



Financial Statements

Wheelock College

June 30, 2011 and 2010



Mayer Hoffman McCann P.C.
An Independent CPA Firm
Tofias New England Division

WHEELOCK COLLEGE

Financial Statements

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Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

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Independent Auditors' Report

Board of Trustees
Wheelock College
Boston, Massachusetts

We have audited the accompanying statements of financial position of Wheelock College (the "College") as of June 30, 2011 and 2010, and the related statements of activities, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wheelock College as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

October 13, 2011
Boston, Massachusetts

WHEELOCK COLLEGE

Statements of Financial Position

	<i>June 30,</i>	
	<i>2011</i>	<i>2010</i>
Assets		
Cash	\$ 973,263	\$ 256,096
Accounts and grants receivable, net	1,979,809	2,005,324
Contributions receivable, net	120,988	554,046
Loans receivable, net	1,271,914	1,647,559
Investments	49,767,088	40,208,284
Prepayments and other assets	871,441	901,171
Beneficial interest in trusts and remainder trusts	3,199,494	2,854,957
Funds held by bond trustee	3,035,463	3,035,512
Land, buildings and equipment, net	72,451,268	73,884,889
	<u>72,451,268</u>	<u>73,884,889</u>
Total assets	\$ 133,670,728	\$ 125,347,838
	<u><u>133,670,728</u></u>	<u><u>125,347,838</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,301,085	\$ 2,137,877
Annuity and other split interest obligations	502,227	531,601
Deferred income and deposits	1,992,229	1,335,716
Debt	42,154,802	42,182,607
Government advances for student loans	945,387	945,387
	<u>945,387</u>	<u>945,387</u>
Total liabilities	47,895,730	47,133,188
	<u>47,895,730</u>	<u>47,133,188</u>
Net assets:		
Unrestricted	50,896,162	47,228,069
Temporarily restricted	10,815,335	8,111,748
Permanently restricted	24,063,501	22,874,833
	<u>24,063,501</u>	<u>22,874,833</u>
Total net assets	85,774,998	78,214,650
	<u>85,774,998</u>	<u>78,214,650</u>
Total liabilities and net assets	\$ 133,670,728	\$ 125,347,838
	<u><u>133,670,728</u></u>	<u><u>125,347,838</u></u>

WHEELOCK COLLEGE

Statement of Activities

Year Ended June 30, 2011
(with comparative total for 2010)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total 2011</i>	<i>Total 2010</i>
Operating revenues and other support:					
Student tuition and fees	\$ 30,762,013	\$ -	\$ -	\$ 30,762,013	\$ 27,315,311
Less: Institutional scholarships	(10,330,888)	-	-	(10,330,888)	(9,019,001)
Net student tuition and fees	20,431,125	-	-	20,431,125	18,296,310
Dormitory and dining hall fees	6,404,042	-	-	6,404,042	5,473,677
Grants and contracts	4,474,996	803,966	-	5,278,962	1,864,699
Contributions	1,727,763	810,056	-	2,537,819	2,414,933
Investment income	52,453	-	-	52,453	87,620
Investment income availed per endowment spending policy	2,026,016	-	-	2,026,016	1,980,794
Other	3,006,684	-	-	3,006,684	1,797,662
Net assets released from restrictions	1,558,491	(1,558,491)	-	-	-
Total operating revenues and other support	39,681,570	55,531	-	39,737,101	31,915,695
Operating expenses:					
Program:					
Instruction, research and related programs	25,185,798	-	-	25,185,798	20,527,361
Operation of dormitories and dining hall	6,173,714	-	-	6,173,714	6,135,939
Total program expenses	31,359,512	-	-	31,359,512	26,663,300
Management and general	8,054,008	-	-	8,054,008	6,756,124
Total operating expenses	39,413,520	-	-	39,413,520	33,419,424
Change in operating net assets	268,050	55,531	-	323,581	(1,503,729)
Non-operating revenue/expense:					
Contributions	145,675	4,253	535,071	684,999	768,244
Net assets released from restrictions	387,131	(387,131)	-	-	-
Investment gain, net of amounts availed	2,856,828	3,008,732	649,791	6,515,351	1,956,298
Change in value of split-interest agreements	10,409	22,202	3,806	36,417	(28,550)
Change in non-operating net assets	3,400,043	2,648,056	1,188,668	7,236,767	2,695,992
Change in net assets	3,668,093	2,703,587	1,188,668	7,560,348	1,192,263
Net assets, beginning of year	47,228,069	8,111,748	22,874,833	78,214,650	77,022,387
Net assets, end of year	\$ 50,896,162	10,815,335	24,063,501	\$ 85,774,998	\$ 78,214,650

See accompanying notes to financial statements.

WHEELOCK COLLEGE

Statement of Activities

Year Ended June 30, 2010

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Operating revenues and other support:				
Student tuition and fees	\$ 27,315,311	\$ -	\$ -	\$ 27,315,311
Less: Institutional scholarships	(9,019,001)	-	-	(9,019,001)
Net student tuition and fees	18,296,310	-	-	18,296,310
Dormitory and dining hall fees	5,473,677	-	-	5,473,677
Grants and contracts	185,558	1,679,141	-	1,864,699
Contributions	739,933	1,675,000	-	2,414,933
Investment income	87,620	-	-	87,620
Investment income availed per endowment spending policy	1,980,794	-	-	1,980,794
Other	1,797,662	-	-	1,797,662
Net assets released from restrictions	2,126,773	(2,126,773)	-	-
Total operating revenues and other support	30,688,327	1,227,368	-	31,915,695
Operating expenses:				
Program:				
Instruction, research and related programs	20,527,361	-	-	20,527,361
Operation of dormitories and dining hall	6,135,939	-	-	6,135,939
Total program expenses	26,663,300	-	-	26,663,300
Management and general	6,756,124	-	-	6,756,124
Total operating expenses	33,419,424	-	-	33,419,424
Change in operating net assets	(2,731,097)	1,227,368	-	(1,503,729)
Non-operating revenue/expense:				
Contributions	183,703	-	584,541	768,244
Net assets released from restrictions	1,139,873	(1,139,873)	-	-
Investment gain (loss), net of amounts availed	942,767	689,398	324,133	1,956,298
Construction-related net interest expense	-	-	-	-
Change in value of split-interest agreements	15,238	20,874	(64,662)	(28,550)
Change in non-operating net assets	2,281,581	(429,601)	844,012	2,695,992
Change in net assets	(449,516)	797,767	844,012	1,192,263
Net assets, beginning of year	47,677,585	7,313,981	22,030,821	77,022,387
Net assets, end of year	\$ 47,228,069	\$ 8,111,748	\$ 22,874,833	\$ 78,214,650

WHEELOCK COLLEGE

Statements of Cash Flows

	<i>Years Ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
Cash flows from operating activities:		
Change in net assets	\$ 7,560,348	\$ 1,192,263
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,633,145	2,853,354
Net realized and unrealized investment gains	(7,724,819)	(2,867,865)
Unrealized gains on beneficial interest in trusts	(337,525)	(175,831)
Change in value of deferred liability	(7,012)	49,960
Gifts of securities	(753,681)	(530,815)
Contributions restricted for long-term investments	(535,071)	(584,541)
Income restricted for long-term investments	(74,450)	(79,309)
Provision for doubtful loans and accounts and grants receivable	429,665	396,534
Change in operating assets and liabilities:		
Accounts and grants receivable	(107,690)	159,873
Contributions receivable	433,058	5,302,930
Prepayments and other assets	(5,028)	(71,040)
Accounts payable and accrued expenses	163,209	(6,604,592)
Annuity and pooled life income obligations	(29,374)	(21,412)
Deferred income and deposits	656,513	(45,654)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	2,301,288	(1,026,145)
	<hr/>	<hr/>
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(1,192,572)	(4,496,000)
Purchases of investments	(34,861,711)	(56,538,251)
Proceeds from sales of investments	33,781,407	60,878,493
Change in funds held by bond trustees	49	194,141
Loans granted	(212,939)	(294,886)
Loans repaid and cancelled	292,124	244,704
	<hr/>	<hr/>
Net cash used in investing activities	(2,193,642)	(11,799)
	<hr/>	<hr/>
Cash flows from financing activities:		
Contributions restricted for long-term investments	535,071	584,541
Income restricted for long-term investments	74,450	79,309
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Net cash provided by financing activities	609,521	663,850
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Increase (decrease) in cash	717,167	(374,094)
	<hr/>	<hr/>
Cash, beginning	256,096	630,190
	<hr/>	<hr/>
Cash, ending	\$ 973,263	\$ 256,096
	<hr/>	<hr/>
<u>Supplemental Disclosure:</u>		
Cash paid during the year for interest	\$ 2,191,550	\$ 2,191,550
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WHEELOCK COLLEGE

Notes to Financial Statements

Note 1 - Organization

Wheelock College (the “College”), founded in 1888, is a private nonsectarian institution located in Boston’s Longwood Medical and Academic area. The College offers undergraduate and graduate programs in the professional fields of child life, social work and education, as well as in the liberal arts and sciences. Its student population is drawn primarily from the New England states.

The College participates in student financial aid programs sponsored by the United States Department of Education that facilitate the payment of tuition and other expenses for a significant portion of its students.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net assets and revenues, expenses, gains and losses are classified based on the existence or the absence of donor-imposed restrictions. Accordingly, net assets of the College are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Temporarily restricted - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the College and/or the passage of time. Unexpended appreciation on endowment type assets is included as part of temporarily restricted net assets until expended.

Permanently restricted - Net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently but may permit the College to use or expend part or all of the economic benefits derived from the donated assets.

The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted gifts intended for capital projects are released from their temporary restrictions and presented as unrestricted support when the related expenditures are incurred.

Operations

The statement of activities reports the changes in unrestricted, temporarily restricted and permanently restricted net assets from operating and non-operating activities. Operating expenses consist of those items attributable to the College’s primary mission of providing education. The primary operating revenues are derived from tuition, room and board, the theater program, grants and contracts, restricted and unrestricted gifts for current operations (and related earnings), income and gains appropriated from the earnings of the pooled investments (endowment and quasi-endowment) consistent with the College’s spending policy plus earnings from general unrestricted investments.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Operations (Continued)

Investment income and gains/losses on endowment, temporarily restricted and Board-designated funds, other than the amount appropriated for operations, are classified as non-operating activities. Gifts to the endowment and other gifts not directed to current operations, as well as capital improvements and facilities, are also classified as non-operating activities. In addition, changes in the value of split-interest agreements are also classified as non-operating activities.

Cash

Cash held by investment managers are considered part of investments given the expectation of near term reinvestment.

The College maintains its cash balances at several financial institutions, which at times exceed federally insured limits. The College monitors its exposure and has not experienced any losses in such accounts.

Accounts and Grants Receivable

Accounts and grants receivable are reported at the amount management expects to collect on balances outstanding at year end. Management estimates the allowance for doubtful accounts based on history of collections and knowledge about specific items. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the reserve when deemed uncollectible; recoveries are recorded when received. An account is considered uncollectible when all efforts to collect the account have been exhausted. Accounts receivable are considered past due if any portion of the receivable balance is outstanding after the due date of the charges. Interest is not charged on receivables.

Contributions Receivable

Unconditional promises to give are reported at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at by using the present value of a risk adjusted rate to account for the inherent risk associated with the expected future cash flows which is considered a level 2 fair value method. Amortization of the discount is included in contributions revenue. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections revenue. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from plans on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

Loans Receivable / Financing Receivables

Loans receivable include both Perkins loans and College loans receivable from students and former students. Perkins loans receivable are funds advanced to the College by the Federal government under the Federal Perkins Loans Program ("Perkins").

WHEELOCK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Loans Receivable / Financing Receivables (Continued)

College funds loaned to students are carried at their estimated net realizable value. Interest income is recorded monthly. Loans receivable are considered past due if any portion of the balance due is past its due date. Interest is recorded monthly and late fees on past due accounts are recorded when received. College loans receivable are written off when deemed uncollectable. Recoveries of loans receivable previously written off are recorded as a reduction of bad debt expense. Interest and late fees on past due amounts are recorded when received.

Perkins funds may be re-loaned by the College after collection, but in the event that the College no longer participates in the Perkins Program, the amounts are generally refundable to the Federal government. Loans receivable are carried at their net realizable value. Interest income is recorded monthly. Loans receivable are considered past due if any portion of the balance due is past its due date. Interest is recorded monthly and late fees on past due accounts are recorded when received. Perkins loans receivable deemed uncollectible may be assigned to the U.S. Department of Education based on criteria established by the U.S. Department of Education.

Management determines the allowance for doubtful accounts on all loans receivable (both Perkins and College loans) by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Funds Held by Bond Trustee

Funds held by bond trustee consist primarily of funds held for debt service that have been invested in accordance with the various resolutions and note agreements in connection with the Massachusetts Development Finance Agency fixed rate revenue bonds. Funds held by bond trustee are carried at fair value which was determined as per fair value measurements policies in this section.

Fair Value Measurements

The College reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include the College's pooled investments, life income funds, beneficial interests in trusts, and funds held by bond trustee. Nonrecurring measures include pledges and asset retirement obligations. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the College reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the College to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3, depending on lock up and notice periods associated with the underlying funds.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock up periods of 90 days or less.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock up periods in excess of 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the College's financial instruments, see Note 8 - Fair Values of Financial Instruments.

Investments

Investments are carried at fair value. Fair value is determined as per the fair value measurements policy in this section.

Interest, dividends and net gains or losses on investments are reported as increases or decreases in permanently restricted net assets if the terms of the original gift require that they be applied to the principal of a permanent endowment fund; as increases or decreases in temporarily restricted net assets if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses; and as increases or decreases in unrestricted net assets in all other cases.

Bond Issuance Costs and Bond Premium

Included in prepayments and other assets are bond issuance costs that are amortized using the weighted average method over the period the bonds are outstanding. Bond issuance costs, net of amortization were approximately \$570,000 and \$605,000 as of June 30, 2011 and 2010, respectively. Amortization expense for both bond issuance costs and premium were \$34,758 and \$27,804, respectively, in both 2011 and 2010.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Split-Interest Agreements

Beneficial Interest in Trusts and Remainder Trusts

The College records its beneficial interest in trusts and remainder trusts at fair value when the College is notified of the existence of the instrument. On an ongoing basis, the College reports its' interest at fair value based on its underlying share of assets, and estimates the fair value of the remainder.

Charitable Gift Annuities

From time to time, the College receives charitable gift annuities in which donors contribute assets and receive a promise of payments for life. The assets and obligations are initially recorded at fair value with the assets generally being at level 1 and obligations measured at level 2 per the fair value policy contained elsewhere in this section. The assets received are transferred to the College's managers for long-term investment as part of the portfolio. The obligations are periodically updated to reflect changes in life expectancy using the same discount rate as when the gift was made. The College also has small amounts included in this obligation for other types of split interest.

Charitable Remainder Trusts

The College records an asset for charitable remainder trust agreements, included in beneficial interest in trusts, for which the College is a beneficiary but is not the trustee of the assets. The asset is recorded at the present value of the anticipated residual interest in the trust.

Pooled Life Income Funds

The College manages a pooled life income fund, included in investments. Donors are assigned a specific number of units based on their proportion of the fair market value of the contribution to the total fair value of the fund. Donors receive the actual income earned on those units, included in annuity and pooled life income obligations, until their death. At that time, the value of the units assigned to the donor become available to the College without restriction.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost, or if received by gift, at the fair value at the date of the gift. Depreciation expense is computed on the straight-line basis over the estimated useful lives of buildings (forty years) and furniture and equipment (five years). No salvage values are assumed in the computation of depreciation. Interest on debt is capitalized to the extent that the College meets the criteria for capitalization of such costs during the year. The amount of interest cost eligible for capitalization is reduced by any interest earned on the unused proceeds associated with the debt issuance.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Conditional Asset Retirement Obligations

The College applies the principles of accounting for conditional asset retirement obligations to its retirement obligations. Under these principles, the obligation to perform asset retirement activity may be unconditional even though uncertainty exists about the timing and (or) method of settlement. If such liabilities can be reasonably estimated, the College initially records such obligations at fair value using level 3 as per the fair value policies. Subsequent considerations of these obligations are made based on changes in expected timing and cost, however, discount rates remain over the life of each obligation. The College has recorded a liability of approximately \$154,000 for the years ended June 30, 2011 and 2010 for its estimated asset retirement obligations, which is included in accounts payable and accrued expenses.

Deferred Income and Deposits

Deferred income and deposits principally represent tuition and student deposits paid in advance and are recognized as income when the related educational services are provided.

Student Tuition and Fees and Dormitory and Dining Hall Fees

Student tuition and fees and dormitory and dining hall fees are recognized as revenue when earned.

Institutional Scholarships

Although reported in the statement of activities as an adjustment to revenues, the College's grants for scholarships are managed as a core program expense. The financial aid program provides a mix of grants and loans designed to help fund a portion of the student's tuition costs.

Grants and Contracts

Revenue associated with exchange transactions is recorded when direct and indirect costs are incurred. Costs incurred under government contracts are subject to review by the funding agency or its representatives.

Functional Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on the relative effort exerted for the related functions.

Fundraising Expenses

Fundraising expenses of approximately \$931,000 and \$828,000 are included as management and general expenses in the statements of activities for the years ended June 30, 2011 and 2010, respectively.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The College is recognized as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, certain activities of exempt organizations, to the extent profitable, may be subject to Federal and state taxation as unrelated business income. Given the limited taxable activities of the College, management determined that disclosures relative to tax provisions are not necessary.

The College accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The College has identified its tax status as a tax exempt entity as its only significant tax position and has determined that such tax position does not result in an uncertainty requiring recognition. The College is not currently under examination by any taxing jurisdiction. The College’s federal and state income tax returns are generally open for examination for the past three years.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. These estimates include the allowance for doubtful accounts, loans, and contributions receivables, the fair value of certain investments, depreciable lives for fixed assets, annuity and pooled life income obligations and allocation of expenses to functional categories. Actual results could differ from those estimates.

Subsequent Events

The College has evaluated all subsequent events through October 13, 2011, the date the financial statements were issued. Given recent declines in equity markets worldwide, investment values have fallen significantly after year end.

Reclassifications

Certain amounts reported in the 2010 financial statements have been reclassified to conform with 2011 presentation.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 3 - Accounts and Grants Receivable

Accounts and grants receivable are as follows at June 30:

	<i>2011</i>	<i>2010</i>
Student accounts, net of allowance for doubtful accounts of \$883,598 in 2011 and \$750,392 in 2010	\$ 543,227	\$ 681,169
Grants receivable	449,849	608,979
International programs	808,961	569,491
Other	<u>177,772</u>	<u>145,685</u>
Total accounts and grants receivable, net	<u>\$ 1,979,809</u>	<u>\$ 2,005,324</u>

Grants receivable include unbilled amounts of approximately \$81,000 and \$489,000 as of June 30, 2011 and 2010, respectively.

Note 4 - Contributions Receivable

Contributions receivable consisted of the following at June 30:

	<i>2011</i>	<i>2010</i>
Due within one year	\$ 79,082	\$ 496,188
Due within two to five years	50,000	85,000
Total due	<u>129,082</u>	<u>581,188</u>
Present value discount	<u>(8,094)</u>	<u>(27,142)</u>
Net contributions receivable	<u>\$ 120,988</u>	<u>\$ 554,046</u>

The College expects to collect all of the amounts indicated above and, accordingly, has not provided an allowance for uncollectible contributions.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 5 - Financing Receivables

Financing receivables consist of the following at June 30:

	<i>2011</i>					
	<i>30-60 Days Past Due</i>	<i>60-90 Days Past Due</i>	<i>Greater Than 90 Days Past Due</i>	<i>Total Past Due</i>	<i>Current</i>	<i>Total Financing Receivable</i>
Perkins loans	\$ 112,050	\$ 23,000	\$ 298,814	\$ 433,864	\$ 882,780	\$ 1,316,644
College loans	40,595	7,935	567,198	615,728	777,765	1,393,493
Allowance for uncollectible loans	-	-	-	-	-	(1,438,223)
Loans receivable, net	<u>\$ 152,645</u>	<u>\$ 30,935</u>	<u>\$ 866,012</u>	<u>\$ 1,049,592</u>	<u>\$ 1,660,545</u>	<u>\$ 1,271,914</u>

	<i>2010</i>					
	<i>30-60 Days Past Due</i>	<i>60-90 Days Past Due</i>	<i>Greater Than 90 Days Past Due</i>	<i>Total Past Due</i>	<i>Current</i>	<i>Total Financing Receivable</i>
Perkins loans	\$ 92,794	\$ 21,000	\$ 264,321	\$ 378,115	\$ 1,001,126	\$ 1,379,241
College loans	44,903	19,935	526,517	591,355	818,726	1,410,081
Allowance for uncollectible loans	-	-	-	-	-	(1,141,763)
Loans receivable, net	<u>\$ 137,697</u>	<u>\$ 40,935</u>	<u>\$ 790,838</u>	<u>\$ 969,470</u>	<u>\$ 1,819,852</u>	<u>\$ 1,647,559</u>

The College uses a third-party servicer to avail itself of expertise to manage, administer and collect student loans.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 5 - Financing Receivables (Continued)

Activity of loan balances and allowances for uncollectible loans are as follows:

<u>Loans receivable</u>	<i>Perkins Loans</i>	<i>2011 College Loans</i>	<i>Total</i>
Beginning balance	\$ 1,379,241	\$ 1,410,081	\$ 2,789,322
Loans granted	128,761	84,178	212,939
Loans repaid	(177,171)	(100,766)	(277,937)
Loans cancelled	(14,187)	-	(14,187)
Ending balance	<u>1,316,644</u>	<u>1,393,493</u>	<u>2,710,137</u>
<u>Reserve</u>			
Beginning balance	(400,431)	(741,332)	(1,141,763)
Provision	(187,068)	(109,392)	(296,460)
Ending balance	<u>(587,499)</u>	<u>(850,724)</u>	<u>(1,438,223)</u>
Loans receivable, net	\$ <u>729,145</u>	\$ <u>542,769</u>	\$ <u>1,271,914</u>
<u>Loans receivable</u>	<i>Perkins Loans</i>	<i>2010 College Loans</i>	<i>Total</i>
Beginning balance	\$ 1,370,893	\$ 1,368,247	\$ 2,739,140
Loans granted	152,820	142,066	294,886
Loans repaid	(130,959)	(100,232)	(231,191)
Loans cancelled	(13,513)	-	(13,513)
Ending balance	<u>1,379,241</u>	<u>1,410,081</u>	<u>2,789,322</u>
<u>Reserve</u>			
Beginning balance	(291,039)	(588,075)	(879,114)
Provision	(109,392)	(153,257)	(262,649)
Ending balance	<u>(400,431)</u>	<u>(741,332)</u>	<u>(1,141,763)</u>
Loans receivable, net	\$ <u>978,810</u>	\$ <u>668,749</u>	\$ <u>1,647,559</u>

The reserves for the Perkins and College loans were evaluated individually for impairment.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 6 - Investments

Investments are as follows at June 30:

	<i>2011</i>	<i>2010</i>
Pooled investments:		
Core U.S. equities	\$ 4,232,655	\$ 2,913,390
Large-cap equities	7,945,042	6,914,398
International equities	10,385,136	7,279,575
Small and mid-cap equities	2,672,872	1,935,044
Fixed income securities	8,985,534	8,150,923
Long/short equities	8,408,125	7,953,311
Short-term bond fund	1,020,839	3,331,850
Total pooled investments	<u>43,650,203</u>	<u>38,478,491</u>
Pooled life income funds (invested in equities, bond, and money market funds)	457,597	403,649
Short-term money market funds	<u>5,659,288</u>	<u>1,326,144</u>
Total investments	<u>\$ 49,767,088</u>	<u>\$ 40,208,284</u>

The College's pooled life income fund investments represent principally equities, bonds and money market funds. Pooled investments represent endowment and annuity net assets which are pooled on a market value basis, with each fund subscribing to or disposing of units on the basis of the market value per unit at the beginning of the calendar quarter within which the transaction takes place. Pooled investments, by net asset category, are as follows at June 30:

	<i>2011</i>	<i>2010</i>
Unrestricted	\$ 13,992,790	11,150,747
Temporarily restricted	10,053,436	7,289,426
Permanently restricted	<u>19,603,977</u>	<u>20,038,318</u>
Total pooled investments	<u>\$ 43,650,203</u>	<u>\$ 38,478,491</u>

WHEELOCK COLLEGE

Notes to Financial Statements

Note 6 - Investments (Continued)

Investment income is comprised of the following for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Interest and dividend income	\$ 595,971	\$ 981,016
Net realized and unrealized gains	<u>7,997,849</u>	<u>3,043,696</u>
Total investment income	8,593,820	4,024,712
Less: Operating investment income	(52,453)	(87,620)
Investment income availed per endowment spending policy	<u>(2,026,016)</u>	<u>(1,980,794)</u>
Investment gain, net of amounts availed	<u>\$ 6,515,351</u>	<u>\$ 1,956,298</u>

The amount of investment income appropriated to operations is the amount calculated by the 5% spending rate, with the remaining balance reported as non-operating. Investment management expenses totaled \$76,547 and \$46,257 for the years ended June 30, 2011 and 2010, respectively.

Note 7 - Funds Held by Bond Trustee

In accordance with the terms of its bond indentures (see Note 10), the College maintains certain funds on deposit, invested with the bond trustee for debt service as follows at June 30:

	<i>2011</i>	<i>2010</i>
Guaranteed investment contracts	\$ 1,156,138	\$ 1,156,138
U.S. government securities	<u>1,879,325</u>	<u>1,879,374</u>
Total funds held by bond trustee	<u>\$ 3,035,463</u>	<u>\$ 3,035,512</u>

WHEELOCK COLLEGE

Notes to Financial Statements

Note 8 - Fair Values of Financial Instruments

The following tables present financial assets at June 30 that the College measures fair value on a recurring basis, by level, within the fair value hierarchy:

	<i>2011</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets				
Pooled investments:				
Core U.S. equities	\$ 4,232,655	\$ -	\$ -	\$ 4,232,655
Large-cap equities	7,945,042	-	-	7,945,042
International equities	10,385,136	-	-	10,385,136
Small and mid-cap equities	2,672,872	-	-	2,672,872
Fixed income securities	1,963,759	7,021,775	-	8,985,534
Long/short equities	-	-	8,408,125	8,408,125
Short-term bond fund	1,020,839	-	-	1,020,839
Total pooled investments	<u>28,220,303</u>	<u>7,021,775</u>	<u>8,408,125</u>	<u>43,650,203</u>
Pooled life income funds			457,597	457,597
Short-term money market funds	5,659,288	-	-	5,659,288
Beneficial interest in trusts and remainder trusts	-	-	3,199,494	3,199,494
Funds held by bond trustee - guaranteed investment contracts	-	1,156,138	-	1,156,138
Funds held by bond trustee - U.S. government securities	<u>1,879,325</u>	<u>-</u>	<u>-</u>	<u>1,879,325</u>
Total assets at fair value	<u>\$ 35,758,916</u>	<u>\$ 8,177,913</u>	<u>\$ 12,065,216</u>	<u>\$ 56,002,045</u>

WHEELOCK COLLEGE

Notes to Financial Statements

Note 8 - Fair Values of Financial Instruments (Continued)

	<i>2010</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets				
Pooled investments:				
Core U.S. equities	\$ 2,913,390	\$ -	\$ -	\$ 2,913,390
Large-cap equities	6,914,398	-	-	6,914,398
International equities	7,279,575	-	-	7,279,575
Small and mid-cap equities	1,935,044	-	-	1,935,044
Fixed income securities	1,908,510	6,242,413	-	8,150,923
Long/short equities	-	-	7,953,311	7,953,311
Short-term bond fund	3,331,850	-	-	3,331,850
Total pooled investments	24,282,767	6,242,413	7,953,311	38,478,491
Pooled life income funds	-	-	403,649	403,649
Short-term money market funds	1,326,144	-	-	1,326,144
Beneficial interest in trusts and remainder trusts	-	-	2,854,957	2,854,957
Funds held by bond trustee - guaranteed investment contracts	-	1,156,138	-	1,156,138
Funds held by bond trustee - U.S. government securities	1,879,374	-	-	1,879,374
	1,879,374	-	-	1,879,374
Total assets at fair value	\$ 27,488,285	\$ 7,398,551	\$ 11,211,917	\$ 46,098,753

WHEELOCK COLLEGE

Notes to Financial Statements

Note 8 - Fair Values of Financial Instruments (Continued)

The changes in assets measured at fair value for which the College has used Level 3 inputs to determine fair value as of June 30 is as follows:

	2011			
	<i>Long/Short Equities</i>	<i>Pooled Life Income Funds</i>	<i>Beneficial Interests in Trusts</i>	<i>Total</i>
Beginning of year	\$ 7,953,311	\$ 403,649	\$ 2,854,957	\$ 11,211,917
Investment activity:				
Realized and unrealized gains	1,106,327	53,948	344,537	1,504,812
Management fees	(46,126)	-	-	(46,126)
Sales	(605,387)	-	-	(605,387)
	<u>8,408,125</u>	<u>457,597</u>	<u>3,199,494</u>	<u>12,065,216</u>
End of year	\$ <u>8,408,125</u>	\$ <u>457,597</u>	\$ <u>3,199,494</u>	\$ <u>12,065,216</u>

	2010			
	<i>Long/Short Equities</i>	<i>Pooled Life Income Funds</i>	<i>Beneficial Interests in Trusts</i>	<i>Total</i>
Beginning of year	\$ 5,453,591	\$ 372,351	\$ 2,729,086	\$ 8,555,028
Investment activity:				
Realized and unrealized gains	444,152	31,298	125,871	601,321
Management fees	(14,554)	-	-	(14,554)
Purchases	5,600,000	-	-	5,600,000
Sales	(3,529,878)	-	-	(3,529,878)
	<u>7,953,311</u>	<u>403,649</u>	<u>2,854,957</u>	<u>11,211,917</u>
End of year	\$ <u>7,953,311</u>	\$ <u>403,649</u>	\$ <u>2,854,957</u>	\$ <u>11,211,917</u>

WHEELOCK COLLEGE

Notes to Financial Statements

Note 8 - Fair Values of Financial Instruments (Continued)

Investments not considered Level 1 are categorized as Level 2 instruments when the College has the ability to redeem its investment in the entity at net asset value per share at year-end or within 90 days of year-end. Investments not considered Level 1 are categorized as Level 3 instruments when the College cannot redeem its investment within 90 days of year-end. A summary of the significant categories of such investments utilizing the net asset value practical expedient and their attributes for the years ended June 30 are as follows:

	2011			
	<i>Fair Value</i>	<i>Unfunded Commitments</i>	<i>Redemption Frequency (if Currently Eligible)</i>	<i>Redemption Notice Period</i>
Fixed income securities	\$ 7,021,775	\$ -	quarterly	30 days
Long/short equities	<u>8,408,125</u>	<u>-</u>	quarterly, annually	90-180 days
	<u>\$ 15,429,900</u>	<u>\$ -</u>		

	2010			
	<i>Fair Value</i>	<i>Unfunded Commitments</i>	<i>Redemption Frequency (if Currently Eligible)</i>	<i>Redemption Notice Period</i>
Fixed income securities	\$ 6,242,413	\$ -	quarterly	30 days
Long/short equities	<u>7,953,311</u>	<u>-</u>	quarterly, annually	90-180 days
	<u>\$ 14,195,724</u>	<u>\$ -</u>		

Fixed income securities – A portion of the College’s endowment is invested in mutual funds investing in bonds with an objective of providing a long-term return in excess of the U.S. bond market as represented by the Barclays U.S. Aggregate Bond Index and an objective of providing returns consistent with U.S. CPI +5% over the long-term.

Long/short equities – Long/short equities include funds placed with private investment funds and partnerships which invest in other private investment vehicles (fund of funds) as well as actively traded securities. The underlying investments of these entities include securities (domestic and foreign) and various derivative financial instruments such as equity options, index options and other similar instruments. The estimated fair value of long/short equities is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. The College manages its long/short equities portfolio through a process of selection of external fund managers, initial due diligence, continuing periodic diligence and monitoring and limitation of exposure to any one investment strategy or manager.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 8 - Fair Values of Financial Instruments (Continued)

Management has assessed that fair value approximates carrying value for cash, accounts receivable, grants receivable and accounts payable given the short-term nature of these instruments. Management has no practical or cost effective way of determining fair value for student loans receivable, contributions receivable and annuity and other split interest obligations. The fair value of debt is noted below. The fair value of debt is estimated based on current quoted market prices for the same or similar bond issues. The market prices utilized reflect the rate that the College would have to pay to a creditworthy third party to assume its obligation and do not reflect an additional liability to the College. Carrying value represents the outstanding principle balance plus unamortized premium.

	<i>2011</i>		<i>2010</i>	
	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>
Debt	\$ 42,154,802	\$ 38,988,000	\$ 42,182,607	\$ 41,809,000

Note 9 - Land, Buildings and Equipment

Land, buildings and equipment are as follows at June 30:

	<i>2011</i>	<i>2010</i>
Land	\$ 2,259,132	\$ 2,259,132
Buildings and improvements	90,569,741	89,791,762
Furniture and equipment	11,602,045	11,188,020
	<u>104,430,918</u>	<u>103,238,914</u>
Less accumulated depreciation	<u>(31,979,650)</u>	<u>(29,354,025)</u>
Land, buildings and equipment, net	<u>\$ 72,451,268</u>	<u>\$ 73,884,889</u>

Depreciation expense amounted to approximately \$2,626,000 and \$2,846,000 for the years ended June 30, 2011 and 2010, respectively.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 10 - Debt

Debt consisted of the following at June 30:

	2011	2010
Massachusetts Development Finance Agency fixed rate revenue bonds, Series C, collateralized by a first mortgage lien (subject to permitted encumbrances) on approximately 3.55 acres of land in Boston, Massachusetts and the buildings and improvements thereon. Term bonds are scheduled to mature in 2017, 2029 and 2037 with fixed rates of interest 5.0%, 5.25% and 5.25%, respectively.	\$ 41,975,000	\$ 41,975,000
Unamortized bond premium	<u>179,802</u>	<u>207,607</u>
Debt	<u>\$ 42,154,802</u>	<u>\$ 42,182,607</u>

The bonds are subject to certain optional redemption provisions as described in the bond agreement. There are no material financial covenants contained in the bond agreement.

Principal and sinking fund installments on debt become due as follows:

2012	\$ 140,000
2013	240,000
2014	585,000
2015	915,000
2016	940,000
Thereafter	<u>39,155,000</u>
Total	<u>\$ 41,975,000</u>

Interest expense, net of amounts capitalized, included in operating expenses was approximately \$2,192,000 and \$2,113,000 for the years ended June 30, 2011 and 2010, respectively.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 11 - Retirement Plan

The College sponsors a 403(b) defined contribution plan (the "Plan") and makes contributions on behalf of all eligible participating employees to the Teachers Insurance and Annuity Association (TIAA). Contributions are made by the College and its employees as defined by the Plan. The College's contributions amounted to approximately \$798,000 and \$761,000 for the years ended June 30, 2011 and 2010, respectively.

The College also sponsors a deferred compensation plan, available to a group of employees who meet the requirements of Section 457(b) of the Internal Revenue Code. Eligible employees may make additional pre-tax contributions to their TIAA retirement accounts. The College makes no contributions to this plan.

The College is a member of Emeriti Retirement Health Solutions, a not-for-profit entity that offers a post-retirement, supplemental medical insurance program through health savings accounts in a Voluntary Employees' Beneficiary Association (VEBA) trust. The College generally makes an annual contribution to the VEBA. During the year ended June 30, 2011, the College contributed \$39,000 to this plan including account management fees. During the year ended June 30, 2010, as a cost saving measure, the College suspended its usual contribution and contributed approximately \$4,000 to pay account management fees.

Note 12 - Commitments and Contingencies

The College participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to lock-in tuition prices by limiting future increases to the changes in CPI plus 2%. This could result in discounts on tuition charged to students in the future. To date, activity related to the program has not been significant.

All funds received in connection with federal and state awards are subject to audit by the grantors or their representatives. Management does not expect any audit by a grantor to result in any significant disallowed amounts.

Various legal cases arise in the normal course of the College's operations. The College believes that there are currently no outstanding cases which would have a material adverse effect on the financial position of the College.

The College has an employment agreement with its president through June 2013 that stipulates a variety of business terms typical in the education sector.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 13 - Net Assets and Endowment Matters

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following:

Scholarships – Funds to be awarded to students to pay tuition and fees.

Capital improvements and facilities – Funds that will support projects that maintain or enhance campus buildings and/or grounds.

Instruction and academic support – Funds that support academic programs, the library and similar activities.

Time restricted – Funds that will be available upon the passage of time which will then be spent in a manner consistent with donor instructions.

General support – Earnings on these funds is unrestricted and provides general operating support.

	<i>2011</i>	<i>2010</i>
Purpose restrictions:		
Scholarships	\$ 3,740,914	\$ 2,439,445
Capital improvements and facilities	45,195	121,787
Instruction and academic support	2,617,225	2,258,361
Time restrictions	780,368	756,746
General support	<u>3,631,633</u>	<u>2,535,409</u>
Temporarily restricted net assets	<u>\$ 10,815,335</u>	<u>\$ 8,111,748</u>

WHEELOCK COLLEGE

Notes to Financial Statements

Note 13 - Net Assets and Endowment Matters (Continued)

Temporarily Restricted Net Assets (Continued)

Net assets were released from donor restrictions as the College incurred expenses satisfying the restricted purposes or by the passage of time as follows for the years ended June 30:

	<i>2011</i>	<i>2010</i>
Satisfaction of purpose restrictions:		
Scholarships	\$ 499,670	\$ 542,044
Capital improvements and facilities	336,368	1,163,331
Instruction and academic support	1,057,278	1,561,271
Satisfaction of time restrictions	52,306	-
Net assets released from restrictions	\$ 1,945,622	\$ 3,266,646

Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following:

Scholarships – Earnings on these funds will be awarded to students to pay tuition and fees.

Instruction and academic support – Earnings on these funds will support academic programs, the library, advising services and similar activities.

General support – Earnings on these funds is unrestricted and provides general operating support.

Beneficial interest in perpetual trusts – Funds invested with third parties; the earnings on which are spent for various purposes.

	<i>2011</i>	<i>2010</i>
Scholarships	\$ 9,742,704	\$ 9,199,194
Instruction and academic support	1,956,876	1,956,876
Student loans	3,229,743	2,926,220
General support	6,154,481	6,153,244
Beneficial interest in perpetual trusts	2,979,697	2,639,299
Permanently restricted net assets	\$ 24,063,501	\$ 22,874,833

WHEELOCK COLLEGE

Notes to Financial Statements

Note 13 - Net Assets and Endowment Matters (Continued)

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2011:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total Net Assets</i>
Donor-restricted endowment funds	\$ (37,550)	\$ 8,885,518	\$ 19,362,881	\$ 28,210,849
Board-designated endowment funds	<u>14,303,974</u>	<u>-</u>	<u>-</u>	<u>14,303,974</u>
Total funds	<u>\$ 14,266,424</u>	<u>\$ 8,885,518</u>	<u>\$ 19,362,881</u>	<u>\$ 42,514,823</u>
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total Net Assets</i>
Endowment assets and those functioning as endowment assets, beginning of year	<u>\$ 11,201,203</u>	<u>\$ 5,929,706</u>	<u>\$ 18,597,217</u>	<u>\$ 35,728,126</u>
Gifts and additions	<u>197,980</u>	<u>-</u>	<u>535,071</u>	<u>733,051</u>
Investment returns:				
Interest and dividends, net of investment expenses	146,300	303,351	17,317	466,968
Net realized and unrealized gains (losses)	<u>3,443,800</u>	<u>3,963,364</u>	<u>286,205</u>	<u>7,693,369</u>
Total investment returns	<u>3,590,100</u>	<u>4,266,715</u>	<u>303,522</u>	<u>8,160,337</u>
Expenditures:				
Amounts appropriated for operations	<u>(722,859)</u>	<u>(1,310,903)</u>	<u>(72,929)</u>	<u>(2,106,691)</u>
Change in investments	<u>3,065,221</u>	<u>2,955,812</u>	<u>765,664</u>	<u>6,786,697</u>
Endowment assets and those functioning as endowment assets, end of year	<u>\$ 14,266,424</u>	<u>\$ 8,885,518</u>	<u>\$ 19,362,881</u>	<u>\$ 42,514,823</u>

WHEELOCK COLLEGE

Notes to Financial Statements

Note 13 - Net Assets and Endowment Matters (Continued)

The following represents required disclosure relative to the composition and activities of endowment and funds functioning as endowment for the year ended June 30, 2010:

	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total Net Assets</i>
Donor-restricted endowment funds	\$ (938,264)	\$ 5,929,706	\$ 18,597,217	\$ 23,588,659
Board-designated endowment funds	<u>12,139,467</u>	<u>-</u>	<u>-</u>	<u>12,139,467</u>
Total funds	<u>\$ 11,201,203</u>	<u>\$ 5,929,706</u>	<u>\$ 18,597,217</u>	<u>\$ 35,728,126</u>
	<i>Unrestricted Net Assets</i>	<i>Temporarily Restricted Net Assets</i>	<i>Permanently Restricted Net Assets</i>	<i>Total Net Assets</i>
Endowment assets and those functioning as endowment assets, beginning of year	<u>\$ 9,944,513</u>	<u>\$ 5,271,038</u>	<u>\$ 17,944,251</u>	<u>\$ 33,159,802</u>
Gifts and additions	<u>298,710</u>	<u>-</u>	<u>584,541</u>	<u>883,251</u>
Investment returns:				
Interest and dividends, net of investment expenses	291,231	558,550	33,375	883,156
Net realized and unrealized gains (losses)	<u>1,421,769</u>	<u>1,330,137</u>	<u>110,137</u>	<u>2,862,043</u>
Total investment returns	<u>1,713,000</u>	<u>1,888,687</u>	<u>143,512</u>	<u>3,745,199</u>
Expenditures:				
Amounts appropriated for operations	<u>(755,020)</u>	<u>(1,230,019)</u>	<u>(75,087)</u>	<u>(2,060,126)</u>
Change in investments	<u>1,256,690</u>	<u>658,668</u>	<u>652,966</u>	<u>2,568,324</u>
Endowment assets and those functioning as endowment assets, end of year	<u>\$ 11,201,203</u>	<u>\$ 5,929,706</u>	<u>\$ 18,597,217</u>	<u>\$ 35,728,126</u>

Endowment

The College's endowment consists of approximately 90 individual funds established for a wide variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), 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.

WHEELOCK COLLEGE

Notes to Financial Statements

Note 13 - Net Assets and Endowment Matters (Continued)

Interpretation of Relevant Law and Spending Policy

The Attorney General of Massachusetts has issued written guidance that all gains on permanently restricted endowment funds that have not been appropriated in accordance with the law should be classified as temporarily restricted net assets unless otherwise restricted by the donor.

State law allows the Board of Trustees to appropriate a percentage of net appreciation as is prudent considering the College's long- and short-term needs, present and anticipated financial requirements and expected total return on its investments, price level trends and general economic conditions. Distributions from earnings on temporarily and permanently restricted net assets and a significant portion of the College's accumulated and invested unrestricted resources are made using the total return method. Under the total return method, distributions consist of interest, dividends and realized and unrealized gains. The Board of Trustees has established a spending rate of five percent of the rolling thirty-six month average fair value of the pooled investments, except for certain gifts for which the spending rate may begin in the year the gift is received. As part of the approval of the annual operating budget, the Board of Trustees approves the approximate amount to be spent in the upcoming fiscal year. Investment income is available up to the approved spending rate. The College has adopted this spending policy in order to protect the inviolate nature of the original corpus of gifts as well as to preserve the purchasing power of these funds into the future. While the College is permitted to spend for all of its funds under state law, currently funds without accumulated gains are not charged under the spending policy. Instead, it has used its quasi-endowment funds to replace spending on such funds.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted are \$37,550 and \$938,264 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Return Objectives and Risk Parameters

The College's investment portfolio is managed to provide for the long-term support of the College. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk.

Strategies Employed for Achieving Objectives

The primary objective is to utilize a total return approach with a cross section of fixed income and equity securities that combine income and dividend growth for inflation protection and earnings growth and credit enhancement for appreciation.