482	—	11,482
Student services	52,807	—	52,807
Academic support	21,192	—	21,192
Institutional support	39,455	—	39,455
Auxiliary operations	8,036	—	8,036
Total operating expenses	221,688	—	221,688
Change in net assets from operating activities	(6,811)	6,263	(548)
Nonoperating activities:			
Investment return, net of spending allocation	284,202	656,415	940,617
Endowment distributed for operations	(937)	—	(937)
Matured planned giving agreements	2,426	(2,426)	—
Gifts and pledges	4,041	30,633	34,674
Pension related changes other than net periodic pension cost	15,612	—	15,612
Net unrealized gain on interest swap	6,442	—	6,442
Other changes	(12,178)	—	(12,178)
Net assets released from restrictions	2,782	(4,611)	(1,829)
Total nonoperating revenues	302,390	680,011	982,401
Change in net assets	295,579	686,274	981,853
Net assets:			
Beginning of year	694,999	1,790,950	2,485,949
End of year	\$ 990,578	2,477,224	3,467,802

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (366,523)	981,853
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	24,503	24,151
Contributions restricted for long-term purposes	(20,473)	(17,565)
Donated securities received	(1,439)	(14,218)
Realized and unrealized net (loss) gain on investments	312,148	(1,102,038)
Change in discount and allowance for doubtful accounts	(1,116)	(1,311)
Pension related changes other than net periodic pension cost	(7,553)	(15,612)
Unrealized gain on interest rate swap	(10,288)	(6,442)
Gain on extinguishment of debt	(2,892)	—
Gain on disposal of land, building and equipment	(35)	—
Changes in operating assets and liabilities:		
Receivables	5,882	(507)
Contributions receivable	5,888	12,873
Prepaid, inventory and other assets	(1,260)	(2,680)
Accounts payable, accrued expenses and pension liability	980	9,141
Deferred income and advances under grants and contracts	5,417	2,166
Annuities and unitrusts payable	(3,136)	3,887
Other liabilities	(1,933)	3,221
Net cash used in operating activities	(61,830)	(123,081)
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(50,532)	(78,131)
Proceeds from sales of land, building and equipment	35	—
Proceeds from student loans collections	985	1,009
Student loans issued	(415)	(600)
Purchases of investments	(244,740)	(471,604)
Proceeds from sales and maturities of investments	340,381	605,806
Net cash provided by investing activities	45,714	56,480
Cash flows from financing activities:		
Proceeds from contributions for:		
Investment in endowment	19,764	16,170
Investment in planned giving	709	1,395
Proceeds from sale of donated securities restricted for long-term purposes	1,439	14,218
Proceeds from bonds issued	53,192	150,000
Payments on bonds payable	(57,053)	(2,685)
Net cash provided by financing activities	18,051	179,098
Net increase in cash and cash equivalents	1,935	112,497
Cash and cash equivalents:		
Beginning of year	212,220	99,723
End of year	\$ 214,155	212,220
Supplemental disclosure:		
Donated securities included in operating activities	\$ 4,012	4,295
Cash paid for interest	14,180	14,922
Change in capital additions included in accounts payable and accrued expenses	(4,995)	8,020

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Organization

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

(b) Basis of Presentation

The financial statements of Wellesley College have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

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

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations, but which may be designated for specific purposes by the College or otherwise be limited by contractual agreements with outside parties.

With donor restrictions – Net assets that are subject to donor-imposed stipulations that expire by the passage of time, can be fulfilled by actions of the College pursuant to the stipulations, or which may be perpetual.

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

(c) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less. Cash equivalents included in endowment and planned giving investments are not considered cash and cash equivalents for the purpose of the statement of cash flows.

(d) Investments

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

For investments made directly by the College whose values are based on quoted market prices in active markets, the market price is used to report fair value. The College's interests in alternative investment funds such as hedge, private equity, and absolute return, are reported at the net asset

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value (NAV) reported by the fund managers as a practical expedient to fair value, unless it is probable that all or a portion of the investments will be sold for an amount other than NAV.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the College has the ability to access at measurement date.

Level 2: Quoted prices, other than those included in Level 1, that are either directly or indirectly observable for the assets or liabilities.

Level 3: Unobservable quoted prices used when little or no market data is available.

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

The 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 leverage as part of their strategies.

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

(e) Endowment Investment Return Spending Policy

The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The College's investment strategy is based on a long-term policy portfolio that serves as a guide for asset allocation. The Policy Portfolio was established with the goal of balancing long-term returns and risks by increasing portfolio diversification through the

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allocation of assets to less efficient asset classes. The return objective for the endowment assets, measured over a full market cycle, is to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The College uses a "total return" approach to managing endowment assets in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Funds are invested to maximize total return consistent with prudent risk without regard to the mix of current investment income and realized and unrealized gains or losses.

Wellesley's Endowment Spending Policy is based on a combination of the prior year's spending and a percentage of the latest endowment value with a weighting of 80% and 20%, respectively. Prior year spending is adjusted for Higher Education Price Index (HEPI) inflation, and 4.25% is the rate applied to the most recent endowment value on December 31. The amount of allowable spending will be capped at 5.0% or no less than 4.0% of the average of the last three fiscal year end endowment values adjusted for HEPI inflation. The Endowment Spending Policy is applied on a per unit basis. Investment return earned in prior years may be utilized if current year income is less than current year spend. The spending policy is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuations in capital markets.

In accordance with the Massachusetts Uniform Prudent of Management of Institutional Funds Act, the College considers the following factors in making a determination to appropriate for spending or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the College
7. The College's investment policies

(f) Receivables

Accounts receivable include amounts due from students, student organizations and other miscellaneous receivables. Loans to students are carried at net realizable value. Student accounts receivable as of June 30, 2022 and 2021 were \$1,633,000 and \$1,645,000, respectively, and are reported net of allowances for doubtful accounts of \$324,000 and \$361,000, respectively. Loans receivable as of June 30, 2022 and 2021 were \$5,934,000 and \$6,472,000, respectively, and are reported net of allowances for doubtful loans of \$797,000 and \$829,000, respectively. The provisions are intended to provide for student accounts and loans that may not be collected. The remaining balance as of June 30, 2022 and 2021 consists of grants and other accounts receivable.

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(g) Contributions

Contributions of cash and other assets, including unconditional promises to give, are recorded as revenue based on any donor-imposed restrictions on the date of the donors' commitment or gift. Contributions of other assets are recorded at their estimated fair value at the date of the gift. Unconditional pledges are recorded at their estimated present value, which approximates fair value, net of an allowance for uncollectible amounts. Conditional pledges are not recognized as revenue until such time as the conditions are met. Contributions to be used to acquire or construct long-lived assets are initially reported as with donor restrictions and released from restrictions when the resulting asset is placed in service.

(h) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost, or if donated, at estimated fair value at the date of donation and are presented net of accumulated depreciation. Additions to plant assets are capitalized while scheduled maintenance and minor renovations are charged to operations. Library books are expensed when purchased. Museum collections are not capitalized. Interest, depreciation, operations, and maintenance expenses have been allocated to functional expense classifications based on square footage utilized. When assets are retired or disposed, the cost and accumulated depreciation are removed from the accounts in the Statements of Financial Position and gains and losses from disposal are included in the Statements of Activities. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Buildings and Infrastructure	20–60
Building improvements	20
Furniture and equipment	4–12

(i) Student Charges

The College recognizes revenue from tuition, fees, room, and board within the fiscal year in which educational services are provided. Financial aid, in the form of scholarships and grants, includes amounts funded by the endowment, gifts and unrestricted institutional resources. This amount reduces the published price of tuition for students receiving such aid. As such, financial aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Tuition and fee revenue was \$142,966,000 and \$131,001,000 for the years ended June 30, 2022 and 2021, respectively, and room and board revenue was \$39,948,000 and \$20,108,000, respectively. Financial aid provided to students totaled \$79,353,000 and \$70,917,000 for the years ended June 30, 2022 and 2021, respectively.

(j) Grant Revenue

Grants and contracts awarded by federal and other sponsors, which generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The College has elected the simultaneous release option for conditional contributions that are also subject to

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purpose restrictions. Under this option, net assets without donor restrictions include donor restricted contributions for which purpose restrictions and conditions are met in the same reporting period. Total revenue from grants and contracts recognized in net assets without donor restrictions was \$13,599,000 and \$12,683,000 for the years ended June 30, 2022 and 2021, respectively, and are included in the government grants and private gifts and grants lines on the Statements of Activities. Payments received from sponsors in advance of conditions being met are reported as deferred income and advances under grants and contracts on the Statement of Financial Position, which totaled \$9,237,000 and \$6,294,000 on the as of June 30, 2022 and 2021, respectively.

Government grants normally provide for the recovery of direct and indirect costs. Recovery of related indirect costs is generally recorded at predetermined fixed rates negotiated with the government or at other predetermined rates determined by the grant provider.

(k) Auxiliary Operations

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

Room and board expenses are included in the student services functional line item on the Statements of Activities.

(l) Internal Revenue Code Status

The College has been granted tax-exempt status as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

The College has no material uncertain tax provisions as of June 30, 2022 and 2021.

For fiscal years 2022 and 2021, the College was subject to the federal excise tax of 1.4% imposed on colleges and universities meeting certain criteria. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on assets subject to the tax. The current portion of the excise tax was approximately \$2,645,000 and \$893,000 as of June 30, 2022 and 2021, respectively. The College has made provisions for a deferred tax liability resulting from net unrealized gains on qualifying assets and estimated at the 1.4% tax rate. The deferred tax liabilities are \$11,916,000 as of June 30, 2022 and \$11,055,000 as of June 30, 2021 and are included within accounts payable and accrued expenses on the Statements of Financial Position.

(m) Asset Retirement and Environmental Obligations

Asset retirement and environmental obligations (ARO) are legal obligations associated with long-lived assets. The College has recognized an estimated liability for legal obligations associated with environmental asset retirements in the period in which the obligation is incurred, typically when the College becomes obligated to remediate. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently amortized over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period

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June 30, 2022 and 2021

changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The College adjusts the ARO liabilities when the related obligations are settled. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Statements of Activities.

(n) Interest Rate Swap

In fiscal year 2008, the College entered into an interest rate swap agreement in conjunction with the issuance of the Massachusetts Development Finance Agency, Variable Rate Revenue Bonds, Series I in order to convert the variable rate debt to fixed rate, thereby hedging against changes in the cash flow requirements of the College's variable rate debt obligations.

Net payments or receipts under the swap agreement (differences between variable and fixed rate) are recorded as interest expense in the operating section of the Statements of Activities and are allocated to the functional expense categories. The change in fair value of the swap is recorded in the nonoperating section of the Statements of Activities as net unrealized gain(loss) on interest swap.

(o) Use of Estimates

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

(p) New Accounting Pronouncements

Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures for Contributed Nonfinancial Assets*, issued by the Financial Accounting Standards Board (FASB), requires contributed non-financial assets (gifts in kind) to be presented separately under other cash contributions on the statement of activities. This ASU became effective for the College for the year ended June 30, 2022, and the College's adoption did not have a material effect on the College's financial statements.

(q) Reclassifications

Certain other reclassifications have been made to the 2021 information to conform to the 2022 presentation.

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Notes to Financial Statements

June 30, 2022 and 2021

(2) Liquidity and Availability

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, interest and principal payments on debt, and capital renewal programs, were as follows (in thousands):

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 214,155	212,220
Contributions and accounts receivable, net	9,029	9,821
Approved endowment appropriation for upcoming year	109,624	100,561
Total financial assets available	332,808	322,602
Liquidity resources:		
Bank line of credit available	60,000	60,000
Total financial assets and other liquidity resources available	\$ 392,808	382,602

To manage liquidity, the College regularly monitors the availability of resources available to meet its general operating expenditures. Cash flows are subject to seasonal variations attributable to the timing of tuition billings, receipts of gifts and grants, pledge payments and transfers from the endowment.

In addition, as of June 30, 2022 and 2021, the College had \$858 million and \$983 million of board designated endowment funds, respectively. Although the College does not intend to spend from its board-designated endowment funds, these amounts could be made available with Board approval, subject to liquidity provisions of underlying investments.

(3) Contributions Receivable

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

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	\$ 5,816	5,865
One year to five years	26,182	29,822
Over five years	1,821	3,178
Less discounts and allowance for uncollectible accounts	(3,880)	(5,066)
Total	29,939	33,799
Assets held by external trustee	5,833	6,675
Contributions receivable, net	\$ 35,772	40,474

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Notes to Financial Statements
June 30, 2022 and 2021

Contributions receivable expected to be collected within one year are recorded at their net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured at the time of the contribution using rates indicative of the market and credit risk associated with the contribution. Discount rates used to calculate the present value of contributions receivable ranged from 3.0% to 5.0% as of June 30, 2022 and 2021.

(4) Investments and Fair Value Measurements

The fair values of investments at June 30, 2022 and 2021 were as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Investments:		
Investments pooled:		
Cash and cash equivalents	\$ 178,836	166,000
Bonds	72,632	92,390
Equities	712,775	847,655
Private equity	1,168,470	1,359,233
Real assets	180,382	143,299
Absolute return	<u>522,388</u>	<u>616,998</u>
Total pooled investments	2,835,483	3,225,575
Faculty mortgages	<u>23,227</u>	<u>24,889</u>
Total pooled investments and faculty mortgages	2,858,710	3,250,464
Investments not pooled:		
Cash and cash equivalents	<u>221</u>	<u>220</u>
Total investments	<u>\$ 2,858,931</u>	<u>3,250,684</u>
Planned giving investments:		
Pooled income funds and annuities:		
Cash and cash equivalents	\$ 1,781	725
Bonds	9,903	10,176
Equities	<u>26,491</u>	<u>38,787</u>
Total pooled income and annuities	<u>38,175</u>	<u>49,688</u>
Charitable remainder trusts:		
Cash and cash equivalents	97	31
Bonds	1,572	2,509
Equities	8,676	10,776
Other assets	1,511	1,888
Assets held by external trustee	<u>1,450</u>	<u>2,625</u>
Total charitable remainder trusts	<u>13,306</u>	<u>17,829</u>
Total planned giving investments	<u>\$ 51,481</u>	<u>67,517</u>

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

The majority of College investments are invested in the College's long-term investment pool. Assets in this pool also include faculty mortgages and planned giving assets. Planned giving assets have a readily determinable fair value and are categorized in Level 1 in the fair value hierarchy.

Under the terms of certain limited partnership agreements, the College is obligated to periodically advance additional funding for private equity investments. Such commitments generally have fixed expiration dates or other termination clauses. The College maintains sufficient liquidity in its investment portfolio to cover such calls. Outstanding commitments approximated \$348,055,000 and \$316,650,000 as of June 30, 2022 and 2021, respectively.

Fair Value Disclosures

The following fair value hierarchy tables present information about the College's assets and liabilities measured at fair value on a recurring basis at June 30, 2022 and 2021 (in thousands):

Assets	2022				
	NAV as Practical expedient	Level 1	Level 2	Level 3	Total
Investments:					
Equities	\$ 712,775	—	—	—	712,775
Fixed income	—	72,632	—	—	72,632
Private equity	1,168,470	—	—	—	1,168,470
Real assets	180,382	—	—	—	180,382
Absolute return	522,388	—	—	—	522,388
Cash equivalents and other assets	—	179,057	—	23,227	202,284
Total investments at fair value	<u>\$ 2,584,015</u>	<u>251,689</u>	<u>—</u>	<u>23,227</u>	<u>2,858,931</u>
Liabilities					
Interest rate swap agreement	\$ —	—	(8,816)	—	(8,816)
Total	<u>\$ —</u>	<u>—</u>	<u>(8,816)</u>	<u>—</u>	<u>(8,816)</u>

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

Assets	2021				
	NAV as Practical expedient	Level 1	Level 2	Level 3	Total
Investments:					
Equities	\$ 824,834	22,821	—	—	847,655
Fixed income	—	92,390	—	—	92,390
Private equity	1,359,233	—	—	—	1,359,233
Real assets	143,299	—	—	—	143,299
Absolute return	616,997	—	—	—	616,997
Cash equivalents and other assets	—	166,221	—	24,889	191,110
Total investments at fair value	<u>\$ 2,944,363</u>	<u>281,432</u>	<u>—</u>	<u>24,889</u>	<u>3,250,684</u>
Liabilities					
Interest rate swap agreement	\$ —	—	(19,104)	—	(19,104)
Total	<u>\$ —</u>	<u>—</u>	<u>(19,104)</u>	<u>—</u>	<u>(19,104)</u>

Interest rate swap is valued at the present value of the series of net cash flows resulting from the exchange of fixed-rate payments for floating rate payments over the remaining life of the contract from Statements of Financial Position 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 2.

The following table presents faculty mortgages carried at fair value as of June 30, 2022 and 2021 that are classified within Level 3 of the fair value hierarchy (in thousands):

	2022	2021
Balance beginning of year	\$ 24,889	23,031
Realized and unrealized gains accrued interest	788	675
Additions	1,285	3,307
Payments received	<u>(3,735)</u>	<u>(2,124)</u>
Balance end of year	<u>\$ 23,227</u>	<u>24,889</u>

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2022 and 2021

Detailed liquidity of the College's investments as of June 30, 2022 and 2021 is as follows (in thousands):

2022						
	Daily/monthly	Quarterly	Greater than quarterly and less than one year	Greater than one year	Illiquid	Total
Investments:						
Equities	\$ 404,217	166,397	29,177	98,888	14,096	712,775
Fixed income	72,632	—	—	—	—	72,632
Private equity	—	—	—	—	1,168,470	1,168,470
Real assets	—	—	—	—	180,382	180,382
Absolute return	122,835	117,075	197,645	57,859	26,974	522,388
Cash and other assets	179,057	—	—	—	23,227	202,284
Total investments at fair value	<u>\$ 778,741</u>	<u>283,472</u>	<u>226,822</u>	<u>156,747</u>	<u>1,413,149</u>	<u>2,858,931</u>
2021						
	Daily/monthly	Quarterly	Greater than quarterly and less than one year	Greater than one year	Illiquid	Total
Investments:						
Equities	\$ 497,597	225,200	28,959	80,362	15,537	847,655
Fixed income	92,390	—	—	—	—	92,390
Private equity	—	—	—	—	1,359,233	1,359,233
Real assets	—	—	—	—	143,299	143,299
Absolute return	79,651	140,530	216,875	114,593	65,348	616,997
Cash and other assets	166,221	—	—	—	24,889	191,110
Total investments at fair value	<u>\$ 835,859</u>	<u>365,730</u>	<u>245,834</u>	<u>194,955</u>	<u>1,608,306</u>	<u>3,250,684</u>

(5) Endowment

The College's endowment consists of approximately 2,000 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi funds). Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2022, the fair market value of certain endowment funds were less than their original donated value of \$11,162,000 ("underwater") by a total of \$983,000.

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2022 and 2021

At June 30, 2022 and 2021, endowment net assets consisted of the following (in thousands):

	2022		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 857,577	—	857,577
Donor-restricted endowment funds:			
Historical cost	—	652,873	652,873
Appreciation	—	1,336,415	1,336,415
Total endowment net assets	<u>\$ 857,577</u>	<u>1,989,288</u>	<u>2,846,865</u>
	2021		
	Without donor restrictions	With donor restrictions	Total
Board designated endowment funds	\$ 982,676	—	982,676
Donor-restricted endowment funds:			
Historical cost	—	634,058	634,058
Appreciation	—	1,620,051	1,620,051
Total endowment net assets	<u>\$ 982,676</u>	<u>2,254,109</u>	<u>3,236,785</u>

Changes in endowment net assets for the year ended June 30, 2022 and 2021 were as follows (in thousands):

	Without donor restrictions	With donor restrictions	Total
Balance June 30, 2021	\$ 982,676	2,254,109	3,236,785
Net investment return	(95,699)	(211,175)	(306,874)
Contributions and transfers	4,496	18,814	23,310
Distributions	(33,896)	(72,460)	(106,356)
Balance June 30, 2022	<u>\$ 857,577</u>	<u>1,989,288</u>	<u>2,846,865</u>

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2022 and 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Balance June 30, 2020	\$ 691,216	1,594,181	2,285,397
Net investment return	314,310	712,163	1,026,473
Contributions and transfers	6,982	14,419	21,401
Distributions	<u>(29,832)</u>	<u>(66,654)</u>	<u>(96,486)</u>
Balance June 30, 2021	<u>\$ 982,676</u>	<u>2,254,109</u>	<u>3,236,785</u>

(6) Land, Buildings and Equipment

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

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 50,636	50,403
Buildings and building improvements	839,393	718,727
Equipment	14,173	11,444
Construction in progress	<u>31,387</u>	<u>110,218</u>
	935,589	890,792
Less accumulated depreciation	<u>(385,478)</u>	<u>(362,004)</u>
Total	<u>\$ 550,111</u>	<u>528,788</u>

Depreciation and amortization expense was \$24,649,000 and \$24,267,000 for the years ended June 30, 2022 and 2021, respectively.

The College recognized \$1,018,000 and \$868,000 of operating expenses relating to the accretion of environmental liabilities associated with the asset retirement obligations for the years ended June 30, 2022 and 2021, respectively. Conditional asset retirement obligations of \$24,160,000 and \$23,716,000 at June 30, 2022 and 2021, respectively, are presented in the liabilities section of the Statements of Financial Position.

(7) Bonds Payable and Lines of Credit

Indebtedness at June 30, 2022 and 2021 includes various bonds issued through the Massachusetts Development Finance Agency (MDFA) and other parties. Interest payments on debt totaled \$14,810,000 and \$14,922,000 during fiscal years 2022 and 2021, respectively.

The College has an available line of credit with a bank. The line of credit allows the College to borrow up to \$60 million, with a monthly variable rate based on one-month LIBOR plus 0.25%. This line of credit can be used for varying purposes and expires on March 01, 2026. As of June 30, 2022 and 2021, there were no amounts outstanding under this line of credit.

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

During July 2020, the College entered into a Note Purchase Agreement with New York Life providing for \$150 million of senior unsecured notes at a rate of 3.00% due in periodic installments. The College will utilize the proceeds for various purposes, including but not limited to, ongoing capital expenditures.

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

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

	2022	2021
M DFA, Series I, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2021 was 0.364%.	\$ 57,385	57,385
M DFA, Series G, Variable Rate Demand Bonds, bearing interest at a weekly rate, maturing July 2039. The rate at June 30, 2021 was 0.364%.	20,000	20,000
M DFA, 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 2.935% to 4.196%, maturing 2042.	83,575	86,095
M DFA, Series L, Revenue Bonds, issued at an interest rate of 4.000% to 5.000%, maturing 2048.	91,915	93,185
M DFA, Series M, Revenue Bonds, issued at an interest rate of 2.500% to 5.000%, maturing 2041.	44,960	—
New York Life Note Agreement, issued at an interest rate of 3.00%, maturing through 2050.	150,000	150,000
Total bonds payable	447,835	456,465
Less unamortized bond issue costs	(1,844)	(1,737)
Add unamortized original issue premium	12,838	11,481
	\$ 458,829	466,209

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2022 and 2021

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

2023	\$	4,555
2024		3,620
2025		3,785
2026		5,315
2027		5,520
Thereafter		425,040
Total bonds payable	\$	447,835

In order to reduce exposure to floating interest rates on the MDFA Series I variable Rate Demand Bonds, in January 2008, the College entered into an interest rate swap agreement with a term through 2039. This swap effectively locks in a fixed rate of 3.239% per annum. The agreement has a notional amount of \$57,385,000. At June 30, 2022 and 2021, the fair value of the swap agreement was a liability of \$8,816,000 and \$19,104,000, respectively. The fair value of the swap is the estimated amount that the College would receive or pay to terminate the agreement at the reporting date, 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 other liabilities on the Statements of Financial Position. The change in fair value of the swap is recorded in the nonoperating section of the Statements of Activities as net unrealized gain or loss on interest swap. This financial instrument necessarily involves counterparty credit exposure and the College's own nonperformance risk. The counterparty for this swap agreement is a major financial institution that meets the College's criteria for financial stability and credit-worthiness. The change in fair value resulted in a gain of \$10,288,000 in 2022 and a gain of \$6,442,000 in 2021. Additionally, the College paid net interest expense in association with the swap agreement of \$1,882,000 and \$1,656,000 for the years ended June 30, 2022 and 2021, respectively, which is recorded as interest expense and allocated to functional categories in the operating section of the Statements of Activities.

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

(8) Annuities and Unitrusts Payable

The College has split-interest agreements consisting primarily of annuities, pooled life income funds, and charitable remainder unitrusts for which the College may or may not serve as trustee. Split-interest agreements are included in planned giving investments, and at June 30, 2022 and 2021, there is approximately \$12,066,000 and \$13,899,000, respectively, invested alongside the endowment, which is included within the investments totals on the Statements of Financial Position. Contributions are recognized at the dates the trusts are established net of a liability for the present value of the estimated future cash outflows to beneficiaries. The present value of payments is discounted at a rate of return that ranges from 3.5% to 5.0%. The liability of \$31,976,000 and \$35,112,000 at June 30, 2022 and 2021, 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.

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

(9) Retirement Plans

The College has a defined contribution, noncontributory annuity pension plan for faculty and administrative personnel administered by TIAA. As part of its response to the COVID-19 pandemic, the plan was amended August 1, 2020 through June 30, 2021, to change the employer contribution from 9% to 3% of participant's compensation. As a result of this change, the College contributed \$3,074,000 for the year ended June 30, 2021.

The Plan was amended July 1, 2021 to restore the College contribution to 9%. Under this plan, the College contributed \$8,850,000 for the years ended June 30, 2022. During fiscal year 2022, the College also provided one-time discretionary non-elective contributions to the plan to restore the contributions that were reduced from August 2020 through June 2021 in the amount of \$6,691,000.

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

The measurement dates for determining the benefit obligations and net periodic benefit cost for the defined benefit plan were June 30, 2022 and 2021. For June 30, 2022 and 2021, there is a significant gain associated with the change in the discount rate assumption.

The significant assumptions underlying the actuarial computations and changes in the benefit obligation as of and for the years ended June 30 were as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Assumptions used to determine benefit obligations:		
Discount rate	4.60 %	2.65 %
Rate of compensation increase	3.00	3.00
Assumptions used to determine net periodic benefit cost:		
Discount rate	2.65 %	2.55 %
Expected return on plan assets	7.00	7.00
Rate of compensation increase	3.00	3.00
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 92,569	95,592
Service cost	2,224	2,508
Interest cost	2,402	2,379
Actuarial (gain)/loss, net of administrative expenses paid	(20,236)	(4,071)
Plan settlements	(4,776)	—
Benefits paid	(2,615)	(3,839)
Benefit obligation at end of year	<u>\$ 69,568</u>	<u>92,569</u>

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Accumulated benefit obligation	\$ 64,102	82,939
Change in plan assets:		
Fair value of plan assets at end of prior year	\$ 67,687	53,577
Actual return on plan assets, net of administrative expenses	(9,974)	14,485
Employer contributions	3,227	3,464
Plan settlements	(4,776)	—
Benefits paid	<u>(2,615)</u>	<u>(3,839)</u>
Fair value of plan assets at end of year	<u>\$ 53,549</u>	<u>67,687</u>
Funded status:		
Funded status	\$ (16,019)	(24,883)
Components of net periodic benefit cost:		
Service cost	\$ 2,224	2,508
Interest cost	2,402	2,379
Expected return on plan assets	(4,574)	(3,223)
Net loss on amortization	839	2,364
Loss on settlement	<u>749</u>	<u>—</u>
Net periodic benefit cost	<u>\$ 1,640</u>	<u>4,028</u>

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

2023	\$ 4,356
2024	4,915
2025	5,130
2026	4,520
2027	4,272
2028–2031	<u>25,437</u>
	<u>\$ 48,630</u>

The College expects to make an employer contribution into the defined benefit plan of \$2,900,000 in the 2023 fiscal year.

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

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2022 and 2021

The following lists the Plan's asset allocation at June 30, 2022 and 2021 (in thousands):

<u>Asset category</u>	<u>Fair value at June 30</u>	
	<u>2022</u>	<u>2021</u>
Equity securities	\$ 39,800	55,226
Fixed income	11,611	12,457
Cash and cash equivalents	2,139	4
	<u>\$ 53,550</u>	<u>67,687</u>

All pension plan assets are categorized in Level 1 of the fair value hierarchy and are in commingled funds.

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

(10) Net Assets

Net assets consist of the following at June 30, 2022 and 2021 (in thousands):

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Board designated endowments:		
Student financial aid	\$ 47,319	54,097
Professorships	153,952	175,298
Other programming	656,306	753,281
Total board designated endowments	857,577	982,676
Undesignated	(47,764)	(84,541)
Accrued pension liability	(16,019)	(24,883)
Interest rate swap liability	(8,816)	(19,104)
Net investment in plant	151,147	136,430
Total without donor restrictions	<u>936,125</u>	<u>990,578</u>

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2022 and 2021

	2022	2021
With donor restrictions:		
Donor restricted endowments:		
Student financial aid	\$ 767,449	869,145
Professorships	560,860	634,480
Other programming	660,979	750,484
Total donor restricted endowments	1,989,288	2,254,109
Purpose restricted and other:		
Student financial aid and loans	14,023	9,661
Capital	27,379	65,083
Annuity funds	33,646	47,968
Life income funds	2,556	3,062
Other programming	55,805	58,818
Unexpended endowment income	35,754	26,858
Other	6,703	11,664
Total with donor restrictions	2,165,154	2,477,223
Total net assets	\$ 3,101,279	3,467,801

(11) Expenses

The Statements of Activities present expenses by functional classification. The College also summarizes its expenses by natural classification. The composition of functional expenses for the years ended June 30, 2022 and 2021 by natural classification are as follows (in thousands):

	2022					
	Salaries and wages	Employee benefits	Supplies and services	Other expenses	Depreciation, amortization and interest	Total expenses
Instruction	\$ 51,007	17,220	3,276	11,234	13,370	96,107
Sponsored research	5,503	1,768	1,133	4,125	—	12,529
Student services	18,522	6,191	10,195	7,187	16,320	58,415
Academic support	9,065	2,968	2,772	4,665	3,784	23,254
Institutional support	21,613	5,775	8,088	8,685	4,659	48,820
Auxiliary operations	1,567	502	1,133	2,952	2,587	8,741
Total operating expenses for 2022	\$ 107,277	34,424	26,597	38,848	40,720	247,866
Net periodic postretirement cost other than service cost	\$ —	(584)	—	—	—	(584)

WELLESLEY COLLEGE
Notes to Financial Statements
June 30, 2022 and 2021

	2021					
	Salaries and wages	Employee benefits	Supplies and services	Other expenses	Depreciation, amortization and interest	Total expenses
Instruction	\$ 50,095	14,763	1,887	8,753	13,218	88,716
Sponsored research	5,436	1,528	181	4,337	—	11,482
Student services	17,451	5,042	6,978	7,202	16,134	52,807
Academic support	9,084	2,674	1,886	3,807	3,741	21,192
Institutional support	20,715	3,254	3,657	7,223	4,606	39,455
Auxiliary operations	1,947	536	777	2,218	2,558	8,036
Total operating expenses for 2021	<u>\$ 104,728</u>	<u>27,797</u>	<u>15,366</u>	<u>33,540</u>	<u>40,257</u>	<u>221,688</u>
Net periodic postretirement cost other than service cost	\$ —	1,520	—	—	—	1,520

(12) Related Parties

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

The Wellesley College Alumnae Association is a separate 501(c)(3) organization whose mission is to support the institutional priorities of Wellesley College. Endowment investments held on its behalf are included in the College's long-term investment pool and are reflected as part of the College's assets and liabilities. Assets at fair value totaled \$11,515,000 and \$13,159,000 at June 30, 2022 and 2021, respectively, and are included within investments on the Statements of Financial Position and a corresponding liability included within other liabilities.

The College offers a faculty mortgage program to tenured faculty members. Mortgages due from faculty of \$23,227,000 and \$24,889,000 at June 30, 2022 and 2021, respectively, are included in the investments balance on the Statements of Financial Position.

(13) Commitments and Contingencies

In 1975, the College identified the presence of hazardous materials from an abandoned 19th century paint factory on land acquired by the College in 1932. When federal and state superfund laws were promulgated in the 1980s the College gained responsibility for the clean-up of contaminants found. The remediation was substantially completed in 2014, but the College continues periodic monitoring and reporting under the Massachusetts Contingency Plan (MCP).

In June of 2002, the College discovered an old gas plant site. Following MA DEP MCP guidelines, the College conducted remedial activities and is now in a temporary solution conducting operation, maintenance and monitoring activities for certain chemicals in groundwater.

WELLESLEY COLLEGE

Notes to Financial Statements

June 30, 2022 and 2021

In 2018, the College offered a voluntary retirement program to eligible faculty and staff. Total expenses related to the program were \$9,832,000, for the year ended June 30, 2018. The future payment obligations of \$1,118,000 and \$1,941,000 at June 30, 2022 and 2021, respectively, are included in accounts payable and accrued expenses on the Statements of Financial Position.

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

(14) COVID-19 Pandemic

As a result of the COVID-19 pandemic (the pandemic), during fiscal year 2021, the College decided to provide single-occupancy rooms only for students living on campus. All other students attended classes remotely. This resulted in approximately 1,100 students living on campus each semester, representing approximately one-half of total enrolled students, and reduced room and board revenue for the fiscal year ended June 30, 2021 by approximately \$18,000,000.

In fiscal year 2021, the College was awarded a second round of funding from the Higher Education Emergency Relief Fund II (HEERF II) under Section 341(a)(1) of the Coronavirus Response and Relief Supplemental Appropriations Act, 2022 (CRRSAA). The College received \$985,000 to provide additional emergency financial aid grants to students. The College disbursed \$968,000 to students in fiscal year 2021, and disbursed the remaining \$17,000 to students in fiscal year 2022. The College was also awarded, and utilized, \$928,000 of HEERF II funding to support pandemic related institutional expenditures in fiscal year 2021.

During fiscal year 2022, the College was awarded a third round of funding under the Higher Education Emergency Relief Fund III (HEERF III) under Section 2003(a)(1) of the American Rescue Plan Act for Emergency Financial Aid Grants to students. The College received a total of \$2,521,065 of funding and disbursed the entire amount to students during the fiscal year. The College also received and utilized \$2,521,065 of the institutional portion awarded in fiscal year 2022. Both portions of funding are recorded in the government grants section of the Statement of Activities.

(15) Subsequent Events

The College has assessed the impact of subsequent events through October 27, 2022, the date the audited financial statements were issued, and has concluded that there are no such events that require adjustment to the audited financial statements or disclosure in the notes of the audited financial statements.