

WHEATON COLLEGE

Financial Statements

June 30, 2009 and 2008

WHEATON COLLEGE

June 30, 2009 and 2008

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Report of Independent Auditors

To the Board of Trustees of
Wheaton College:

In our opinion, the accompanying statement of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Wheaton College (the "College") at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 3, 2009

WHEATON COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ 1,454,973	\$ 7,736,274
Short-term investments	10,454,929	-
Student receivables, net	357,895	268,161
Related party and other receivables	602,203	740,663
Prepaid expenses and other assets	3,231,409	3,409,172
Restricted cash and cash equivalents	-	697,236
Student loans receivable, net	2,968,205	3,001,542
Pledges receivable, net	14,305,149	19,521,047
Contributions receivable from remainder trusts	828,651	1,128,653
Beneficial interest in perpetual trusts	547,603	665,348
Investments of annuity and life income agreements	4,503,768	6,490,862
Investments	142,020,069	186,275,245
Funds restricted for property acquisitions	8,031,193	11,169,778
Land, buildings and equipment, net	80,003,355	74,270,453
	<u>\$ 269,309,402</u>	<u>\$ 315,374,434</u>
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 3,813,605	\$ 4,462,261
Student deposits	1,281,946	1,269,999
Annuity and life income obligations	2,820,584	3,037,145
Government advances for student loans	2,429,274	2,384,252
Asset retirement obligations	1,259,547	1,198,637
Bonds and loan payable	22,328,076	23,887,410
	<u>33,933,032</u>	<u>36,239,704</u>
Net assets		
Unrestricted	97,428,586	106,480,509
Temporarily restricted	61,217,694	97,763,624
Permanently restricted	76,730,090	74,890,597
	<u>235,376,370</u>	<u>279,134,730</u>
Total net assets	<u>235,376,370</u>	<u>279,134,730</u>
Total liabilities and net assets	<u>\$ 269,309,402</u>	<u>\$ 315,374,434</u>

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

WHEATON COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(with comparative totals for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Operating revenues:					
Tuition and fees	\$ 64,424,699			\$ 64,424,699	\$ 61,013,947
Less scholarships and grants	(22,036,298)			(22,036,298)	(20,386,778)
Net tuition and fees revenue	42,388,401			42,388,401	40,627,169
Auxiliary services	15,801,095			15,801,095	15,121,937
Private gifts, bequests, and grants	3,120,493	1,153,161		4,273,654	7,349,382
Government grants and contracts	954,738			954,738	675,737
Other revenues	284,288	153,903		438,191	1,094,085
Endowment return utilized for operations	3,041,545	5,807,820		8,849,365	8,170,707
Net assets released from restrictions	8,481,584	(8,481,584)		-	-
Total operating revenues	74,072,144	(1,366,700)	-	72,705,444	73,039,017
Operating expenses:					
Instruction	24,040,910			24,040,910	23,393,638
Academic support	6,774,023			6,774,023	6,631,788
Student services	13,112,979			13,112,979	13,097,490
Institutional support	15,190,472			15,190,472	14,835,193
Auxiliary services	13,119,103			13,119,103	13,294,141
Total operating expenses	72,237,487	-	-	72,237,487	71,252,250
Operating subtotal	1,834,657	(1,366,700)	-	467,957	1,786,767
Nonoperating:					
Private gifts and pledges	53,841	1,767,299	1,945,017	3,766,157	10,750,819
Loss on debt extinguishment				-	(94,161)
Net assets released from restrictions	7,290,721	(7,290,721)		-	-
Endowment return utilized for operations	(3,041,545)	(5,807,820)		(8,849,365)	(8,170,707)
Net investment return	(15,189,597)	(23,847,988)	(105,524)	(39,143,109)	(560,824)
Nonoperating subtotal	(10,886,580)	(35,179,230)	1,839,493	(44,226,317)	1,925,127
Change in net assets	(9,051,923)	(36,545,930)	1,839,493	(43,758,360)	3,711,894
Net assets at beginning of year	106,480,509	97,763,624	74,890,597	279,134,730	275,422,836
Net assets at end of year	\$ 97,428,586	\$ 61,217,694	\$ 76,730,090	\$ 235,376,370	\$ 279,134,730

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

WHEATON COLLEGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>
Operating revenues:				
Tuition and fees	\$ 61,013,947			\$ 61,013,947
Less scholarships and grants	(20,386,778)			(20,386,778)
Net tuition and fees revenue	40,627,169			40,627,169
Auxiliary services	15,121,937			15,121,937
Private gifts, bequests, and grants	2,848,156	4,501,226		7,349,382
Government grants and contracts	675,737			675,737
Other revenues	1,055,096	38,989		1,094,085
Endowment return utilized for operations	2,884,652	5,286,055		8,170,707
Net assets released from restrictions	8,025,631	(8,025,631)		-
Total operating revenues	71,238,378	1,800,639	-	73,039,017
Operating expenses:				
Instruction	23,393,638			23,393,638
Academic support	6,631,788			6,631,788
Student services	13,097,490			13,097,490
Institutional support	14,835,193			14,835,193
Auxiliary services	13,294,141			13,294,141
Total operating expenses	71,252,250	-	-	71,252,250
Operating subtotal	(13,872)	1,800,639	-	1,786,767
Nonoperating:				
Private gifts and pledges	1,009,581	5,226,934	4,514,304	10,750,819
Loss on debt extinguishment	(94,161)			(94,161)
Net assets released from restrictions	466,788	(466,788)		-
Endowment return utilized for operations	(2,884,652)	(5,286,055)		(8,170,707)
Net investment return	(206,662)	(349,704)	(4,458)	(560,824)
Nonoperating subtotal	(1,709,106)	(875,613)	4,509,846	1,925,127
Change in net assets	(1,722,978)	925,026	4,509,846	3,711,894
Net assets at beginning of year	108,203,487	96,838,598	70,380,751	275,422,836
Net assets at end of year	<u>\$ 106,480,509</u>	<u>\$ 97,763,624</u>	<u>\$ 74,890,597</u>	<u>\$ 279,134,730</u>

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

WHEATON COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (43,758,360)	\$ 3,711,894
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	3,624,884	4,452,274
Loss on debt extinguishment	-	94,161
Net losses on asset disposal and asset retirement obligations	33,690	9,785
Net realized and unrealized losses on investments	39,813,958	4,140,591
Contributions restricted for long-term investments	(7,104,644)	(7,608,813)
Provision for uncollectible accounts	(228,264)	(197,982)
Change in operating assets and liabilities:		
Student accounts and other receivables	(51,274)	71,066
Prepaid expenses and other assets	152,991	67,252
Restricted cash and cash equivalents	697,236	703,421
Pledges and contributions receivable	5,844,164	(3,349,960)
Accounts payable and accrued expenses	(584,654)	850,525
Student deposits	11,947	141,849
Asset retirement obligations	(4,850)	(14,000)
Net cash (used in) provided by operating activities	(1,553,176)	3,072,063
Cash flows from investing activities:		
Student loans issued	(330,333)	(272,925)
Student loans repaid	363,670	206,552
Proceeds from the sale of property	534,596	-
Purchase of land, buildings and equipment	(9,943,876)	(5,643,106)
Change in funds restricted for property acquisitions	3,138,585	(4,200,759)
Sales of investments	90,761,654	36,670,507
Purchases of investments	(94,670,526)	(32,890,380)
Net cash used in investing activities	(10,146,230)	(6,130,111)
Cash flows from financing activities:		
Proceeds from issuance of debt	-	7,905,852
Payments on bonds payable	(1,515,000)	(10,062,749)
Change in annuity and life income obligations	(216,561)	(828,850)
Change in advances for student loans	45,022	14,555
Contributions, grants and investment income restricted for:		
Investment in endowment and facilities	7,014,111	7,160,950
Investment in life income and annuity funds	90,533	128,374
Net cash provided by financing activities	5,418,105	4,318,132
Change in cash and cash equivalents	(6,281,301)	1,260,084
Cash and cash equivalents at beginning of year	7,736,274	6,476,190
Cash and cash equivalents at end of year	\$ 1,454,973	\$ 7,736,274
Supplemental data:		
Noncash investing activity: Gifts of stock	\$ 2,455,100	\$ 4,824,252
Contributions of beneficial trust	-	319,489
Interest paid	852,912	995,594
Fixed asset additions remaining in accounts payable	272,538	336,540

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

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

1. Nature of Business

Wheaton College (the “College”) is a private, coeducational, liberal arts college located in Norton, Massachusetts and is accredited by the New England Association of Schools and Colleges. Founded as a seminary for women in 1834 and chartered as a four-year college for women in 1912, the College became coeducational in 1987. The College provides academic, residential and other services to a diverse student population of approximately 1,650 drawn from schools across the United States, Puerto Rico and more than 30 foreign countries.

2. Recently Adopted Accounting Pronouncements

Effective July 1, 2008, the College adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Effective June 30, 2009, the College implemented SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes general standards for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. The adoption of SFAS 165 did not impact our financial position or results of operations. The College has performed an evaluation of subsequent events through October 3, 2009, which is the date that the financial statements were issued.

Effective July 1, 2008, the College adopted Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and requires comprehensive disclosures regarding both donor-restricted endowment funds and board-designated (quasi) endowment funds. The effect of FSP 117-1 on the College’s financial statements for the year ended June 30, 2009 was limited to additional disclosures regarding the College’s endowment funds.

3. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

College resources are reported for accounting purposes in separate classes of net assets based upon the existence or absence of donor-imposed restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

The three net asset categories that are reflected in the accompanying financial statements are as follows:

Unrestricted net assets are those which are not subject to donor-imposed restrictions, and include the carrying value of physical properties, revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

Temporarily Restricted net assets generally result from contributions and other inflows of assets whose use by the College is limited by donor-imposed restrictions that expire by the passage of time or can be fulfilled and removed by actions of the College. Realized gains and losses and changes in unrealized appreciation on permanently and temporarily restricted assets from Pool A are reported as temporarily restricted net assets in accordance with Massachusetts law.

Permanently Restricted net assets are those that are subject to donor-imposed restrictions requiring that they be maintained permanently. Such assets are primarily included in the College's endowment funds. Donor stipulations often allow part or all of the income earned to be used currently for restricted purposes.

Revenues are reported as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Nonoperating revenues include endowment, quasi-endowment, property, plant and equipment, deferred giving contributions, realized and unrealized gains on long-term investments, and net assets released from restrictions for capital purposes.

Cash and Cash Equivalents

Cash equivalents consist of accounts with maturities of less than 90 days when purchased, and are carried at cost, which approximates fair value. Cash and cash equivalents included \$95,140 of monies held for the Federal Perkins Loan Program at June 30, 2009.

Student Receivables

Student receivables are reported net of an allowance for doubtful accounts of \$200,000 and \$100,000 at June 30, 2009 and 2008, respectively. The provision is intended to provide for student accounts of current and graduated students that may not be collected.

Related Party and Other Receivables

Related party receivables include mortgages issued in conjunction with property sales to faculty and staff members and loans issued to employees related to computer sales.

Prepaid Expenses and Other Assets

The prepaid expenses and other assets includes the debt service reserve accounts for 1998 MHEFA Series D and 2004 MHEFA Series E and certain costs related to the 1998 MHEFA Series D bond issuance and the 2004 MHEFA Series E bond issuance. Footnote 10 details the debt service reserve accounts and the debt issuance costs.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents included \$697,213 of collateral or reserves for certain debt agreements and \$23 of monies held for the Federal Perkins Loan Program at June 30, 2008.

Student Loans Receivable

Student loan receivables are reported at cost less an allowance for doubtful accounts of \$185,000 at June 30, 2009 and 2008.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

Gifts and Pledges

Gifts are recognized as revenue upon receipt. Pledges are recognized as revenue in the year the pledge is communicated by the donor after an allowance for potentially uncollectible amounts and discount factors that approximate the risk and expected timing of future contribution payments. Gifts with donor imposed restrictions are released from restriction as amounts are expended. Gifts other than cash are recorded at fair market value at the date of contribution.

Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The College recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is pursuant to an agreement, which provides for a predetermined fixed indirect cost rate.

Remainder Trusts and Perpetual Trusts

Assets held by an outside trustee are classified as contributions receivable from remainder trusts or as beneficial interest in perpetual trusts on the statement of financial position. Contributions receivable from remainder trusts represents the present value of the estimated future cash flows from the trusts. Beneficial interest in perpetual trusts represents endowment funds that are held and administered by outside trustees. At the direction of the donor, the income from these funds inures to the benefit of the College.

Annuity and Life Income Agreements

The College's split interest agreements consist of charitable gift annuity and pooled life income funds for which the College is the trustee. These assets are included at fair value in investments of annuity and life income agreements on the statement of financial position. The annuity and life income obligations associated with these arrangements are recorded at the present value of the aggregate liability to the beneficiaries based upon their life expectancy, utilizing a discount rate at the applicable measurement date (ranging from 4.3% to 7.0%).

Investments

Short-term investments represent investments that are available for general operating purposes and amounted to \$10,454,929 at June 30, 2009. The College carries its investments at fair value as discussed in "Fair value of Financial Instruments" section below.

The College has established two endowment investment pools ("Pools A and B"). The original pool, Pool A, represents the majority of endowment funds of the College. Pool B funds are designated by the Board of Trustees, the purpose of which is to fund capital projects.

The College's Trustees define the investment strategies and objectives of the endowment investments, as well as engage in the selection of a diverse group of investment managers. Certain of these managers may utilize hedging strategies, invest in securities with exposure to foreign currencies, or they may invest in futures, forward contracts or other financial instruments whose value and performance are derived, at least in part, from the performance of an underlying asset and the creditworthiness of the counterparty to the transaction.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

SFAS 157 established a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the College for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The College's investment include alternative investments for which the College has concluded that the net asset value (NAV) reported by each of the underlying funds approximates the fair value of the investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the College's interest in the funds. Although such investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the College were to sell a fund in the secondary market, the sale could occur at an amount different than the reported value, and the difference could be material.

Funds Restricted for Property Acquisitions

Funds restricted for property acquisitions of \$8,031,193 and \$11,169,778 at June 30, 2009 and 2008, respectively, consists of donor restricted gifts that are earmarked for land, buildings and equipment acquisitions and are separately invested.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

Land, Buildings and Equipment

Land, buildings and equipment are valued at cost of acquisition or construction or at fair market value at the date of the gift if donated, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	10 years
Buildings	40 years
Building improvements	15-20 years
Moveable equipment	5 years
Automobiles	3 years

Land, buildings and equipment, including related accumulated depreciation, are removed from the College's records at the time of disposal and any resulting gain or loss is reflected in the statement of activities. Ordinary repairs and maintenance are charged to expenses, and major improvements are capitalized. Works of art and rare books are not subject to depreciation.

Government Advances for Student Loans

Government advances for student loans include funds advanced to the College by the U.S. government under the Federal Perkins Loan Program.

Asset Retirement Obligation

An asset retirement obligation (ARO) is a legal obligation associated with the retirement of long-lived assets. 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 depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time, new laws and regulations and revisions to either the timing or amounts of the original estimate of undiscounted cash flows. The College derecognizes ARO liabilities when the related obligations are settled.

Allocation of Certain Expenses

The statement of activities presents expenses by functional classification. Operation and maintenance of plant is allocated to program and supporting activities based upon building usage. Depreciation of plant assets is allocated based principally upon square footage of facilities. Interest expense is allocated to the functional classifications that benefited from the use of the proceeds of the debt.

Income Tax Status

The College is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal and state income taxes on related income. Accordingly, no provision for income taxes is made in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts have been reclassified in the prior year financial statements to conform to current year presentation. Net assets in the prior year's financial statements have been adjusted to increase unrestricted net assets by \$743,000, decrease temporarily restricted net assets by \$840,000 and increase permanently restricted net assets by \$97,000, which had no net effect on total net assets.

4. Pledges Receivable

Unconditional promises to give supported by verifiable documentation are included in the accompanying statements of financial position as pledges receivable. Conditional promises, due to uncertainties with regard to their realizability and valuation, are not estimated by management and are recognized as assets if and when the specific conditions are met. Conditional promises to give were approximately \$23,600,000 at June 30, 2009.

Unconditional promises are expected to be realized as follows:

	2009	2008
In one year or less	\$ 6,945,638	\$ 7,256,626
Between one year and five years	8,893,028	14,593,530
More than five years	100,000	90,000
Gross pledges receivable	15,938,666	21,940,156
Discount to present value	(502,630)	(959,957)
Allowance for uncollectible pledges	(1,130,887)	(1,459,152)
 Pledges receivable, net	 \$ 14,305,149	 \$ 19,521,047

5. Endowment

The College's endowment Pools A and B consists of approximately 525 donor-restricted and 25 board-restricted individual funds established for a variety of purposes. 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.

Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Massachusetts Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UMIFA.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

5. Endowment (continued)

Endowment net assets consist of the following at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (3,971,936)	\$ 37,329,274	\$ 70,392,695	\$ 103,750,033
Board-designated endowment funds	36,008,626	-	-	36,008,626
Total endowed net assets	<u>\$ 32,036,690</u>	<u>\$ 37,329,274</u>	<u>\$ 70,392,695</u>	<u>\$ 139,758,659</u>

Endowment net assets consist of the following at June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (77,698)	\$ 66,429,738	\$ 67,143,899	\$ 133,495,939
Board-designated endowment funds	48,679,579	-	-	48,679,579
Total endowed net assets	<u>\$ 48,601,881</u>	<u>\$ 66,429,738</u>	<u>\$ 67,143,899</u>	<u>\$ 182,175,518</u>

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2008	\$ 48,601,881	\$ 66,429,738	\$ 67,143,899	\$ 182,175,518
Investment return:				
Investment income	229,509	847,256	-	1,076,765
Net depreciation	(14,630,471)	(23,689,108)	-	(38,319,579)
Total investment return	(14,400,962)	(22,841,852)	-	(37,242,814)
Contributions	372,481	7,729	3,248,796	3,629,006
Appropriation of endowment assets for expenditure	(2,536,710)	(6,266,341)	-	(8,803,051)
Endowment net assets, June 30, 2009	<u>\$ 32,036,690</u>	<u>\$ 37,329,274</u>	<u>\$ 70,392,695</u>	<u>\$ 139,758,659</u>

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

5. Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2008 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2007	\$ 50,897,554	\$ 73,010,035	\$ 61,964,893	\$ 185,872,482
Investment return:				
Investment income	659,841	1,830,191	-	2,490,032
Net depreciation	(704,889)	(2,817,706)	-	(3,522,595)
Total investment return	(45,048)	(987,515)	-	(1,032,563)
Contributions	167,844	114,686	5,179,006	5,461,536
Appropriation of endowment assets for expenditure	(2,418,469)	(5,707,468)	-	(8,125,937)
Endowment net assets, June 30, 2008	<u>\$ 48,601,881</u>	<u>\$ 66,429,738</u>	<u>\$ 67,143,899</u>	<u>\$ 182,175,518</u>

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 or UMIFA requires the college to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$3,971,936 and \$77,698 at June 20, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to preserve their purchasing power in order to provide a growing stream of endowment support for the College's programs. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity for or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that equal the annual inflation rate plus the annual spending rate (e.g., CPI + 5%). While the Board of Trustee recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns. Consequently, prudent risk-taking is justifiable.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on equity-like and fixed income-like strategies in a 70 – 30 percent ratio to achieve its long-term return objectives within prudent risk constraints.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

5. Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Massachusetts state law allows the Board of Trustees to appropriate a portion of the net appreciation on donor restricted endowment funds based on prudent consideration of the College's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The College's policy governing the amounts paid annually from the endowment to support current operations is designed to protect the value of the endowment against the expected impact of inflation and to provide real growth of the endowment, while also funding a relatively constant portion of the College's current operating expenditures. As such, the Board of Trustees designates only a portion of the College's Pool A cumulative investment return for support of current operations. The portion to be spent is by a budgetary process whereby the objective of the governing board is that the actual spending does not exceed a certain percentage (5.0% in 2009 and 2008) of the trailing 12 quarter average of the market value of the Pool A funds. The amount of investment income and appreciation earned by the investments of Pool B is used for capital projects at the discretion of the Board of Trustees. The College distributed \$845,000 of the Pool B earnings for the years ended June 30, 2009 and 2008.

Under the College's total return policy, during periods when endowment investment return exceeds the distribution, such excess return is added to the endowment funds as unrestricted and temporarily restricted net assets. Conversely, when endowment investment return is less than the distribution, such deficit is funded by accumulated excess return of the respective funds.

6. Fair Value

The following table presents the financial instruments carried at fair value as of June 30, 2009, by caption on the statement of financial position by the SFAS 157 valuation hierarchy defined above:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Investments:				
Cash and cash equivalents	\$ 21,141,530	\$ -	\$ -	\$ 21,141,530
Mutual funds	17,107,213	-	-	17,107,213
International equity funds	-	8,985,712	-	8,985,712
Fixed income - restricted funds	-	-	1,829,957	1,829,957
Hedge funds	-	-	51,597,136	51,597,136
Private equity	-	-	15,201,405	15,201,405
Real property and commodities funds	-	-	25,394,625	25,394,625
Other	-	762,491	-	762,491
Total investments	<u>38,248,743</u>	<u>9,748,203</u>	<u>94,023,123</u>	<u>142,020,069</u>
Short term investments	10,454,929	-	-	10,454,929
Contributions receivable from remainder trusts	-	-	828,651	828,651
Beneficial interest in perpetual trusts	-	432,813	114,790	547,603
Investments of annuity and life income agreements	-	4,503,768	-	4,503,768
Funds restricted for property acquisitions	6,786,991	-	1,244,202	8,031,193
Total assets at fair value	<u>\$ 55,490,663</u>	<u>\$ 14,684,784</u>	<u>\$ 96,210,766</u>	<u>\$ 166,386,213</u>

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

6. Fair Value (continued)

Following is a description of the College's valuation methodologies for assets and liabilities measured at fair value.

Fair value for Level 1 is based upon quoted prices in active markets that the College has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The College does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3, is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

Investments included in Level 3 primarily consists of the College's ownership in alternative investments (principally interests in hedge, private equity, real estate, and other similar funds) and the College's ownership in a fixed income fund where liquidity has been restricted. The value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective fund. 37.5 % of investments held by the funds consist of marketable securities and 62.5% are securities that do not have readily determinable fair values. The NAV of the securities held by funds that do not have readily determinable fair values are determined by the investment manager and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The College has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30.

Contributions receivable from remainder trusts included in Level 3 consists of the College's ownership in remainder trusts held by third party trustees. The remainder trusts are valued at the present value of the future distributions expected to be received over the term of the agreement.

Beneficial interests in perpetual trusts included in Level 3 consist of the College's ownership in one perpetual trust which is valued by the trustee using unobservable inputs.

Funds restricted for property acquisition included in Level 3 consist of the College's ownership in a fixed income fund where liquidity has been restricted.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

6. Fair Value (continued)

The following table is a rollforward of the statement of financial position amounts for financial instruments classified by the College within Level 3 of the fair value hierarchy defined above:

	Fixed income - restricted fund	Hedge funds	Private equity	Real property & commodities funds	Total Investments
Fair value, July 1, 2008	\$ -	\$ 83,720,583	\$ 14,567,226	\$ 26,352,967	\$ 124,640,776
Realized & unrealized losses	(14,066)	(16,984,126)	(4,656,599)	(3,900,517)	(25,555,308)
Net purchases, sales, settlements	(13,088,655)	(15,139,321)	5,290,778	3,650,000	(19,287,198)
Transfers in/out	14,932,678	-	-	(707,825)	14,224,853
Fair value, June 30, 2009	<u>\$ 1,829,957</u>	<u>\$ 51,597,136</u>	<u>\$ 15,201,405</u>	<u>\$ 25,394,625</u>	<u>\$ 94,023,123</u>
	Contributions receivable from remainder trust	Beneficial interest in perpetual trusts	Funds restricted for property acquisitions		
Fair value, July 1, 2008	\$ 1,128,653	\$ 122,761	\$ -		
Realized & unrealized gains/(losses)	(300,002)	(7,971)	(9,564)		
Net purchases, sales, settlements	-	-	(8,899,082)		
Transfers in/out	-	-	10,152,848		
Fair value, June 30, 2009	<u>\$ 828,651</u>	<u>\$ 114,790</u>	<u>\$ 1,244,202</u>		

All net realized and unrealized losses in the table above are reflected in the accompanying statement of activities and relate to those financial instruments held by the College at June 30, 2009.

The following table illustrates additional information by major investment category relative to those investments the College holds which are investments in an entity that meets the definition of an investment company and has calculated net asset value per share in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*:

	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at
International Equities	\$ -	n/a	Ongoing with 30 days notice	n/a	n/a
Private Equities	\$ 8,077,150	1 to 9 years	Redemption not permitted	n/a	n/a
Hedge Funds	\$ -	n/a	Monthly/ Quarterly/ Annual redemption with 30-60 days notice	Some funds have special investment for which redemption is not permitted	n/a
Real property and commodities funds	\$ -	4 to 9 years	Redemption not permitted	n/a	n/a

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

6. Fair Value (continued)

The significant investment strategies of the investment managers in the previous table are as follows:

- International equities – This fund seeks long term capital appreciation by investing primarily in long and short positions in common stocks of international issuers.
- Private equities – These funds invest in the following strategies: private equity venture, private capital, and international funds; middle market industries; direct investments in Chinese businesses; undervalued and special situation companies in Asia, Australia and New Zealand; distressed businesses via direct bank loans & loan participation, publically traded securities and other equity claims; and a diversified portfolio of distressed investment funds.
- Hedge Funds – These funds invest in the following strategies: long and short positions in marketable equity securities, debt instruments, convertible securities, options, warrants, futures and other derivatives; long and short positions in crude oil and gas production and processing companies and companies in the base metal, precious metals, minerals sectors; European equities; and high-yield bond, bank loans to highly leveraged companies, sovereign and other distressed securities.
- Real property and commodities funds – These funds invest in the following strategies: management of direct and indirect investments in timberlands and related assets in the US and worldwide; acquisition, improvement, leasing, maintenance, management and sales of real estate investments with a focus on holding real estate to generate income; and investments in single tenant commercial real estate, either purchased or built by the fund for a tenant, with a focus on generating income.

The fair value of the College's bonds payable at June 30, 2009, approximates \$14,366,455. The fair value of bonds is estimated based on quoted market prices for the same or similar issues. The market prices utilized reflect the rate the College would have to pay a creditworthy third party to assume its obligation and do not reflect an additional liability to the College.

Student loan receivables include donor-restricted and federally sponsored student loans with mandated interest rates and repayment terms which are subject to significant restrictions as to their transfer and disposition. Accordingly, it is not practicable to determine the fair value of such amounts.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

7. Investments

Investments, including short-term and annuity and life income agreements, consisted of the following at June 30:

	2009		2008	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 21,225,706	\$ 21,225,706	\$ 8,832,461	\$ 8,832,461
Fixed income funds	12,324,691	12,294,428	18,972,183	18,038,995
Fixed income - restricted funds	1,833,812	1,829,957	-	-
Domestic and international equities	30,985,386	28,388,753	38,042,172	40,560,586
Private equities	17,737,518	15,201,405	12,663,269	14,567,226
Hedge funds	28,690,999	51,597,136	37,386,247	83,720,583
Real property and commodities funds	26,838,906	25,678,891	22,765,092	26,352,967
Interest in a privately held company	27,238	211,050	27,238	211,050
Real estate	-	551,440	-	482,239
	<u>\$ 139,664,256</u>	<u>\$ 156,978,766</u>	<u>\$ 138,688,662</u>	<u>\$ 192,766,107</u>

	2009		2008	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Endowment investments	\$ 122,182,705	\$ 139,758,659	\$ 128,883,039	\$ 182,175,518
Other operating investments	1,526,156	2,261,410	3,433,677	4,099,727
Investments	123,708,861	142,020,069	132,316,716	186,275,245
Short-term investments	10,454,929	10,454,929	-	-
Annuity and life income agreements	5,500,466	4,503,768	6,371,946	6,490,862
	<u>\$ 139,664,256</u>	<u>\$ 156,978,766</u>	<u>\$ 138,688,662</u>	<u>\$ 192,766,107</u>

The following schedule summarizes the investment return from the statement of activities.

	2009				2008
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
Net realized and unrealized losses	\$ (17,421,086)	\$ (22,287,348)	\$ (105,524)	\$ (39,813,958)	\$ (4,140,591)
Dividends, interest and rents	2,231,489	(1,560,640)	-	670,849	3,579,767
Net investment return	<u>\$ (15,189,597)</u>	<u>\$ (23,847,988)</u>	<u>\$ (105,524)</u>	<u>\$ (39,143,109)</u>	<u>\$ (560,824)</u>

Management, custodial and performance fees for the endowment investments and other College investments are charged to the investment portfolios and were estimated to be \$1,113,144 and \$3,968,932 as of June 30, 2009 and 2008, respectively. Net unrealized and realized gains are presented net of these fees.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

7. Investments (continued)

Alternative investment comprised approximately 69% and 73% of the College's total investment portfolio at June 30, 2009 and 2008, respectively. Alternative investments are defined as funds for which market values are not readily available.

The College participates in certain limited partnership arrangements as part of its endowment portfolio. Unfunded capital commitments at June 30, 2009 and 2008 on these investments approximated \$8,077,150 and \$18,022,799, respectively.

8. Land, Buildings and Equipment

Land, buildings and equipment are as follows:

	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 8,298,628	\$ 6,492,465
Buildings and building improvements, including fixed equipment	108,274,559	107,540,725
Moveable equipment	6,991,819	9,827,699
Library books and artwork	457,166	457,166
Automobiles	397,882	370,228
Construction in progress	8,446,204	2,880,416
	<u>132,866,258</u>	<u>127,568,699</u>
Accumulated depreciation	<u>(52,862,903)</u>	<u>(53,298,246)</u>
Land, buildings and equipment, net	<u>\$ 80,003,355</u>	<u>\$ 74,270,453</u>

Depreciation expense was \$3,573,726 and \$4,404,795 for the years ended June 30, 2009 and 2008, respectively. Depreciation expense for fiscal year 2009 includes a correction of a prior period error of \$763,792, which was immaterial to the current and individual prior year's reports.

The College retired or sold \$4,582,315 and \$1,884,145 of land, buildings and equipment with an accumulated depreciation of \$4,009,069 and \$1,883,813 in fiscal years 2009 and 2008, respectively. A loss on asset disposal of \$38,650 and \$332 was recorded in the statement of activities for the year ended June 30, 2009 and 2008, respectively.

9. Asset Retirement Obligations

The primary condition that led to the asset retirement obligation was asbestos abatement. A liability of \$1,259,547 and \$1,198,637 for conditional asset retirement obligations is reported on the statement of financial position at June 30, 2009 and 2008, respectively. In fiscal year 2009 and 2008, the College recognized a gain of \$4,960 and a loss of \$9,453, respectively, due to differences between actual and original estimated asset retirement obligations. In fiscal year 2009 and 2008, the College incurred \$4,850 and \$14,000, respectively, in costs related to the abatement of asbestos previously accrued.

Interest accretion costs were \$70,720 and \$67,033 for the years ended June 30, 2009 and 2008, respectively.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

10. Bonds and Loan Payable

Outstanding bonds and loan payable are as follows:

	2009	2008
Department of Housing and Urban Development (HUD)		
(a) Consolidation and Construction bonds of 1963, Series C, 3.50%, maturing serially until 2013	\$ -	\$ 345,000
Massachusetts Health and Educational Facilities Authority (MHEFA)		
(b) Series D, 6.0% average interest rate maturing serially until 2018	1,040,000	1,130,000
(c) Series E, 5.0% average interest rate maturing serially until 2019	12,950,000	14,030,000
Total bonds payable	13,990,000	15,505,000
Unamortized premium	432,224	476,558
(d) Total bonds payable	14,422,224	15,981,558
(e) Short-term loan	7,905,852	7,905,852
Total bonds and loan payable	\$ 22,328,076	\$ 23,887,410

(a) Consolidation and Construction bonds of 1963, Series C

In 1963, the Consolidation and Construction bonds of 1963, Series C were issued in the amount of \$1,750,000. The Series C bonds payable to the U.S. Department of Housing and Urban Development (HUD) are collateralized by an indenture of trust that provides for a mortgage on the related buildings and sites (Meadows and Chase Halls), a first lien and pledge of the net revenues derived from the operations of the mortgaged facilities and a collateral account with the trustee with an aggregate market value of at least \$260,000.

In October 2008, the College paid off the remaining balance on the Series C bond and the related reserve accounts were paid out to the College. At June 30, 2008, restricted cash and cash equivalents on the statement of financial position includes the Series C collateral, repairs and replacement and sinking fund accounts, which had market values of \$379,170, \$317,086 and \$957, respectively.

(b) MHEFA Series D

In 1998, the Massachusetts Health and Educational Facilities Authority, Series D Bonds were issued in the amount of \$1,750,000. At June 30, 2009 the bonds require a Debt Service Fund of \$76,200. Included in Prepaid expenses and other assets on the statement of financial position is the market value of the debt service account of \$76,204 and \$76,420 at June 30, 2009 and 2008, respectively, for bond payments due January 1, 2010 and 2009, respectively.

Bond issuance costs related to Series D of \$47,320 are recorded net of accumulated amortization of \$26,026 and \$23,660 at June 30, 2009 and 2008, respectively. These costs have been capitalized and are being amortized on a straight-line basis over the term of the bond. Amortization expense was \$2,366 for the years ended June 30, 2009 and 2008.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

10. Bonds and Loan Payable (continued)

(c) MHEFA Series E

In 2004, the Massachusetts Health and Educational Facilities Authority, Series E Bonds were issued in the amount of \$17,705,000. An original issue premium of \$664,960 was received on the issuance of Series E bonds and will be amortized over the life of the bonds. At June 30, 2009, the bonds require a Debt Service Fund of \$1,380,288. Included in Prepaid expenses and other assets on the statement of financial position is the market value of the debt service account of \$1,381,788 and \$1,360,804 at June 30, 2009 and 2008, respectively, for bond payments due July 1, 2009 and 2008, respectively.

Bond issuance costs related to Series E of \$336,097 are recorded net of accumulated amortization of \$117,633 and \$95,227 at June 30, 2009 and 2008, respectively. These costs have been capitalized and are being amortized on a straight-line basis over the term of the bond. Amortization expense was \$22,406 for the years ended June 30, 2009 and 2008.

In accordance with the provisions of the MHEFA revenue bonds, the College remits funds to the Trustee fifteen days prior to the due date of the semi-annual debt service payments.

(d) Bond Payable – required payments

The aggregate required principal payments of existing bonds payable for each of the next five fiscal years, and to maturity, are as follows:

2010	\$	1,205,000
2011		1,235,000
2012		1,145,000
2013		1,180,000
2014		1,225,000
2015 and thereafter		8,000,000
Total	\$	13,990,000

(e) Short-Term Loan

In March 2008, an unsecured \$8,500,000 line of credit was established with Wachovia Bank to provide working capital and bridge financing to repay existing auction rate securities. The College used \$7,905,852 of the loan to pay off the Massachusetts Health and Educational Facilities Authority Capital Asset Program, Series J-5 Bonds. The interest rate was set daily at the LIBOR Market Index Rate plus 0.55%. In March 2009, the college modified the promissory note in the amount of \$7,905,852 with an interest rate set daily at the LIBOR Market Index Rate plus 1.55%. All principal and interest shall be due and payable on March 31, 2010. At June 30, 2009 and 2008, the outstanding advance on this loan was \$7,905,852 and the interest rate was 1.86% and 3.03%, respectively.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

11. Net Assets

The net assets as of June 30, 2009 and 2008 are summarized as follows:

Unrestricted	<u>2009</u>	<u>2008</u>
Designated for operations	\$ 4,013,053	\$ 3,122,465
Designated for the acquisition of plant and equipment	2,438,274	2,074,574
Endowment funds	(3,971,936)	(77,698)
Designated for quasi-endowments	36,008,626	48,679,579
Gift annuities	198,256	1,269,001
Net investment in plant and equipment	<u>58,742,313</u>	<u>51,412,588</u>
Total unrestricted	97,428,586	106,480,509
Temporarily restricted		
Contributions and income for specific operating purposes	2,958,799	2,884,733
Contributions for the acquisition of plant and equipment	13,182,348	19,006,983
Designated for student loans	614,549	601,442
Endowments available for specific purposes	1,625,425	1,149,161
Realized and unrealized endowment gains	37,121,754	66,492,875
Contributions receivable and planned giving arrangements	<u>5,714,819</u>	<u>7,628,430</u>
Total temporarily restricted	61,217,694	97,763,624
Permanently restricted		
Endowment funds	70,392,695	67,143,899
Contributions receivable and planned giving arrangements	5,789,792	7,081,350
Beneficial interest in perpetual trusts	<u>547,603</u>	<u>665,348</u>
Total permanently restricted	<u>76,730,090</u>	<u>74,890,597</u>
Total net assets	<u>\$ 235,376,370</u>	<u>\$ 279,134,730</u>

12. Commitments and Contingencies

During 1996, the College entered into an agreement to lease certain land to a lessee. The agreement provides for the land ownership to be retained by the College and for the lessee to lease the property for 99 years. Concurrent with the land lease, the lessee constructed a medical center on the property and assumed the role of the College's health center and also is serving the residents of the Town of Norton. An agreement was entered into by the two parties whereby the College pays \$100,000 annually for the aforementioned provided services and the rental of the space used by the College's employees who are housed at the center. This agreement is automatically renewable annually (unless otherwise agreed to by the parties) at a rate of \$100,000 per year adjusted by the value of the CPI. For the fiscal years ended June 30, 2009 and 2008, the expense was \$132,556 and \$132,424, respectively.

The College is engaged in several legal cases, which have arisen in the normal course of its operations. The College believes the outcome of these cases will have no material adverse effect on the financial position of the College.

At June 30, 2009 and 2008, the College has outstanding construction/engineering contracts of approximately \$967,000 and \$2,331,180, respectively.

WHEATON COLLEGE
NOTES TO FINANCIAL STATEMENTS

13. Pension Plan

The College has a defined contribution pension plan that is designed to meet the requirements of Section 403(b) of the Internal Revenue Code. The plan is administered by Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF). Any College employee (excluding student employees) may make voluntary pre-tax contributions to the plan. Employees are eligible to receive a contribution to the plan from the College after meeting specific requirements. There is no required employee contribution in order to receive the College's contribution. The College's total pension expense was \$2,676,902 and \$2,537,285 for the years ended June 30, 2009 and 2008, respectively.

14. Fund-raising

Expenses incurred in carrying out the fund-raising activities of the College, which amounted to \$4,684,080 and \$4,384,371 for the years ended June 30, 2009 and 2008, respectively, are included primarily in the Institutional Support expense category on the statement of activities.