



The College of _____

**WILLIAM
& MARY**

IN VIRGINIA



Richard Bland College
OF THE COLLEGE OF WILLIAM AND MARY

**AUDITED
CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2013**

**THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
RICHARD BLAND COLLEGE**

ANNUAL FINANCIAL REPORT 2012 - 2013

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The College of William and Mary in Virginia and Richard Bland College

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

This Management's Discussion and Analysis (MD&A) is a supplement to the College's financial statements designed to assist readers in understanding the financial statement information presented. The following information includes a comparative analysis between the current fiscal year ending June 30, 2013 and the prior year ending June 30, 2012. Significant changes between the two fiscal years and important management decisions are highlighted. The summarized information presented in the MD&A should be reviewed in conjunction with both the financial statements and associated footnotes in order for the reader to have a comprehensive understanding of the College's financial status and results of operations for fiscal year 2013. College management has prepared the MD&A, along with the financial statements and footnotes, and is responsible for all of the information presented.

The College's financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement Numbers 37 and 38, and GASB Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Accordingly, the three financial statements required are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The aforementioned statements are summarized and analyzed in the MD&A.

The financial statements of the College of William and Mary are consolidated statements that include the College, the Virginia Institute of Marine Science (VIMS) and Richard Bland College (RBC). All three entities are agencies of the Commonwealth of Virginia reporting to the Board of Visitors of the College of William and Mary and are referred to collectively as the "Colleges" within the MD&A as well as in the financial statements under the columns titled "College", unless otherwise indicated.

The College's affiliated foundations are also included in these statements consistent with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The College has a total of nine foundations, of which the financial information for eight of the foundations is presented in the statements under the column titled "Component Units". While affiliated foundations are not under the direct control of the College's Board of Visitors, this presentation provides a more holistic view of resources available to support the College and its mission. Additional information and detail related to the foundations can be found in the Component Unit Financial Information footnote. The ninth foundation, Intellectual Properties, was established in fiscal year 2008 and is presented blended in the College column as required by GASB 61 because the College has a voting majority of the board.

Financial Summary

Statement of Net Position

The Statement of Net Position provides a snapshot of the College's financial position, specifically the assets, liabilities and resulting net position as of June 30, 2013. The information allows the reader to determine the College's assets available for future operations, amounts owed by the College and the categorization of net assets as follows:

- (1) Net Investment in Capital Assets – reflects the College's capital assets net of accumulated depreciation and any debt attributable to their acquisition, construction or improvements.
- (2) Restricted – reflects the College's endowment and similar funds whereby the donor has stipulated that the gift or the income from the principal, where the principal is to be preserved, is to be used to support

specific programs of the College. Donor restricted funds are grouped into generally descriptive categories of scholarships, research, departmental uses, etc.

- (3) Unrestricted – reflects a broad range of assets available to the College that may be used at the discretion of the Board of Visitors for any lawful purpose in support of the College’s primary mission of education, research and public service. These assets are derived from student tuition and fees, state appropriations, indirect cost recoveries from grants and contracts, auxiliary services sales and gifts.

Summary Statement of Net Position

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>Assets:</u>				
Current	\$ 68,593,035	\$71,662,822	(\$3,069,787)	-4.28%
Capital, net of accumulated depreciation	748,551,261	697,701,499	50,849,762	7.29%
Other non-current	126,153,495	120,267,473	5,886,022	4.89%
Total assets	<u>943,297,791</u>	<u>889,631,794</u>	<u>53,665,997</u>	<u>6.03%</u>
<u>Liabilities:</u>				
Current	99,669,758	75,653,171	24,016,587	31.75%
Non-current	228,855,568	222,795,181	6,060,387	2.72%
Total liabilities	<u>328,525,326</u>	<u>298,448,352</u>	<u>30,076,974</u>	<u>10.08%</u>
<u>Net Position:</u>				
Net investment in capital assets	502,615,238	480,552,128	22,063,110	4.59%
Restricted	84,049,827	79,625,109	4,424,718	5.56%
Unrestricted	28,107,400	31,006,205	(2,898,805)	-9.35%
Total net position	<u>\$614,772,465</u>	<u>\$591,183,442</u>	<u>\$23,589,023</u>	<u>3.99%</u>

The overall result of the College’s fiscal year 2013 operations was an increase in net position of approximately \$23.6 million or 3.99 percent to \$614.8 million. The increase in net position occurred in the categories of restricted (\$4.4 million) and net investment in capital assets (\$22.1 million) net position. In addition to the College’s net position as shown above, net position for the College’s affiliated foundations totaled \$724.6 million.

Current Assets decreased by \$3.1 million primarily as a result of an overall decrease in cash and cash equivalents partially offset by increases in investments, amounts due from the Commonwealth of Virginia and net receivables. The amounts due from the Commonwealth reflect routine and recurring requests for bond proceeds for capital construction. The increase in Other Non-Current Assets reflects the net increase in long-term investments.

Total liabilities increased significantly due to Advances from the Treasurer of Virginia. The College obtained a treasury loan from the Commonwealth in the amount of \$20,500,000 to purchase the Williamsburg Hospitality House to be used by the College as a dormitory, One Tribe Place. This loan will be repaid during FY14 and replaced with long term bonds. There were also increases in long-term liabilities and accounts payable and accrued expenses. See footnote 7 for the details of the accounts payable and accrued expenses, footnote 9 for the long-term debt details and footnote 11 for the details of advances from the Treasurer of Virginia.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results from College operations for the fiscal year. Revenues for the daily operation of the College are presented in two categories: operating and non-operating. Operating revenues include the significant categories of tuition and fees, grants and contracts and the sales of auxiliary enterprises representing exchange transactions. Non-operating revenues include the significant categories of state appropriations, gifts and investment income representing non-exchange transactions. Net other revenues include capital appropriations, grants and contributions.

Summary Statement of Revenues, Expenses and Changes in Net Position

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	\$ 276,441,534	\$ 270,401,471	\$6,040,063	2.23%
Operating expenses	<u>373,058,466</u>	<u>356,429,081</u>	<u>16,629,385</u>	4.67%
Operating gain/(loss)	(96,616,932)	(86,027,610)	(10,589,322)	-12.31%
Net Non-operating revenues	<u>94,558,986</u>	<u>86,811,719</u>	<u>7,747,267</u>	8.92%
Income/(Loss) before other revenues	(2,057,946)	784,109	(2,842,055)	362.46%
Net other revenues	<u>25,646,969</u>	<u>20,555,531</u>	<u>5,091,438</u>	24.77%
Increase in net position	<u>\$23,589,023</u>	<u>\$21,339,640</u>	<u>\$2,249,383</u>	10.54%

Overall, the result from operations was an increase in net position of \$23.6 million. This increase was attributable to increases in all categories of revenues offset by an increase in operating expenses.

The increase in operating revenues was driven primarily by an increase in tuition and fees, grants and contracts as well as auxiliary enterprise. See the following section of Summary of Revenues for further details.

Operating expenses increased notably in the four programs of Student Aid, Instruction, Institutional Support and Operation and Maintenance of Plant. See the following section of Summary of Expenses for further details.

With the inclusion of state appropriations for the College in the non-operating category, the College will typically display an operating loss for the year.

The following table provides additional details of the operating, non-operating and other revenues of the College.

Summary of Revenues

	<u>FY2013</u>	<u>FY2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues:				
Student Tuition and Fees, net of scholarship allowances	\$ 141,080,380	\$ 139,365,551	\$ 1,714,829	1.23%
Federal, State, Local and Non-governmental grants and contracts	45,931,705	45,702,027	229,678	0.50%
Auxiliary Enterprise, net of scholarship allowances	81,224,947	79,401,760	1,823,187	2.30%
Other	8,204,502	5,932,133	2,272,369	38.31%
Total Operating Revenues	<u>276,441,534</u>	<u>270,401,471</u>	<u>6,040,063</u>	<u>2.23%</u>
Non-Operating:				
State Appropriations	66,457,428	62,652,180	3,805,248	6.07%
Gifts, Investment Income and other income and expenses	28,101,558	24,159,539	3,942,019	16.32%
Total Non-Operating	<u>94,558,986</u>	<u>86,811,719</u>	<u>7,747,267</u>	<u>8.92%</u>
Capital Revenues, Gains and (Losses):				
Capital Appropriations	15,528,112	9,902,380	5,625,732	56.81%
Capital Grants and Gifts	10,118,857	10,653,151	(534,294)	-5.02%
Total Capital Revenues, Gains and (Losses)	<u>25,646,969</u>	<u>20,555,531</u>	<u>5,091,438</u>	<u>24.77%</u>
Total Revenues	<u>\$ 396,647,489</u>	<u>\$ 377,768,721</u>	<u>\$ 18,878,768</u>	<u>5.00%</u>

Within the operating revenue category, student tuition and fees increased \$1.7 million, net of scholarship allowances. An increase in State, Local, and non-governmental grants was offset by a reduction in Federal funding for research for a slight overall increase in revenues. The increase in Auxiliary Enterprise revenues is attributable to the Board approved fee increases and increased sales.

Additional details of the operating expenses of the College are summarized below:

Summary of Operating Expenses

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Expenses:				
Instruction	\$104,308,353	\$97,989,332	\$6,319,021	6.45%
Research	48,845,335	48,221,990	623,345	1.29%
Public Service	52,111	68,442	-16,331	-23.86%
Academic Support	30,448,213	29,626,975	821,238	2.77%
Student Services	13,160,781	13,994,086	-833,305	-5.95%
Institutional Support	29,687,036	27,166,785	2,520,251	9.28%
Operation and Maintenance of Plant	26,110,532	23,472,575	2,637,957	11.24%
Student Aid	36,300,527	33,246,613	3,053,914	9.19%
Auxiliary Enterprise	58,490,641	57,826,571	664,070	1.15%
Depreciation	25,119,437	23,761,878	1,357,559	5.71%
Other Operating Expenses	535,500	1,053,834	-518,334	-49.19%
Total Operating Expenses	<u>\$373,058,466</u>	<u>\$356,429,081</u>	<u>\$16,629,385</u>	<u>4.67%</u>

For fiscal year 2013, operating expenses increased notably in the four programs; Student Aid, Instruction, Institutional Support and Operation and Maintenance of Plant.

Statement of Cash Flows

The Statement of Cash Flows provides detailed information about the College's sources and uses of cash during the fiscal year. Cash flow information is presented in four distinct categories: Operating, Non-capital Financing, Capital Financing and Investing Activities. This statement aids in the assessment of the College's ability to generate cash to meet current and future obligations.

Summary Statement of Cash Flows

	<u>FY2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>Cash Flows from:</u>				
Operating Activities	\$ (73,277,788)	\$ (59,927,275)	(\$13,350,513)	-22.28%
Non-capital Financing	95,179,758	96,759,485	(1,579,727)	-1.63%
Capital Financing	(29,843,519)	(11,021,124)	(18,822,395)	-170.78%
Investing Activities	(32,475,057)	6,265,688	(38,740,745)	618.30%
Net Increase in Cash	<u>\$ (40,416,606)</u>	<u>\$ 32,076,774</u>	<u>\$ (72,493,380)</u>	<u>226.00%</u>

Cash flow from operations and non-capital financing reflects the sources and uses of cash to support the core mission of the College. The primary sources of cash supporting the core mission of the College in fiscal year 2013 were tuition and fees - \$139.5 million, auxiliary enterprise revenues \$80.5 million, state appropriations - \$66.5 million, and research grants and contracts - \$41.9 million.

The primary uses of operating cash in fiscal year 2013 were payments to employees - \$203.8 million representing salaries, wages and fringe benefits and payments to suppliers of goods and services - \$102.5

million. The increase in cash used by operating activities in FY13 was primarily due to payments to employees and payments to suppliers. Included in payments to employees was a 3% bonus paid in November 2012.

Cash flow from capital financing activities reflects the activities associated with the acquisition and construction of capital assets including related debt payments. The primary sources of cash in fiscal year 2013 were proceeds from capital appropriations - \$15.0 million, bond sales - \$27.8 million, capital grants and gifts - \$9.6 million and advances from the Treasurer of Virginia - \$20.6 million. The primary uses of cash were for debt payments - \$30.8 million and capital expenditures - \$72.8 million. The acquisition of the Williamsburg Hospitality House for use by the College as a dormitory, One Tribe Place, is the cause of the increase in cash used by capital financing activities. The College obtained a treasury loan from the Commonwealth in the amount of \$20,500,000 for the purchase. The loan will be repaid during FY14 and replaced with long term bonds.

The change in cash flows from investing activities is due to purchases of investments. At June 30, 2013 the College had significantly more holdings in investments as opposed to cash and cash equivalents at June 30, 2012. The College had a record-breaking fundraising year in FY13 which contributed to the cash available for investment.

Capital Asset and Debt Administration

The College of William & Mary

General – As the impact of the recession appears to be slowing, 2013 marks the start of a cautious recovery in design and construction. While primary academic facilities remain the focus, a shift is underway from new construction to renovation/retrofit of existing facilities and supporting infrastructure. The same is true of auxiliary functions as three-fourths of projects in progress involve additions / renovations to existing facilities.

Completed Projects – Thirty-one projects are listed as having been placed into service prior to FY13. Residual funds in each budget have been used to restore items deleted from project scopes during design to reduce estimated costs prior to contract bid/negotiation and/or to purchase equipment required to optimize facility functionality. These projects will be closed as rapidly as possible.

Projects in Progress – Twelve projects are currently in design (7) and construction (5).

Design – Two designs are focused on teaching facilities, one on a dormitory renovation and four on analysis and improvement/modification of infrastructure facilities. Instructional facility work includes construction of the third phase of the Integrated Science Complex, and the renovation of the 1927 era Tyler Hall classroom building which will become home to three departments and the Institute of International Relations. Dormitory construction features the renovation of Chandler Hall which was built in 1931. The Chandler Project is significant since it marks the first time in recent history that a dorm will be taken off line for an entire academic year to allow a comprehensive renovation of all building systems in addition to updating of interior fixtures and finishes. Remaining projects will address regulatory/capacity shortfalls of supporting systems and facilities – accessibility, storm water, Lake Matoaka earth fill dam, and the construction of an “ice plant” within the Power Plant Cooling Addition. The ice plant is significant since it will enable a significant annual energy cost savings via “peak shaving” when cold brine created by the plant during non-peak periods is used to chill cooling water during peak demand. Since annual rates for power are set during the peak fifteen minutes of demand each year, lower rates can be achieved.

Construction – Five projects are in construction. Two support education and general requirements and three support auxiliary functions. Two projects renovate existing facilities. The first provides a 1723 era administration building on the National Historic Record with state of the art building systems and achieves code compliance while minimizing disturbance of original building fabric. A second executes a “gut” renovation of the 1908 era Tucker Hall (home to the Department of English) to enable state of the art instructional methods, modernization of building systems, code compliance and development of organizational coherence in a three story facility which boasts six different floor levels created by previous additions to the 1908 core facility.

Residence Life – Two projects increase bed space on a residential campus. The first project creates new Greek housing via eleven 17 bed houses (nine fraternities and two houses assigned to women) and a Community Building which will house the Assistant Director for Fraternities and Sororities, Greek Life Council space and supporting facilities management space. The second acquires and repairs a commercial hotel to provide a 400 plus bed augmentation immediately adjacent to campus.

Dining Services – A 300 seat addition to an existing dining facility, a “refresh” of the existing seating space and complete renovation of the kitchen increases seating capacity and throughput capacity in support of a newly instituted mandatory meal plan program.

A new Six Year Plan for the 2014 – 2020 period was approved in May 2013. As noted in the 2012 report, the plan marks a significant transition functionally and fiscally. New construction will feature a shift in focus to support the arts, information technology and the renovation of existing academic facilities and dormitories. Funding support will continue to rely heavily on College and donor support in anticipation of a gradual restoration of state funding during this period for gradual recovery from the fiscal recession.

Virginia Institute of Marine Science

The Property Acquisitions have three appropriations for purchasing property at the Gloucester Point and Wachapreague campuses, and for the Virginia Estuarine & Coastal Research Reserve. VIMS procured two properties for its Gloucester Point campus in December 2012 and June 2013. While there were no property purchases for the Wachapreague campus or for the Virginia Estuarine & Coastal Research Reserve during fiscal year 2013, the appropriations remain open in the event property becomes available in the future.

The Improvement Project of Electrical Upgrades involved upgrading the electrical distribution system in Chesapeake Bay Hall. The building’s present electrical system did not provide the type of clean power needed by some of the sensitive electronic lab equipment and instrumentation used in modern research. The project installed transient voltage surge suppression, improvements to the grounding system, a second emergency generator, and UPS systems in various laboratories. The project was completed in April 2013.

The Eastern Shore Seawater Laboratory Replacement project involved construction of a new laboratory building with running seawater for research on coastal marine ecology and aquaculture in a high salinity environment. The research had been conducted in former oyster shucking houses from the late 1800’s. The project was completed in November 2012.

The Research Vessel project involves the planning and construction of a new custom designed research vessel to replace the R/V Bay Eagle. We are in negotiations with a naval architectural firm to provide concept and preliminary designs, bidding assistances, and construction services.

The Consolidated Scientific Research Facility project involves the planning of a new 32,000 square-foot building to provide research, study, office and technology space for Information Technology, Marine Advisory Services, the Center for Resource Management (CCRM), and the Publication/Communication Center in a single facility. Planning is expected to be underway summer 2013.

Richard Bland College

The Student Commons Renovation project was completed in the fall of 2012. The project primarily involved code upgrades and replacement in kind of mechanical systems.

The President’s Residence project was completed in August of 2012 in preparation for Dr. Sydow’s arrival. The project primarily involved repairs and cosmetic work to include porch replacement, plumbing replacement from the basement to the 2nd floor bathroom, window replacement, painting the interior and replacement of some kitchen appliances.

The Ernst Hall Renovation project is in planning and design. In March of 2013, an architecture firm was hired for the detailed planning.

Debt Activity

The College's long-term debt is comprised of bonds payable, notes payable, capital lease payable and installment purchases. The bonds payable are Section 9(c) bonds which are general obligation bonds issued and backed by the Commonwealth of Virginia on behalf of the College. These bonds are used to finance capital projects which will produce revenue to repay the debt. The College's notes payable consists of Section 9(d) bonds, which are issued by the Virginia College Building Authority's (VCBA) Pooled Bond Program. These bonds are backed by pledges against the College's general revenues. As of June 30, 2013 the College has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of \$64.3 million and \$147.7 million respectively.

The outstanding balance of 9(c) bonds can be summarized in five major categories as follows: (1) Renovation of Dormitories - \$22.2 million, (2) Commons Dining Hall - \$7.2 million, (3) Other housing / residence - \$5.3 million, (4) New Dormitory - \$24.4 million, and (5) Underground Utility - \$0.9 million. The majority of the 9(d) balance at June 30, 2013 is related to the Miller Hall School of Business - \$34.3 million, the Barksdale dormitories - \$20.0 million, Cooling Plant - \$21.0 million, Integrated Science Center - \$16.2 million, the Parking Deck -\$8.9 million, Recreation Sports Center - \$7.8 million, Marshall-Wythe Law School Library - \$4.7 million and Expand Sadler Center - \$7.2 million.

Economic Outlook

The College's economic health reflects our ability to recruit students, our status as a public institution within the Commonwealth of Virginia's higher education system, our ability to raise revenue through tuition and fees, grants and contracts and private funds, and our ability to reallocate funds in support of higher priorities.

William & Mary continues to recruit, admit and retain top-caliber students even as we compete against the most selective public and private institutions in the country. Freshman applications to the College reached a new high of 14,047 for Fall 2013. The credentials of our admitted students remain strong, reflecting the highly selective nature of the College. These statistics, coupled with the College's academic reputation, suggest a strong continuing student demand for the future.

The rebound in endowment value began in FY 2010 and continued through FY 2013. By June 30, 2013, the consolidated value of endowments held by all of the various entities supporting the College and its programs totaled \$697.7 million, an increase of 8.3% over the June 30, 2012 value and a record high for the College. Strong investment performance by both the Board of Visitors and College of William and Mary Foundation endowments combined with increasing gift flow support this increase. The Board of Visitors' endowment and the Foundation's William and Mary Investment Trust, the largest of the College's investment portfolios, remain highly diversified across asset classes.

Facilities activity remains brisk on campus. On the academic side, the newly renovated Tucker Hall opened for the Fall 2013 semester, allowing the English department to return to its home facility. Planning is well under way for the final phase of the Integrated Science Center and the renovation of Tyler Hall. Since the ISC 3 and Tyler Hall projects have been authorized by the State, the College will move forward with construction as soon as planning is complete. On the non-academic side, construction of the new fraternity houses is complete. These houses not only dramatically improve fraternity housing, but add an additional 187 beds to our on-campus inventory. To further support the College's housing program, the College also purchased the Hospitality House, a hotel right across the street from campus. Renamed One Tribe Place, students moved into a portion of the building in Fall 2013. Planning continues regarding the long-term use of conference, restaurant, and other space available in the building. Finally, the College completed an expansion of the dining facility in the Sadler Center to provide better service as well as a late night dining option for our students.

Recognizing the need for additional investment in the College, on April 19, 2013, William & Mary's Board of Visitors approved "The William & Mary Promise," a new operating model that provides vitally needed resources to secure the future of Virginia's distinctive "public ivy" while markedly enhancing predictability, affordability and access for Virginia students. Elements of the Promise include:

Predictability:

- **Four-year tuition guarantee:** Provides Virginia families with financial predictability through a commitment to incoming in-state students that tuition will remain constant through all four years of their undergraduate study. Beginning Fall 2013, entering Virginia students will know exactly what their tuition costs will be for all four years at William & Mary, and those costs will not rise from year to year. In April 2013, the Board of Visitors set tuition for classes entering in the fall of 2013, 2014 and 2015. Virginia undergraduate students in each entering class will see a one-time step increase their freshman year: to \$10,428 for the 2013-14 academic year, \$12,428 for 2014-2015, and \$13,978 for 2015-2016. For each entering class, tuition will be frozen at that level for all four years.
- **Tuition capped at CPI for returning Virginia undergraduates:** For in-state undergraduate students enrolled at William & Mary before adoption of the new model, annual tuition increases will be held to no greater than the rate of inflation.

Affordability:

- **Relief for middle-income families:** Reduces the “net tuition” paid by middle-income families, as defined by the state’s Higher Education Advisory Committee (HEAC). More than 70% of Virginia households qualify as “middle income” under the HEAC definition. Under the William & Mary Promise, students from middle-income families who qualify for need-based financial aid will pay no more “net tuition” (tuition less financial aid) than under the current model. Under this new model the College will increase the amount of need-based financial aid it provides to in-state students by 50 percent over the four-year period. Most of the increased aid will be used to provide grants in lieu of loans, thereby reducing student debt.
- **Less debt for W&M graduates:** Reduces by up to \$8,000 the loan burden for middle-income in-state undergraduate students who have demonstrated financial need. The William & Mary Promise will lower the average annual borrowing and four-year cumulative debt average for Virginia undergraduates with demonstrated need as determined by the financial aid office. The plan will lower the maximum amount of loans included with an in-state financial aid package by 36% (\$2,000 annually) for families with an income between \$40,000 and \$60,000, and by 18% (\$1,000 annually) for all other families with demonstrated financial need. Students from Virginia families with a household income of less than \$40,000 will continue to receive financial aid that covers 100% of their need with grants.

Accessibility:

- **Additional Virginia students:** Provides for 150 additional in-state students to be enrolled to William & Mary over the next four years, which combined with the 2010 commitment of 150 in-state students represents an 8% increase since 2010.

Consolidated Financial Statements

**The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Net Position
As of June 30, 2013**

ASSETS	Colleges	Component Units
Current assets:		
Cash and cash equivalents (Note 3)	\$ 25,036,099	\$ 30,507,261
Investments (Note 3)	21,875,967	4,606,713
Appropriation available	700,054	-
Receivables, net of allowance for doubtful accounts (Note 5)	16,516,197	5,081,040
Due from commonwealth	2,180,405	-
Inventories	706,231	49,830
Pledges receivable	-	11,304,803
Prepaid expenses	1,452,900	653,474
Other assets	125,182	218,028
Total current assets	68,593,035	52,421,149
Non-current assets:		
Restricted cash and cash equivalents (Note 3)	27,968,128	23,033,450
Restricted investments (Note 3)	79,234,716	492,277,018
Investments (Note 3)	16,095,399	11,426,602
Receivables	-	23,856,056
Notes receivable, net of allowance for doubtful accounts (Note 5)	2,855,252	-
Pledges receivable	-	18,700,987
Capital assets, nondepreciable (Note 6)	174,128,791	12,343,232
Capital assets, depreciable net of accumulated depreciation of \$349,972,160 (Note 6)	574,422,470	18,104,242
Other assets	-	1,801,143
Other restricted assets	-	142,032,362
Total non-current assets	874,704,756	743,575,092
Total assets	943,297,791	795,996,241
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	38,311,324	1,945,597
Unearned revenue	13,986,258	1,981,663
Deposits held in custody for others	1,998,241	338,434
Advance from the Treasurer of Virginia (Note 11)	20,629,092	-
Obligations under securities lending program	115,814	-
Long-term liabilities-current portion (Note 9)	24,168,305	1,737,194
Short term debt	-	2,635,000
Other liabilities	460,724	6,736
Total current liabilities	99,669,758	8,644,624
Long-term liabilities-non-current portion (Note 9)	228,855,568	62,736,612
Total liabilities	328,525,326	71,381,236
NET POSITION		
Net investment in capital assets	502,615,238	11,760,452
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	19,022,190	105,907,276
Research	-	6,217,535
Loans	-	24,230
Departmental uses	28,543,955	130,278,775
Other	-	187,692,231
Expendable:		
Scholarships and fellowships	8,094,139	77,002,934
Research	-	2,834,111
Debt service	759,709	-
Capital projects	1,126,641	21,889,209
Loans	746,643	57,421
Departmental uses	25,756,550	117,238,861
Other	-	17,947,813
Unrestricted	28,107,400	45,764,157
Total net position	\$ 614,772,465	\$ 724,615,005

The accompanying Notes to the Financial Statements are an integral part of this statement.

**The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013**

	Colleges	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$26,450,838	\$ 141,080,380	\$ -
Gifts and contributions	-	29,085,633
Federal grants and contracts	37,715,008	-
State grants and contracts	2,998,459	-
Local grants and contracts	884,845	-
Nongovernmental grants and contracts	4,333,393	-
Auxiliary enterprises, net of scholarship allowances of \$11,652,408	81,224,947	-
Other	8,204,502	12,583,030
	<hr/>	<hr/>
Total operating revenues	276,441,534	41,668,663
	<hr/>	<hr/>
Operating expenses: (Note 12)		
Instruction	104,308,353	4,498,799
Research	48,845,335	656,567
Public service	52,111	991,842
Academic support	30,448,213	5,739,254
Student services	13,160,781	1,271,522
Institutional support	29,687,036	13,259,717
Operation and maintenance of plant	26,110,532	618,074
Student aid	36,300,527	6,481,172
Auxiliary enterprises	58,490,641	870,045
Depreciation	25,119,437	787,408
Other	535,500	7,579,866
	<hr/>	<hr/>
Total operating expenses	373,058,466	42,754,266
	<hr/>	<hr/>
Operating loss	(96,616,932)	(1,085,603)
	<hr/>	<hr/>
Non-operating revenues/(expenses):		
State appropriations (Note 13)	66,457,428	-
Gifts	23,177,388	-
Net investment revenue	8,807,258	44,278,671
Pell grant revenue	5,280,793	-
Interest on capital asset related debt	(8,419,128)	(285,247)
Other non-operating revenue	2,532,709	6,800,361
Other non-operating expense	(3,277,462)	(5,162,507)
	<hr/>	<hr/>
Net non-operating revenues	94,558,986	45,631,278
	<hr/>	<hr/>
Income/(loss) before other revenues, expenses, gains or losses	(2,057,946)	44,545,675
	<hr/>	<hr/>
Capital appropriations	15,528,112	-
Capital grants and contributions	10,118,857	11,791,922
Additions to permanent endowments	-	33,031,562
	<hr/>	<hr/>
Net other revenues, expenses, gains or losses	25,646,969	44,823,484
	<hr/>	<hr/>
Increase in net position	23,589,023	89,369,159
	<hr/>	<hr/>
Net position - beginning of year, restated (Note 2)	591,183,442	635,245,846
	<hr/>	<hr/>
Net position - end of year	\$ 614,772,465	\$ 724,615,005
	<hr/>	<hr/>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2013**

Cash flows from operating activities:	
Tuition and fees	\$ 139,464,282
Scholarships	(26,567,495)
Research grants and contracts	41,908,296
Auxiliary enterprise charges	80,501,949
Payments to suppliers	(102,454,904)
Payments to employees	(203,837,553)
Payments for operation and maintenance of facilities	(9,497,921)
Loans issued to students and employees	(292,937)
Collection of loans to students and employees	509,410
Other receipts	6,871,535
Other payments	117,550
	<hr/>
Net cash used by operating activities	<u>(73,277,788)</u>
Cash flows from noncapital financing activities:	
State appropriations	66,457,428
Gifts	23,177,388
Agency receipts	7,732,351
Agency payments	(6,123,922)
Direct Loan receipts	44,034,543
Direct Loan disbursements	(44,034,543)
Other non-operating receipts	6,956,977
Other non-operating disbursements	(3,020,464)
	<hr/>
Net cash provided by noncapital financing activities	<u>95,179,758</u>
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	27,784,037
Capital appropriations	14,976,683
Capital grants and contributions	9,559,671
Advance from the Treasurer of Virginia	20,629,092
Insurance payments	747,631
Capital expenditures	(72,825,958)
Principal paid on capital-related debt	(21,617,740)
Interest paid on capital-related debt	(9,163,483)
Proceeds from sale of capital assets	66,548
	<hr/>
Net cash used by capital and related financing activities	<u>(29,843,519)</u>
Cash flows from investing activities:	
Investment income	8,640,793
Investments	(41,115,850)
	<hr/>
Net cash provided by investing activities	<u>(32,475,057)</u>
Net increase/(decrease) in cash	(40,416,606)
Cash-beginning of year*	<hr/>
	93,310,944
Cash-end of year	<hr/> <hr/>
	\$ 52,894,338

**The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2013**

Reconciliation of Cash-end of year-Cash Flow Statement, to Cash and Cash Equivalents-Statement of Net Position :	
Statement of Net Position	
Cash and cash equivalents	\$ 25,036,099
Restricted cash and cash equivalents	27,968,128
Less: Securities lending -Treasurer of Virginia	<u>(109,889)</u>
Net cash and cash equivalents	<u><u>\$ 52,894,338</u></u>
Reconciliation of net operating expenses to net cash used by operating activities:	
Net operating loss	\$ (96,616,932)
Adjustments to reconcile net operating expenses to cash used by operating activities:	
Depreciation expense	25,119,437
Changes in assets and liabilities:	
Receivables-net	(2,246,868)
Inventories	101,693
Prepaid expense	709,611
Accounts payable	(812,167)
Unearned revenue	302,168
Deposit held for others	(92,033)
Compensated absences	139,753
Other liability	<u>117,550</u>
Net cash used in operating activities	<u><u>\$ (73,277,788)</u></u>

**NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL
AND RELATED FINANCING TRANSACTIONS**

Amortization of a deferred loss	\$ 316,105
Donated capital assets	\$ 559,186
Reduction/amortization of bond premium and debt issuance costs	\$ 1,478,672

The accompanying Notes to Financial Statements are an integral part of this statement.

**Notes to
Financial Statements
Year Ended June 30, 2013**

The College of William and Mary in Virginia and Richard Bland College - Consolidated Report

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The College of William and Mary, which includes the Williamsburg campus and the York River campus (Virginia Institute of Marine Science), and Richard Bland College are a part of the Commonwealth of Virginia's statewide system of public higher education. The College's Board of Visitors is appointed by the Governor and is responsible for overseeing governance of the College. The College is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

The accompanying financial statements present all funds for which the College's Board of Visitors is financially accountable. Related foundations and similar non-profit corporations for which the College is not financially accountable are also a part of the accompanying financial statements under Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. These entities are separately incorporated and the College exercises no control over them. These component units are described in Note 14.

The College has nine component units as defined by GASB Statement 61 – the College of William and Mary Foundation, the Marshall-Wythe School of Law Foundation, the Alumni Association, the Athletic Educational Foundation, the School of Business Foundation, the Virginia Institute of Marine Science Foundation, the Richard Bland College Foundation, the Real Estate Foundation and the Intellectual Property Foundation. These organizations are separately incorporated tax-exempt entities and have been formed to promote the achievements and further the aims and purposes of the College.

Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources or income which the Foundations hold and invest are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundations can only be used by or for the benefit of the College, the Foundations are considered component units of the College and are discretely presented in the financial statements with the exception of the Intellectual Property Foundation. The Intellectual Property Foundation is presented blended in the College column because the College has a voting majority of the governing board of the Foundation.

The College of William and Mary Foundation is a private, not-for-profit corporation organized under the laws of the Commonwealth of Virginia to “aid, strengthen, and expand in every proper and useful way” the work of the College of William and Mary. For additional information on the College of William and Mary Foundation, contact their office at Post Office Box 8795, Williamsburg, Virginia 23187.

The Marshall-Wythe School of Law Foundation is a non-stock, not-for-profit corporation organized under the laws of the Commonwealth of Virginia, established for the purpose of soliciting and receiving gifts to support the College of William and Mary School of Law. The Foundation supports the Law School through the funding of scholarships and fellowships, instruction and research activities, and academic support. For additional information on the Marshall-Wythe School of Law Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia 23187.

The William and Mary Alumni Association is a private, not-for-profit corporation organized under the laws of the Commonwealth of Virginia which provides aid to the College of William and Mary in Virginia in its work, and promotes and strengthens the bonds of interest between and among the College of William and Mary in Virginia and its alumni. For additional information on the Alumni Association, contact the Alumni Association Office at Post Office Box 2100, Williamsburg, Virginia 23187-2100.

The William and Mary Athletic Educational Foundation is a not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Foundation is to promote, foster, encourage and further education, in all enterprises of all kinds at the College of William and Mary Virginia, but it principally supports the Athletic Department of the College. For additional information on the Athletic Educational Foundation, contact the Foundation Office at 751 Ukrop Drive, Williamsburg, Virginia 23187.

The William and Mary Business School Foundation is a non-stock, not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Business School Foundation is to solicit and receive gifts to endow the College of William and Mary School of Business Administration and to support the School through the operations of the Foundation. For additional information on the William and Mary Business School Foundation, contact the Foundation Office at Post Office Box 3023, Williamsburg, Virginia, 23187.

The Virginia Institute of Marine Science Foundation is a not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Foundation is to support the College of William and Mary's Virginia Institute of Marine Science primarily through contributions from the public. For additional information on the Virginia Institute of Marine Science Foundation, contact the Foundation Office at Post Office Box 1346, Gloucester Point, Virginia, 23062.

The Richard Bland College Foundation is a private, not-for-profit corporation organized under the laws of the Commonwealth of Virginia which provides scholarships, financial aid, and books to the College's students, along with support for faculty development and cultural activities. For additional information on the Richard Bland College Foundation, contact the Foundation Office at 11301 Johnson Road, Petersburg, Virginia 23805-7100.

The William and Mary Real Estate Foundation is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia in September 2006. Its purpose is to acquire, hold, manage, sell, lease and participate in the development of real properties in support of the educational goals of the College of William and Mary in Virginia. For additional information on the William and Mary Real Estate Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia, 23187-8795.

The Intellectual Property Foundation is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia in September 2007. Its purpose is to handle all aspects of the intellectual property of the College of William and Mary in Virginia in support of the educational goals of the College. The Intellectual Property Foundation is presented blended with the College because the College has a voting majority of the board. For additional information on the William and Mary Intellectual Property Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia, 23187-8795.

The Omohundro Institute of Early American History and Culture (OIEAHC), sponsored by the College of William and Mary and The Colonial Williamsburg Foundation, is organized exclusively for educational purposes. Its Executive Board, subject to its sponsors, determines matters of policy and has responsibility for financial and general management as well as resource development. The Executive Board consists of six members: the chief education officer of the Colonial Williamsburg Foundation, the chief academic officer of the College of William and Mary, the chairperson of the Institute Council and three who are elected by OIEAHC's Executive Board. Prior to the beginning of each fiscal year, the sponsors determine the nature and extent of their responsibility for the financial support of the OIEAHC in the upcoming year. OIEAHC is treated as a joint venture with the College's portion of support to the Institute blended in the College column on the financial statements. The College contributed \$854,268 through direct payment of expenses.

The following summarizes the unaudited financial position of the OIEAHC at June 30, 2013:

Assets	<u>\$ 577,766</u>
Liabilities	102,169
Net Assets	<u>475,597</u>
Liabilities and Net Assets	<u>\$ 577,766</u>

The total unaudited receipts and disbursements of the OIEAHC were \$1,957,347 and \$1,958,803 respectively, for the year ended June 30, 2013. Separate financial statements for the OIEAHC may be obtained by writing the Treasurer, Omohundro Institute of Early American History and Culture, P.O. Box 8781, Williamsburg, Virginia 23187-8781.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including all applicable GASB pronouncements. Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities*, effective for the years ending on or after June 30, 2002, the full scope of the College’s activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting, including depreciation expense related to capitalized fixed assets. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Bond premiums and discounts are deferred and amortized over the life of the debt. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

In accordance with the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, definition, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity of three months or less.

Investments

Investments are recorded at cost or fair market value, if purchased, or fair market value at the date of receipt, if received as a gift, and reported in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. (See Note 3.) Realized and unrealized gains and losses are reported in investment income as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises’ sales and services. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts.

Inventories

Inventories at the Williamsburg and York River (Virginia Institute of Marine Science) campuses are reported using the consumption method, and valued at average cost.

Prepaid Expenses

As of June 30, 2013, the Colleges’ prepaid expenses included items such as insurance premiums, membership dues, conference registrations and publication subscriptions for fiscal year 2014 that were paid in advance.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Construction expenses for capital assets and improvements are capitalized when expended. The College's capitalization policy on equipment includes all items with an estimated useful life of two years or more. All three campuses capitalize all items with a unit price greater than or equal to \$5,000. Library materials for the academic or research libraries are capitalized as a collection and are valued at cost. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets for financial statement periods beginning after June 15, 2009. The Williamsburg and York River campuses capitalize intangible assets with a cost greater than or equal to \$50,000 except for internally generated computer software which is capitalized at a cost of \$100,000 or greater. Richard Bland College capitalizes intangible assets with a cost greater than or equal to \$20,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	40-50 years
Infrastructure	10-50 years
Equipment	2-30 years
Library Books	10 years
Intangible Assets – computer software	3-20 years

Collections of works of art and historical treasures are capitalized at cost or fair value at the date of donation. These collections, which include rare books, are considered inexhaustible and therefore are not depreciated.

Unearned Revenue

Unearned revenue represents revenue collected but not earned as of June 30, 2013. This is primarily comprised of revenue for student tuition paid in advance of the semester, amounts received from grant and contract sponsors that have not yet been earned and advance ticket sales for athletic events.

Compensated Absences

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position. The applicable share of employer related taxes payable on the eventual termination payments is also included.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, notes payable, capital lease payable and installment purchase agreements with contractual maturities greater than one year as well as estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

Net Position

GASB Statement No. 63 requires that the Statement of Net Position report the difference between assets and liabilities as net position rather than net assets. Accordingly, the College's net position is classified as follows:

Net Investment in Capital Assets – consists of total investment in capital assets, net of accumulated depreciation and outstanding debt obligations.

Restricted Net Position – Nonexpendable – includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position – Expendable – represents funds that have been received for specific purposes and the

College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position – represents resources derived from student tuition and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises. When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense toward restricted resources, and then toward unrestricted.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from charges to students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the actual charge for goods and services provided by the College and the amount that is paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple calculation that computes scholarship discounts and allowances on a college-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid. Student financial assistance grants and other Federal, State or nongovernmental programs are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship allowance.

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work Study, Perkins Loans, and Direct Loans, which includes Stafford Loans, Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS Loans. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, Audit of States, Local Governments and Non-Profit Organizations, and the Compliance Supplement.

Classification of Revenues and Expenses

The College presents its revenues and expenses as operating or non-operating based on the following criteria:

Operating revenues - includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and Local grants and contracts and (4) interest on student loans.

Non-operating revenues - includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, and GASB Statement No. 34, such as State appropriations and investment income.

Non-operating expenses - includes interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

2. RESTATEMENT OF NET POSITION

Net position originally reported in the College's financial statements as of June 30, 2012 has been restated to reflect further evaluation of assets and liabilities.

Net position as previously reported June 30, 2012	\$ 593,653,364
Prior year depreciation for one building due to system error	(2,200,242)
Richard Bland College - record additional liability related to debt on dormitories leased from RBC Foundation	(1,284,276)
Richard Bland College - record building improvements to Student Commons Facility not capitalized in FY12	271,400
Workmen's Compensation payment for FY13 charged to FY12 and not accrued as prepaid	734,587
Adjustment to net position for grant transactions	(46,493)
Beginning net position for Intellectual Property Foundation for blended presentation	<u>55,102</u>
Net position at July 1, 2012	<u><u>\$ 591,183,442</u></u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et. seq., Code of Virginia, all state funds of the College are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody and investment of State funds. Cash held by the College is maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et. seq. Code of Virginia. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the College.

Investments

The investment policy of the College is established by the Board of Visitors and monitored by the Board's Financial Affairs Committee. In accordance with the Board of Visitors' Resolution 6(R), November 16, 2001, Resolution 12(R) November 21-22, 2002, and as updated by the Board in April 2012 investments can be made in the following instruments: cash, U.S. Treasury and Federal agency obligations, commercial bank certificates of deposit, commercial paper, bankers' acceptances, corporate notes and debentures, money market funds, mutual funds, convertible securities and equities.

Concentration of Credit Risk

Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents five percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. The College's investment policy does not limit the amount invested in U.S. Government or Agency Securities. As of June 30, 2013, the College had 9.4% of its total investments in the Federal National Mortgage Association.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the College will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. All investments are registered and held in the name of the College and therefore, the College does not have this risk.

Interest Rate Risk

The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College limits its exposure to interest rate risk by limiting its maximum maturity lengths of investments and structuring its portfolio to maintain adequate liquidity to ensure the College's ability to meet its operating requirements.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The College had no investments in foreign currency but had foreign deposits in the amount of \$547,377 as of June 30, 2013.

Security Lending Transactions

Securities lending transactions represent Richard Bland College's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Loaned securities, for which the collateral is reported on the Statement of Net Position, are non-categorized as to credit risk. Details of the General Account securities lending program are included in the Commonwealth's Comprehensive Annual Financial Report.

Interest Rate Risk: Maturities

Type of Investment	Fair Value	Less than 1 year	1-5 years	6-10 years	Greater than 10 years
Agency unsecured bonds and notes:					
Federal Home Loan Mortgage Corp	\$ 1,279,648	\$ 1,279,648	\$ -	\$ -	\$ -
Federal National Mortgage Assn	14,562,171	-	-	14,562,171	-
Commercial Paper	16,996,548	16,996,548	-	-	-
Corporate Bonds	15,674,455	10,942,184	4,732,271	-	-
Mutual and money market funds:					
Money market	13,425,986	13,425,986	-	-	-
Mutual funds - Investment Funds	24,659,161	-	-	12,259,819	12,399,342
Mutual funds - PIMCO Funds	53,972	-	-	53,972	-
Mutual funds - Wells Fargo	507,783	507,783	-	-	-
State non-arbitrage program	21,559,043	21,559,043	-	-	-
Securities lending	109,889	109,889	-	-	-
	<u>\$ 108,828,656</u>	<u>\$ 64,821,081</u>	<u>\$ 4,732,271</u>	<u>\$ 26,875,962</u>	<u>\$ 12,399,342</u>

Credit & Concentration of Credit Risks

	Moody's Credit Rating					
	Fair Value	Aaa	Aa1	Aa2	Aa3	Unrated
<u>Cash Equivalents</u>						
Certificate of deposit	\$ 130,000	\$ -	\$ -	\$ -	\$ -	\$ 130,000
Money market	13,425,986	-	-	-	-	13,425,986
Commercial Paper	2,999,570	-	-	-	-	2,999,570
State non-arbitrage program	21,559,043	-	-	-	-	21,559,043
Securities lending	109,889	-	-	-	-	109,889
Total cash equivalents	<u>38,224,488</u>	-	-	-	-	<u>38,224,488</u>
<u>Investments</u>						
Agency unsecured bonds and notes:						
Federal Home Loan Mortgage Corp	\$ 1,279,648	\$ -	\$ -	\$ -	\$ -	\$ 1,279,648
Federal National Mortgage Assn	14,562,171	-	-	-	-	14,562,171
Commercial Paper	13,996,978	-	-	-	-	13,996,978
Corporate Bonds	15,674,455	2,520,580.00	1,024,950.00	3,852,115.00	8,276,810.00	-
Mutual funds:						
Investment Funds	24,659,161	-	-	-	-	24,659,161
PIMCO Total Return Fund	53,972	-	-	-	-	53,972
Wells Fargo	177,690	-	-	-	-	177,690
Total investments	<u>70,404,075</u>	<u>\$ 2,520,580</u>	<u>\$ 1,024,950</u>	<u>\$ 3,852,115</u>	<u>\$ 8,276,810</u>	<u>\$ 54,729,620</u>
<u>Other Investments</u>						
Other	46,350,202					
Securities lending	5,925					
Rare coins	280					
Property held as investment for endowments	<u>445,600</u>					
Total other investments	<u>46,802,007</u>					
Total cash equivalents and investments	<u>\$ 155,430,570</u>					

4. DONOR RESTRICTED ENDOWMENTS

Investments of the College's endowment funds are pooled and consist primarily of gifts and bequests, the use of which is restricted by donor imposed limitations. The Uniform Management of Institutional Funds Act, Code of Virginia Title 55, Chapter 15 sections 268.1-268.10, permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long- and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying the payout percentage to the average market value of the investment portfolio for the three previous calendar year-ends. The payout percentage is reviewed and adjusted annually as deemed prudent.

The College, during fiscal year 2013, had a net appreciation of \$11,471,037 which is available to be spent and is reported in the Statement of Net Position in the following categories: Restricted for Expendable Scholarships and Fellowships - \$5,923,540, Restricted for Expendable Research - \$30,832, Restricted for Expendable Capital Projects -

\$171,850, Restricted for Expendable Departmental Uses - \$4,198,132 and Unrestricted - \$1,146,683. The amount for Research was reclassified to unrestricted because the total net position Restricted Expendable Research was negative.

5. ACCOUNTS AND NOTES RECEIVABLES

Receivables include transactions related to accounts and notes receivable and are shown net of allowance for doubtful accounts for the year ending June 30, 2013 as follows:

Accounts receivable consisted of the following at June 30, 2013:

Student Tuition and Fees	\$ 2,592,512
Auxiliary Enterprises	1,524,918
Federal, State and Non-Governmental Grants & Contracts	8,174,197
Other Activities	<u>4,227,194</u>
Gross Receivables	16,518,821
Less: allowance for doubtful accounts	<u>(2,624)</u>
Net Receivables	<u><u>\$ 16,516,197</u></u>

Notes receivable consisted of the following at June 30, 2013:

Non-current portion:	
Federal student loans and promissory notes	\$ 2,939,621
Less: allowance for doubtful accounts	<u>(84,369)</u>
Net non-current notes receivable	<u><u>\$ 2,855,252</u></u>

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2013 consists of the following:

	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance
Non-depreciable capital assets:					
Land	\$ 15,058,418	\$ -	\$ 883,446	\$ -	\$ 15,941,864
Inexhaustible artwork and Historical treasures	73,368,955	-	929,095	-	74,298,050
Construction in Progress	44,879,816	271,400	66,340,282	(27,602,621)	83,888,877
Total non-depreciable capital assets	133,307,189	271,400	68,152,823	(27,602,621)	174,128,791
Depreciable capital assets:					
Buildings	682,860,109	(556,142)	7,812,212	(6,672)	690,109,507
Equipment	75,019,135	-	7,097,027	(14,704,969)	67,411,193
Infrastructure	42,750,439	-	16,975,006	-	59,725,445
Other improvements	8,754,495	556,142	4,465,996	-	13,776,633
Library Materials	87,039,445	-	1,232,837	(438,416)	87,833,866
Computer software	5,426,072	-	111,914	-	5,537,986
Total depreciable capital assets	901,849,695	-	37,694,992	(15,150,057)	924,394,630
Less accumulated depreciation for:					
Buildings	171,373,057	2,152,130	16,669,520	(6,672)	190,188,035
Equipment	49,107,616	-	4,921,024	(12,428,975)	41,599,665
Infrastructure	26,861,372	-	1,364,147	-	28,225,519
Other improvements	4,308,115	48,112	554,314	-	4,910,541
Library Materials	79,184,944	-	1,524,138	(438,416)	80,270,666
Computer software	4,691,439	-	86,295	-	4,777,734
Total accumulated depreciation	335,526,543	2,200,242	25,119,438	(12,874,063)	349,972,160
Depreciable capital assets, net	566,323,152	(2,200,242)	12,575,554	(2,275,994)	574,422,470
Total capital assets, net	\$ 699,630,341	\$ (1,928,842)	\$ 80,728,377	\$ (29,878,615)	\$ 748,551,261

Capitalization of Library Books

The methods employed to value the general collections of the Earl Gregg Swem Library and the Marshall-Wythe Law Library, York River Library, and Richard Bland College Library are based on average cost determined by each library. The average cost of the Swem Library for purchases of books was \$64.82 for fiscal year 2013. The average cost of the Law Library purchases of books was \$95.35 for fiscal year 2013. Special collections maintained by each library are

valued at historical cost or acquisition value. The average cost of library books purchased for the Virginia Institute of Marine Science was \$63.26 for fiscal year 2013. The average cost of library books purchased for Richard Bland College was \$14.06 for fiscal year 2013. The changes reflected in the valuation are due to the recognition of depreciation in accordance with GASB Statements No. 34 and 35, as well as purchases, donations and disposals.

Impairment of Capital Assets

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, was issued effective for the fiscal year ended June 30, 2006. Statement No. 42 requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and whether any insurance recoveries should be offset against the impairment loss. There was a fire on November 18, 2010 at the VIMS Wachapreague campus which completely destroyed a laboratory and its contents. The impairment loss was recognized in the FY11 financial statements. During FY13, \$500,000 of insurance recoveries for this loss was received by the Institute. VIMS has rebuilt the facility.

Proceeds from other insurance recoveries attributable to capital assets are reported as a capital related financing activity in the Statement of Cash Flows. Accordingly, \$247,631 of proceeds from insurance recoveries is classified as a capital related financing activity.

GASB 42 also requires the disclosure of idle assets at the close of each fiscal year. As of June 30, 2013 there were several vacant or unused buildings on the main William and Mary campus and at the Dillard Complex. The carrying value of these unused buildings at year-end was \$1,879,011.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2013:

Current Liabilities:

Employee salaries, wages, and fringe benefits payable	\$ 19,861,149
Vendors and supplies accounts payable	6,596,670
Capital projects accounts and retainage payable	<u>11,853,505</u>
Total current liabilities-accounts payable and accrued liabilities	<u>\$ 38,311,324</u>

8. COMMITMENTS

At June 30, 2013, outstanding construction commitments totaled approximately \$118,881,580.

Commitments also exist under various operating leases for buildings, equipment and computer software. In general, the leases are for one to three year terms with renewal options on the buildings, equipment and certain computer software for additional one-year terms. In most cases, these leases will be replaced by similar leases. The College of William and Mary has also entered into one twenty-year lease for space in the Applied Science Research Center Building at the Jefferson Center for Research and Technology in Newport News, Virginia. Rental expense for the fiscal year ending June 30, 2013, was \$4,797,362.

As of June 30, 2013, the following total future minimum rental payments are due under the above leases:

<u>Year Ending June 30, 2013</u>	<u>Amount</u>
2014	\$ 4,270,315
2015	3,500,976
2016	3,367,513
2017	3,376,613
2018	3,467,816
2019-2023	<u>6,115,232</u>
Total	<u>\$ 24,098,465</u>

9. LONG-TERM LIABILITIES

The College's long-term liabilities consist of long-term debt (further described in Note 10), and other long-term liabilities. A summary of changes in long-term liabilities for the year ending June 30, 2013 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Installment Purchases	\$ 5,483,593	\$ 1,378	\$ (560,635)	\$ 4,924,336	\$ 521,672
Capital Lease Payable	24,144,236	-	(538,437)	23,605,799	561,474
Other long-term obligations	850,475	-	(18,966)	831,509	19,778
Notes Payable	150,763,474	8,345,966	(11,407,796)	147,701,644	11,060,000
Bonds Payable	<u>53,713,744</u>	<u>19,694,844</u>	<u>(9,091,906)</u>	<u>64,316,682</u>	<u>3,767,240</u>
Total long-term debt	234,955,522	28,042,188	(21,617,740)	241,379,970	15,930,164
Perkins Loan Fund Balance	2,498,565	-	-	2,498,565	-
Accrued compensated absences	<u>9,005,585</u>	<u>8,217,571</u>	<u>(8,077,818)</u>	<u>9,145,338</u>	<u>8,238,141</u>
Total long-term liabilities	<u>\$246,459,672</u>	<u>\$ 36,259,759</u>	<u>\$ (29,695,558)</u>	<u>\$253,023,873</u>	<u>\$ 24,168,305</u>

10. LONG-TERM DEBT

Bonds Payable

The College of William and Mary's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the College and are backed by the full faith, credit and taxing power of the Commonwealth and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Listed below are the bonds outstanding at year-end:

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Balance as of June 30, 2013</u>
Section 9(c) bonds payable:			
Dormitory, Series 2004B2	3.000 - 5.000	2017	208,460
Dormitory, Series 2004B3	3.000 - 5.000	2017	935,643
Dormitory, Series 2004B4	3.000 - 5.000	2018	2,083,671
Dormitory, Series 2004B5	3.000 - 5.000	2020	2,073,418
Dormitory, Series 2005A1	3.500 - 5.000	2026	505,000
Dormitory, Series 2006A1	4.000 - 5.000	2014	20,000
Dormitory, Series 2006A2	4.000 - 5.000	2015	520,000
Dormitory, Series 2009C	3.000 - 4.000	2021	383,984
Dormitory, Series 2009C	3.000 - 4.000	2022	2,582,213
Dormitory, Series 2009D	2.500 - 5.000	2022	1,940,000
Renovate Residence Halls, Series 2010A2	2.000 - 5.000	2030	3,980,000
Dormitory, Series 2012A	3.000 - 5.000	2016	376,596
Dormitory, Series 2012A	3.000 - 5.000	2024	779,720
Dormitory, Series 2013A	2.000 - 5.000	2033	4,660,000
Dormitory, Series 2013B	3.000 - 5.000	2026	1,112,612
Renovation of Dormitories			22,161,317
Graduate Housing, Series 2006B	4.000 - 5.000	2026	600,000
Graduate Housing, Series 2008B	3.000 - 5.000	2028	2,055,000
Graduate Housing, Series 2009D	2.500 - 5.000	2022	1,270,000
Graduate Housing, Series 2013B	3.000 - 5.000	2026	1,411,860
Graduate Housing			5,336,860
Construct New Dormitory, Series 2010A2	2.000 - 5.000	2030	1,805,000
Construct New Dormitory, Series 2011A	3.000 - 5.000	2031	13,850,000
Construct New Dormitory, Series 2013A	2.000 - 5.000	2033	8,770,000
Construct New Dormitory			24,425,000
Underground Utility, Series 2004B1	3.000 - 5.000	2017	547,812
Underground Utility, Series 2012A	3.000 - 5.000	2016	340,907
Underground Utility			888,719
Renovate Commons Dining Hall, Series 2005A2	3.500 - 5.000	2026	830,000
Renovate Commons Dining Hall, Series 2009D	2.500 - 5.000	2022	3,200,000
Renovate Commons Dining Hall, Series 2012A	3.000 - 5.000	2024	1,289,537
Renovate Commons Dining Hall, Series 2013B	3.000 - 5.000	2026	1,831,383
Commons Dining Hall			7,150,920
Total bonds payable			59,962,816
Deferred Gain/(Loss) on Advance Refundings			(963,744)
Unamortized premiums (discounts)			5,317,610
Net bonds payable			<u>\$ 64,316,682</u>

Notes Payable

Section 9(d) bonds, issued through the Virginia College Building Authority's Pooled Bond Program, are backed by pledges against the general revenues of the College and are issued to finance other capital projects. The principal and interest on bonds and notes are payable only from net income and specific auxiliary activities or from designated fee allocations. The following are notes outstanding at year-end:

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Maturity</u>	<u>Outstanding Balance as of June 30, 2013</u>
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2003A	2.000 - 5.000	2014	\$ 90,000
Barksdale Dormitory, Series 2004A	3.000 - 5.000	2015	1,005,000
Barksdale Dormitory, Series 2005A	3.500 - 5.000	2017	3,455,000
Barksdale Dormitory, Series 2006A	3.000 - 5.000	2027	1,545,000
Barksdale Dormitory, Series 2010B	2.000 - 5.000	2021	450,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2024	640,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	6,495,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	<u>6,330,000</u>
Barksdale Dormitory			20,010,000
William and Mary Hall, Series 2004B	3.000 - 5.000	2017	560,000
William and Mary Hall, Series 2007B	4.000- 4.250	2018	<u>165,000</u>
William and Mary Hall			725,000
Parking Deck, Series 2003A	2.000 - 5.000	2014	190,000
Parking Deck, Series 2004A	3.000 - 5.000	2015	215,000
Parking Deck, Series 2005A	3.500 - 5.000	2017	1,710,000
Parking Deck, Series 2010B	2.000 - 5.000	2021	950,000
Parking Deck, Series 2012A	3.000 - 5.000	2024	1,355,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	1,385,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	<u>3,140,000</u>
Parking Deck			8,945,000
Recreation Sports Center, Series 2003A	2.000 - 5.000	2014	45,000
Recreation Sports Center, Series 2004A	3.500 - 5.000	2015	710,000
Recreation Sports Center, Series 2005A	3.500 - 5.000	2017	665,000
Recreation Sports Center, Series 2010B	2.000 - 5.000	2021	220,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2024	315,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	4,585,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	<u>1,225,000</u>
Recreation Sports Center			7,765,000
Improve Athletics Facilities, Series 2005A	3.500 - 5.000	2026	920,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	620,000
Improve Athletics Facilities, Series 2012A	3.000 - 5.000	2025	<u>1,655,000</u>
Improve Athletics Facilities			3,195,000

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Maturity</u>	<u>Outstanding Balance as of June 30, 2013</u>
Marshall-Wythe Library, Series 2004B	3.000 - 5.000	2020	905,000
Law School Library, Series 2003A	2.000 - 5.000	2014	55,000
Law School Library, Series 2007A	4.500 - 5.000	2028	3,050,000
Law School Library, Series 2010B	2.000 - 5.000	2021	260,000
Law School Library, Series 2012A	3.000 - 5.000	2024	385,000
Law School Library			<u>4,655,000</u>
Magnet Facility, Series 2003A	2.000 - 5.000	2014	115,000
Magnet Facility, Series 2010B	2.000 - 5.000	2021	570,000
Magnet Facility, Series 2012A	3.000 - 5.000	2024	805,000
Magnet Facility			<u>1,490,000</u>
School of Business, Series 2007A	4.500 - 5.000	2028	19,720,000
School of Business, Series 2009A	2.750 - 4.000	2016	14,585,000
School of Business			<u>34,305,000</u>
Integrated Science Center, Series 2007A	4.500 - 5.000	2028	10,340,000
Integrated Science Center, Series 2009A	2.750 - 5.000	2029	5,815,000
Integrated Science Center			<u>16,155,000</u>
Cooling Plant & Utilities, Series 2009B	2.000 - 5.000	2030	10,615,000
Cooling Plant & Utilities, Series 2010A1&A2	2.000 - 5.500	2031	10,380,000
Cooling Plant & Utilities			<u>20,995,000</u>
Power Plant Renovations, Series 2007A	4.500 - 5.000	2028	4,045,000
Busch Field Astro turf Replacement, Series 2009B	2.000 - 5.000	2030	1,290,000
Williamsburg Hospital/School of Education, 2006A	3.000 - 5.000	2027	1,935,000
J. Laycock Football Facility, Series 2006A	3.000 - 5.000	2027	4,460,000
Residence Hall Fire Safety Systems, Series 2006A	3.000 - 5.000	2027	1,565,000
Ash Lawn-Highland Barn, Series 2010A1&A2	2.000 - 5.500	2031	725,000
Expand Sadler Center, Series 2012B	3.000 - 5.000	2033	7,205,000
Total 9 (d) bonds			139,465,000
Deferred Gain/(Loss) on Advance Refundings			(2,820,291)
Unamortized premiums (discounts)			11,056,935
Net notes payable			<u>\$ 147,701,644</u>

Installment Purchases

At June 30, 2013, installment purchases consist of the current and long-term portions of obligations resulting from various contracts used to finance energy performance contracts and the acquisition of equipment. The lengths of purchase agreements range from two to fifteen years, and the interest rate charges are from 1.3 to 4.7 percent. The outstanding balance of installment purchases as of June 30, 2013 is \$4,924,336.

Capital Lease

Richard Bland College (RBC) has entered into a thirty year capital lease with Richard Bland College Foundation (RBCF) for the provision of a student housing complex with two dormitories on the RBC campus. RBC has accounted for the acquisition of the complex and its furniture and equipment as a capital lease, and therefore has recorded the facility and furnishings as depreciable capital assets and has also recorded a corresponding lease liability in long-term debt on the Statement of Net Position. The outstanding balance as of June 30, 2013 is \$23,605,799. RBC has also recorded an Other Long-Term Obligation which is payable to RBCF for repayment of the bonds for the dormitories for the amount due on the bonds which is greater than the total fair value of assets received. The outstanding balance as of June 30, 2013 is \$831,509.

Long-term debt matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>BAB Interest Subsidy</u>	<u>Net Interest</u>
2014	\$ 15,930,164	\$ 9,502,125	\$ 204,644	\$ 9,297,481
2015	16,771,037	8,812,884	204,644	8,608,240
2016	17,158,394	8,070,859	204,644	7,866,215
2017	12,454,135	7,398,720	202,439	7,196,281
2018	12,488,963	6,809,587	199,877	6,609,710
2019-2023	65,613,684	25,197,043	885,645	24,311,398
2024-2028	60,534,995	10,483,758	535,277	9,948,481
2029-2033	21,211,154	2,421,619	88,406	2,333,213
2034-2038	6,561,380	422,552	-	422,552
2039-2043	65,554	787	-	787
Refunding gains/(losses)	(3,784,035)	-	-	-
Unamortized premiums	16,374,545	-	-	-
Total	<u>\$241,379,970</u>	<u>\$ 79,119,934</u>	<u>\$ 2,525,576</u>	<u>\$ 76,594,358</u>

The interest subsidies for the Build America Bonds (BAB) being paid to the College by the Federal Government are subject to change in future years. In the event of a reduction or elimination of the subsidies, the College would be responsible for paying the full interest due on the BAB bonds.

Defeasance of Debt

In March 2013, the Treasury Board issued General Obligation Refunding Bonds, Series 2013B with a true interest cost (TIC) of 2.0961 percent. The sale of these bonds enabled the College to advance refund certain 9(c) issued in 2005 and 2006 with interest rates ranging from 4.5 percent to 5.0 percent. The original bonds were used to finance dormitory and dining hall renovations. The net proceeds from the sale of the Refunding Bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the College's portion of the liability has been removed from the financial statements.

The amount and percentage of debt defeased relating to the College is as follows:

<u>Series</u>	<u>Type</u>	<u>Debt Outstanding</u>	<u>Amount Defeased</u>	<u>Percentage Defeased</u>
2005	9C	\$ 1,870,000	\$ 1,130,000	60%
2005	9C	3,075,000	1,860,000	60%
2006B	9C	2,240,000	1,460,000	65%
		<u>\$ 7,185,000</u>	<u>\$ 4,450,000</u>	62%

The College's portion of the accounting loss recognized in the financial statements was \$99,883. The net economic gain attributable to the College was \$403,772 and will result in a decreased cash flow requirement of \$454,468 over the remaining life of the debt.

Prior Year Defeasance of Debt

The Commonwealth of Virginia, on behalf of the College, issued bonds in previous and current fiscal years for which the proceeds were deposited into irrevocable trusts with escrow agents to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not included in the College's financial statements. At June 30, 2013, \$45,150,000 of the defeased bonds was outstanding.

11. ADVANCES FROM THE TREASURER

Section 4-3.02 of the Appropriation Act describes the circumstances under which agencies and institutions may borrow funds from the state treasury, including prefunding for capital projects in anticipation of bond sale proceeds and operating funds in anticipation of federal revenues. As of June 30, 2013, there was \$20,629,092 in outstanding Advances from the Treasurer. \$20,500,000 represents an advance to William and Mary from the Commonwealth of Virginia for working capital pending the receipt of funds from bond sale proceeds. These funds were used to acquire and renovate One Tribe Place (formerly the Hospitality House Hotel) to use as a student dormitory. The remaining \$129,092 is an advance to Richard Bland College pending the reimbursement of Equipment Trust Fund expenditures. The full amount of the loans will be paid off in fiscal year 2014.

12. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses both by function as listed in the Statement of Revenues, Expenses, and Change in Net Position and by natural classification which is the basis for amounts shown in the Statement of Cash Flow.

	Salaries, Wages and Fringe Benefits	Services and Supplies	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	95,981,483	6,034,793	1,634,598	657,479	-	104,308,353
Research	34,348,364	12,507,438	1,400,182	589,351	-	48,845,335
Public service	15,878	35,468	350	415	-	52,111
Academic support	22,465,495	3,658,343	163,012	4,161,363	-	30,448,213
Student services	7,937,225	4,975,004	126,552	122,000	-	13,160,781
Institutional support	24,799,202	4,734,034	74,228	79,572	-	29,687,036
Operation and maintenance of plant	4,826,259	19,272,539	144	2,011,590	-	26,110,532
Depreciation	-	-	-	-	25,119,437	25,119,437
Scholarships and related expenses	1,473,948	23,870	34,809,416	(6,707)	-	36,300,527
Auxiliary enterprises	18,470,049	49,574,787	(11,626,434)	2,072,239	-	58,490,641
Other	147,241	388,259	-	-	-	535,500
Total	210,465,144	101,204,535	26,582,048	9,687,302	25,119,437	373,058,466

13. STATE APPROPRIATIONS

The following is a summary of state appropriations received by the College of William and Mary and Richard Bland College, including all supplemental appropriations and reversions from the General Fund of the Commonwealth.

Chapter 806 - 2013 Acts of Assembly (Educational and General Programs)		\$ 59,241,959
Student financial assistance		4,295,421
Supplemental appropriations:		
Prior year reappropriations	96,844	
VIVA libraries	32,584	
Salary, Benefit, and Other changes	2,609,726	
Marine research graduate assistantships	238,527	
Commonwealth Technology Research award	17,435	
Biomedical research	<u>75,000</u>	3,070,116
Appropriation reductions:		
eVA reductions	(316)	(316)
Reversions to the General Fund of the Commonwealth		<u>(149,752)</u>
Appropriations as adjusted		<u>\$ 66,457,428</u>

14. COMPONENT UNIT FINANCIAL INFORMATION

The College has nine component units – The College of William & Mary Foundation, the Marshall-Wythe School of Law Foundation, the Alumni Association, the William and Mary Athletic Educational Foundation, the William & Mary School of Business Foundation, the Virginia Institute of Marine Science Foundation, the William and Mary Real Estate Foundation, the Richard Bland College Foundation and the Intellectual Property Foundation. These organizations are separately incorporated entities and other auditors examine the related financial statements. Summary financial statements and related disclosures follow for eight of the component units. As stated in Note 1, the activity of the Intellectual Property Foundation is blended with the College beginning in fiscal year 2013; therefore, it is not included in the presentation of component unit financial information.

Statement of Net Position - Component Units

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,859,728	\$ 4,487,286	\$ 4,591,296	\$ 649,921
Investments	4,606,713	-	-	-
Pledges receivable, net - current portion	6,279,879	826,940	3,687,321	-
Receivables, net	3,949,343	2,694	206,658	79,536
Inventories	-	-	-	49,830
Prepays	401,657	56,123	132,054	53,292
Due from the College	910	-	-	-
Other assets	-	-	-	-
Total current assets	22,098,230	5,373,043	8,617,329	832,579
Non-current assets				
Restricted cash and cash equivalents	11,241,969	2,622,796	8,405,784	-
Restricted investments	429,764,747	26,738,754	22,920,765	-
Restricted other assets	140,684,425	366,382	930,080	-
Investments	578,982	3,902,403	-	5,967,437
Pledges receivable, net	11,789,691	719,427	4,434,972	-
Capital assets, nondepreciable	9,277,667	321,627	-	31,800
Capital assets, net of accumulated depreciation	7,722,040	37,675	10,415	159,663
Due from the College	-	-	-	-
Other assets	1,241,515	-	-	-
Total non-current assets	612,301,036	34,709,064	36,702,016	6,158,900
Total assets	634,399,266	40,082,107	45,319,345	6,991,479
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	521,227	68,425	545,188	384,818
Deferred revenue	42,423	269,536	103,758	1,550,286
Deposits held in custody for others	318,779	-	19,655	-
Long-term liabilities - current portion	917,358	-	-	-
Due to the College	5,000	-	-	-
Short-term debt	2,145,000	-	-	-
Other liabilities	-	-	-	-
Total current liabilities	3,949,787	337,961	668,601	1,935,104
Non-current liabilities				
Other long-term liabilities	252,215	409,383	-	-
Long-term liabilities	29,938,487	-	-	-
Total liabilities	34,140,489	747,344	668,601	1,935,104
NET POSITION				
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	94,782,401	5,544,944	583,217	-
Research	4,793,238	-	155,900	-
Loans	-	-	24,230	-
Departmental uses	96,505,443	7,260,573	26,512,759	-
Other	183,863,280	-	124,449	-
Expendable:				
Scholarships and fellowships	69,096,473	6,426,086	417,357	-
Research	2,198,036	-	169,773	-
Capital projects	11,467,724	2,091,772	8,329,713	-
Loans	-	-	57,421	-
Departmental uses	93,231,643	9,544,063	5,448,566	1,071,428
Other	15,668,241	394,295	40,962	-
Net investment in capital assets	7,116,531	359,302	10,415	191,463
Unrestricted	21,535,767	7,713,728	2,775,982	3,793,484
Total net position	\$ 600,258,777	\$ 39,334,763	\$ 44,650,744	\$ 5,056,375

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
\$ 7,599,135	\$ 359,025	\$ 52,952	\$ 5,907,918	\$ 30,507,261
-	-	-	-	4,606,713
237,161	232,713	40,789	-	11,304,803
-	-	-	26,049	4,264,280
-	-	-	-	49,830
-	-	-	10,348	653,474
-	-	815,850	-	816,760
-	-	14,915	203,113	218,028
<u>7,836,296</u>	<u>591,738</u>	<u>924,506</u>	<u>6,147,428</u>	<u>52,421,149</u>
-	257,649	505,252	-	23,033,450
-	8,854,704	3,998,048	-	492,277,018
-	-	6,736	44,739	142,032,362
188,778	789,002	-	-	11,426,602
1,530,817	226,080	-	-	18,700,987
-	-	-	2,712,138	12,343,232
80,467	-	-	10,093,982	18,104,242
-	-	23,856,056	-	23,856,056
-	-	-	559,628	1,801,143
<u>1,800,062</u>	<u>10,127,435</u>	<u>28,366,092</u>	<u>13,410,487</u>	<u>743,575,092</u>
<u>9,636,358</u>	<u>10,719,173</u>	<u>29,290,598</u>	<u>19,557,915</u>	<u>795,996,241</u>
-	11,260	248,188	54,639	1,833,745
15,660	-	-	-	1,981,663
-	-	-	-	338,434
-	-	581,252	238,584	1,737,194
-	-	-	106,852	111,852
-	-	-	490,000	2,635,000
-	-	6,736	-	6,736
<u>15,660</u>	<u>11,260</u>	<u>836,176</u>	<u>890,075</u>	<u>8,644,624</u>
-	-	-	18,860	680,458
-	-	23,856,056	8,261,611	62,056,154
<u>15,660</u>	<u>11,260</u>	<u>24,692,232</u>	<u>9,170,546</u>	<u>71,381,236</u>
-	2,004,922	2,991,792	-	105,907,276
-	1,268,397	-	-	6,217,535
-	-	-	-	24,230
-	-	-	-	130,278,775
-	3,704,502	-	-	187,692,231
609,249	453,769	-	-	77,002,934
-	466,302	-	-	2,834,111
-	-	-	-	21,889,209
-	-	-	-	57,421
6,317,362	1,625,799	-	-	117,238,861
-	47,455	1,549,008	247,852	17,947,813
80,467	-	-	4,002,274	11,760,452
<u>2,613,620</u>	<u>1,136,767</u>	<u>57,566</u>	<u>6,137,243</u>	<u>45,764,157</u>
<u>\$ 9,620,698</u>	<u>\$ 10,707,913</u>	<u>\$ 4,598,366</u>	<u>\$ 10,387,369</u>	<u>\$ 724,615,005</u>

Statement of Revenues, Expenses, and Changes in Net Position - Component Units

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
Operating revenues:				
Gifts and contributions	\$ 15,775,222	\$ 2,349,867	\$ 3,638,677	\$ 2,546,661
Other	3,490,302	879,851	4,863,544	1,148,956
Total operating revenues	<u>19,265,524</u>	<u>3,229,718</u>	<u>8,502,221</u>	<u>3,695,617</u>
Operating expenses:				
Instruction	3,674,461	418,552	315,347	-
Research	214,244	-	136,104	-
Public service	88,652	172,422	729,768	-
Academic support	1,228,098	1,567,395	2,932,830	-
Student services	57,396	12,054	1,202,072	-
Institutional support	4,845,495	401,596	2,333,631	844,279
Operation and maintenance of plant	436,062	148,813	24,145	-
Scholarships & fellowships	6,085,457	122,700	47,717	-
Auxiliary enterprises	616,449	-	41,862	-
Depreciation	482,998	19,334	5,586	42,396
Hospitals	-	-	-	-
Independent operations	-	-	-	-
Other	3,171,606	-	-	3,217,056
Total operating expenses	<u>20,900,918</u>	<u>2,862,866</u>	<u>7,769,062</u>	<u>4,103,731</u>
Operating gain/(loss)	<u>(1,635,394)</u>	<u>366,852</u>	<u>733,159</u>	<u>(408,114)</u>
Non-operating revenues and expenses:				
Net investment revenue (expense)	37,010,920	3,003,008	2,246,957	591,315
Interest on capital asset related debt	(285,247)	-	-	-
Other non-operating revenue	6,800,361	-	-	-
Other non-operating expense	-	-	(5,162,507)	-
Net non-operating revenues	<u>43,526,034</u>	<u>3,003,008</u>	<u>(2,915,550)</u>	<u>591,315</u>
Income before other revenues	41,890,640	3,369,860	(2,182,391)	183,201
Other revenues:				
Capital grants and contributions	10,739,341	-	1,052,581	-
Additions to permanent endowments	31,515,106	167,178	373,922	-
Net other revenues	<u>42,254,447</u>	<u>167,178</u>	<u>1,426,503</u>	<u>-</u>
Change in net position, before transfers	<u>84,145,087</u>	<u>3,537,038</u>	<u>(755,888)</u>	<u>183,201</u>
Contribution between Foundations	(24,326)	-	2,988	134,181
Transfers	(24,326)	-	2,988	134,181
Change in net position	84,120,761	3,537,038	(752,900)	317,382
Net position - beginning of year	516,138,016	35,797,725	45,403,644	4,738,993
Net position - end of year	<u>\$ 600,258,777</u>	<u>\$ 39,334,763</u>	<u>\$ 44,650,744</u>	<u>\$ 5,056,375</u>

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
\$ 4,082,928	\$ 268,983	\$ 218,295	\$ 205,000	\$ 29,085,633
592,652	-	800,488	807,237	12,583,030
4,675,580	268,983	1,018,783	1,012,237	41,668,663
-	90,439	-	-	4,498,799
-	306,219	-	-	656,567
-	1,000	-	-	991,842
-	10,931	-	-	5,739,254
-	-	-	-	1,271,522
4,187,971	263,590	65,802	317,353	13,259,717
-	9,054	-	-	618,074
-	63,056	162,242	-	6,481,172
-	-	-	211,734	870,045
21,441	-	-	215,653	787,408
-	-	-	-	-
-	-	-	229,456	229,456
-	30,553	931,195	-	7,350,410
4,209,412	774,842	1,159,239	974,196	42,754,266
466,168	(505,859)	(140,456)	38,041	(1,085,603)
42,439	900,332	475,407	8,293	44,278,671
-	-	-	-	(285,247)
-	-	-	-	6,800,361
-	-	-	-	(5,162,507)
42,439	900,332	475,407	8,293	45,631,278
508,607	394,473	334,951	46,334	44,545,675
-	-	-	-	11,791,922
-	916,062	59,294	-	33,031,562
-	916,062	59,294	-	44,823,484
508,607	1,310,535	394,245	46,334	89,369,159
(112,843)	-	-	-	-
(112,843)	-	-	-	-
395,764	1,310,535	394,245	46,334	89,369,159
9,224,934	9,397,378	4,204,121	10,341,035	635,245,846
\$ 9,620,698	\$ 10,707,913	\$ 4,598,366	\$ 10,387,369	\$ 724,615,005

Investments

Each component unit holds various investments based on the investment policies established by the governing board of the individual foundation. The following table shows the various investment types held by each component unit.

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Mutual and money market funds	\$ 4,214,584	\$ 614,172	\$ -	\$ 4,985,023	\$ 6,401	\$ -	\$ 3,202,115	\$ 13,022,295
U.S. treasury and agency securities	16,862,051	-	-	-	-	-	-	16,862,051
Common and preferred stocks	227,928	-	470,955	982,414	-	-	795,933	2,477,230
Notes receivable	1,432,860	-	-	-	-	-	-	1,432,860
Pooled investments	410,692,641	30,026,985	22,014,421	-	-	9,643,706	-	472,377,753
Real estate	987,982	-	-	-	100,000	-	-	1,087,982
Other	532,396	-	435,389	-	82,377	-	-	1,050,162
Total								
Investments	<u>\$ 434,950,442</u>	<u>\$ 30,641,157</u>	<u>\$ 22,920,765</u>	<u>\$ 5,967,437</u>	<u>\$ 188,778</u>	<u>\$ 9,643,706</u>	<u>\$ 3,998,048</u>	<u>\$ 508,310,333</u>

Pledges Receivable

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned net asset categories in accordance with donor imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at net present value of their estimated future cash flows. The discounts on these amounts are computed using risk free interest rates applicable to the years in which the payments will be received. The foundations record an allowance against pledges receivable for estimated uncollectible amounts. The William and Mary Alumni Association and the William & Mary Real Estate Foundation did not have any pledges receivable at year end.

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Total pledges receivable	\$ 19,819,129	\$ 1,769,189	\$ 9,840,533	\$ 2,509,386	\$ 461,971	\$ 41,045	\$ 34,441,253
Less:							
Allowance for uncollectibles	(1,403,788)	(173,882)	(969,000)	(562,726)	-	(256)	(3,109,652)
Discounting to present value	(345,771)	(48,940)	(749,240)	(178,682)	(3,178)	-	(1,325,811)
Net pledges receivable	18,069,570	1,546,367	8,122,293	1,767,978	458,793	40,789	30,005,790
Less:							
Current pledges receivable	(6,279,879)	(826,940)	(3,687,321)	(237,161)	(232,713)	(40,789)	(11,304,803)
Total non-current pledges receivable	<u>\$ 11,789,691</u>	<u>\$ 719,427</u>	<u>\$ 4,434,972</u>	<u>\$ 1,530,817</u>	<u>\$ 226,080</u>	<u>\$ -</u>	<u>\$ 18,700,987</u>

Capital Assets

	The College of William & Mary Foundation	Marshall- Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	William & Mary Real Estate Foundation	Total
Nondepreciable:							
Land	\$ 3,365,927	\$ 262,916	\$ -	\$ -	\$ -	\$ 2,712,138	\$ 6,340,981
Construction in progress	-	-	-	-	-	-	-
Historical treasures and inexhaustable works of art	5,911,740	58,711	-	31,800	-	-	6,002,251
Total nondepreciable capital assets	<u>\$ 9,277,667</u>	<u>\$ 321,627</u>	<u>\$ -</u>	<u>\$ 31,800</u>	<u>\$ -</u>	<u>\$ 2,712,138</u>	<u>\$ 12,343,232</u>
Depreciable:							
Building	\$ 7,418,334	\$ -	\$ -	\$ -	\$ -	\$ 10,330,608	\$ 17,748,942
Equipment, vehicles and furniture	6,931,540	135,628	94,850	470,394	108,056	170,126	7,910,594
Improvements, other than building	338,138	-	-	388,658	-	-	726,796
	14,688,012	135,628	94,850	859,052	108,056	10,500,734	26,386,332
Less accumulated depreciation	(6,965,972)	(97,953)	(84,435)	(699,389)	(27,589)	(406,752)	(8,282,090)
Total depreciable capital assets	<u>\$ 7,722,040</u>	<u>\$ 37,675</u>	<u>\$ 10,415</u>	<u>\$ 159,663</u>	<u>\$ 80,467</u>	<u>\$ 10,093,982</u>	<u>\$ 18,104,242</u>

Long-term Liabilities

	The College of William & Mary Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Compensated absences	\$ 131,894	\$ -	\$ -	\$ 131,894
Notes payable	3,669,558	-	3,717,120	7,386,678
Bonds payable	8,090,000	24,437,308	4,783,075	37,310,383
Trust & Annuity Obligations	3,023,429	-	-	-
Other liabilities	15,940,964	-	-	15,940,964
Total long-term liabilities	30,855,845	24,437,308	8,500,195	60,769,919
Less current portion	(917,358)	(581,252)	(238,584)	(1,737,194)
Total long-term liabilities	<u>\$ 29,938,487</u>	<u>\$ 23,856,056</u>	<u>\$ 8,261,611</u>	<u>\$ 62,056,154</u>

THE COLLEGE OF WILLIAM AND MARY FOUNDATION

Long-term Liabilities

On June 25, 2001, Reliance entered into a revolving line of credit agreement with First Union National Bank (now Wells Fargo Bank, NA) in the amount of \$2,000,000, which the Foundation guaranteed. The purpose of the line of credit was to fund the initial purchase of the real estate sold to New Town Associates, and to provide working capital to Reliance. As such, most of the loan proceeds have in turn been advanced to the REF, and the majority of the interest on the note is reflected as expenses of the REF. This line of credit has been increased to \$3,000,000 with all principal and accrued interest due and payable on June 29, 2013. Interest only, which accrues daily at the one month LIBOR Market Index Rate plus 1.35%, is payable monthly. The amount outstanding was \$2,145,000 at June 30, 2013 and 2012. Interest paid during the years ended June 30, 2013 and 2012, was \$31,937 and \$34,623, respectively. On July 1, 2013 the due date was extended to June 29, 2014.

During the fiscal year ended June 30, 2009, the Foundation entered into a borrowing arrangement with SunTrust Bank in the amount of \$2,636,140 for renovation of the College's Admissions Office. The terms of the loan were revised during the fiscal year ended June 30, 2011. Under the revised terms, interest accrues at a rate of 4.99% and is payable monthly. Principal is payable annually over a ten year term, with the final amount due on February 1, 2021. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The balance outstanding at June 30, 2013 and 2012 was \$2,206,276 and \$2,426,419, respectively. Interest paid during the fiscal years ended June 30, 2013 and 2012, on the loans was \$119,097 and \$130,217, respectively.

During the year ended June 30, 2011, the Foundation and CEI entered into a joint borrowing arrangement with SunTrust Bank to fund expansion of the telecommunications system. The agreement provided for loan draws up to the amount of \$1,450,000 through August 7, 2011. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. Interest at a rate of 3.97% is payable monthly. Principal is payable annually over a five year term, with the final amount due January 15, 2016. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The balance outstanding at June 30, 2013 and 2012 was \$904,000 and \$1,182,000, respectively. Interest paid during the fiscal years ended June 30, 2013 and 2012, on the loans was \$42,948 and \$52,196, respectively.

In December 2011, the Foundation and CWMF Ventures entered into a joint borrowing arrangement with SunTrust Bank to fund certain costs of unwinding the interest rate swap and various costs associated with refinancing the variable rate bonds referred to below (Note 16). Interest accrues at a rate of 3.73%. Payments of interest and principal are due quarterly, with the final payment due December 23, 2021. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The balance outstanding at June 30, 2013 and 2012 was \$559,282 and \$614,205, respectively. Interest paid during the fiscal year ended June 30, 2013 and 2012 was \$22,457 and \$12,025, respectively.

Bonds Payable

In December 2006, the Economic Development Authority of James City County, Virginia ("Authority") issued variable rate revenue bonds in the amount of \$9,070,000 ("Series 2006 Bonds") and loaned the proceeds from the sale of the Series 2006 Bonds to the Foundation and CWMF Ventures. The Series 2006 Bonds financed the cost of property acquisition, construction and equipping of a three-story building in New Town in James City County, Virginia, for use by the Foundation, CWMF Ventures or the College. Interest on the Series 2006 Bonds was calculated weekly at a rate equal to the interest rate per annum that, in the sole judgment of the remarketing agent, SunTrust Capital Markets, Inc., taking into account prevailing financial market conditions, was the minimum interest rate required to sell the Series 2006 Bonds at a price of par on the applicable date. During the term of the bonds, the Foundation and CWMF Ventures had the option to direct a change in the type of interest period by delivering written notice to the trustee and remarketing agent.

The Series 2006 Bonds bore a stated maturity date, subject to prior redemption or purchase, of December 1, 2036. The Foundation and CWMF Ventures redeemed in full the Series 2006 Bonds on January 16, 2012 with the proceeds from a revenue refunding bond as described below. The remaining unamortized discount on the original sale of the Series 2006 Bonds in the amount of \$34,350 was expensed. Interest paid to bondholders for the years ended June 30, 2013 and 2012, was \$0 and \$22,253, respectively.

The Series 2006 Bonds were also secured by an irrevocable direct pay letter of credit issued by SunTrust Bank. The initial expiration date of the letter of credit was December 31, 2009, unless extended, renewed or otherwise terminated under the applicable letter of credit documents among SunTrust bank, the Foundation and CWMF Ventures. The terms of the letter of credit provided for automatic one-year extensions through December 31, 2036, unless SunTrust provided at least two years notice of its intent to terminate. SunTrust provided such notice that the letter of credit would expire December 31, 2011. The expiration date was subsequently extended to April 1, 2012. The terms of the letter of credit also required the Foundation at all times to maintain unrestricted and temporarily restricted net assets equal to at least 200% of the Foundation's total indebtedness, or such lesser amount as may be agreed by SunTrust Bank. Draws on the letter of credit for the purpose of purchasing any of the Series 2006 Bonds were secured by the pledge of all right, title and interest in those Series 2006 Bonds. Unreimbursed draws under the letter of credit bore interest at the rate of LIBOR plus 1.50% per annum. During the years ended June 30, 2012, draws were made, in the normal course, on the letter of credit per the bond and letter of credit documents in order to pay interest to Series 2006 Bondholders. The letter of credit and related documents were terminated in January 2012 in connection with the redemption of the Series 2006 Bonds. The total interest paid on the letter of credit during the fiscal year ended June 30, 2012, was \$0.

In December 2011, the Authority issued a revenue refunding bond in the amount of \$8,090,000 ("Series 2011 Bond"), and loaned the proceeds to the Foundation and CWMF Ventures ("Obligors"). The Series 2011 Bond was acquired by SunTrust Bank, as Series 2011 Bondholder. Proceeds from sale of the Series 2011 Bond were used to redeem the Series 2006 Bonds. The Series 2011 Bond bears interest at a fixed rate of 2.96% per annum, subject to the put rights of the Series 2011 Bondholder as described below, and interest payments are due quarterly on each January 1, April 1, July 1 and October 1. The Series 2011 Bondholder has the option to tender the Series 2011 Bond for payment on December 1, 2021, the first optional put date, unless extended under the terms of the loan agreement to not earlier than December 1, 2026. An additional extension may be made to not earlier than December 1, 2031. The Obligors are required to maintain assets so that on each June 30, unrestricted and temporarily restricted net assets shall exceed 200% of the total funded debt. The face value of Series 2011 Bonds outstanding at June 30, 2013 and 2012 was \$8,090,000.

During the fiscal year ended June 30, 2009, the Foundation executed an interest rate swap on a \$7,000,000 notional amount. The Foundation used this interest-rate derivative instrument to manage its interest rate exposure on a portion of the Series 2006 Bonds. The Foundation does not enter into derivative instruments for any purpose other than to mitigate the impact of changes in interest rates on its cash flows. The Foundation made monthly payments at a fixed annual rate of 2.05%, and received monthly payments at a floating rate based on 67% of the one month LIBOR. The interest rate swap was terminated in December 2011 at a cost of \$534,580.

Commitments and Contingencies

On August 21, 2002, New Town Associates entered into a borrowing agreement with SunTrust Bank with a limit of \$5,000,000. The facility was revised in September 2004, December 2006, and October 2009 and was terminated in November 2011. The amount available under the agreement could be used for loans and for letters of credit. Interest rate on the facility was the 30-day LIBOR plus 2.50%, with a minimum of 3%. The Foundation guaranteed up to \$2,500,000, and members of the C.C. Casey Limited Company (the "Casey Group") guaranteed up to \$2,500,000. The letters of credit were issued to guarantee the completion of site improvements as required by James City County. Upon completion of those improvements, these letters of credit were terminated, with no residual liability.

During the fiscal year ended June 30, 2012 New Town Associates entered into two financing arrangements, with Chesapeake Bank and SunTrust Bank, to replace its borrowing agreement with SunTrust Bank. The Chesapeake Bank agreement is a \$3,000,000 line of credit available for the issuance of loans and letters of credit, and is secured by a lien on New Town Associates' commercial land and improvements, as well as the assignment of rents, profits and leases. This facility bears an interest rate of 5.5%, and matures November 22, 2015. The Foundation guarantees 50% of the balance of the Chesapeake facility, not to exceed \$1,500,000. As of June 30, 2013 and 2012 the principal amount outstanding under this note was \$2,132,536 and \$2,192,526, respectively. Letters of credit outstanding under this facility totaled \$0 and \$606,000 at June 30, 2013 and 2012, respectively.

The SunTrust Bank agreement is a \$2,000,000 unsecured line of credit available for the issuance of loans and letters of credit. The SunTrust facility bears an interest rate equal to the three-month LIBOR Rate plus 2.50% with a minimum of 3%, and matures on October 31, 2013. Each of the Foundation and the Casey Group guarantees the full

amount outstanding under the facility. However, a separate mutual indemnity agreement has been executed between the guarantors whereby each of the Foundation and the Casey Group will reimburse the other should the amount paid by a guarantor group in connection with the guaranty exceed 50%. As a result the Foundation's ultimate liability under the guaranty is limited to 50%. As of June 30, 2013 and 2012 the principal amount of loans outstanding under the SunTrust agreement was \$0 and \$129,911, respectively. Letters of credit outstanding under this agreement totaled \$432,000 and \$1,398,950 at June 30, 2013 and 2012, respectively.

WILLIAM AND MARY BUSINESS SCHOOL FOUNDATION

Commitments and Contingencies

On January 31, 2007, the Foundation entered into a Development Agreement and a Reimbursement Agreement (Agreements) with the College of William and Mary (College), in connection with the construction and equipping of a new academic building, Alan B. Miller Hall, for the College's Mason School of Business (Project). The total cost of the Project was approximately \$75 million. In order to finance the cost of construction and equipping the building, two bond series were issued by the College - 2008 Series A bonds for \$23,650,000, and 2009 Series A bonds for \$23,650,000.

By the terms of the Reimbursement Agreement, the Foundation must reimburse the College for its portion of the debt service due on the 2009 Series A bonds and all periodic fees due and payable with respect to the 2009 Series A bonds after their issuance, including fees and expenses of the bond trustee, fees of the remarketing agent and fees of any financial institution providing credit support. In addition, the Foundation has pledged as security for the payments all of its assets that are not subject to donor or other legal restrictions, as defined in the Reimbursement Agreement.

By the terms of the bond issue, the Foundation has no direct obligation for payment of the 2008 Series A bonds.

The 2009 Series A bonds have a seven-year term, with principal payments due annually beginning in 2012 and interest payments due biannually. The Foundation paid to the College \$661,433 in interest payments and \$4,485,000 in principal during 2013.

RICHARD BLAND COLLEGE FOUNDATION, INC.

Bonds Payable

During December 2006, the Foundation entered into loan agreements with the Industrial Development Authorities of Dinwiddie County, Virginia, Isle of Wight, Virginia, Prince George County, Virginia and Sussex County, Virginia to borrow the proceeds of the Authorities' \$27,000,000 Series 2006 Revenue Bonds (Richard Bland College Foundation Student Housing Facilities). The loan was refinanced in October 2012 to lower the interest rate charged to the Foundation. The loan agreement interest rate was 4.23% and refinanced to 2.40010. The interest rate will adjust at the ten year anniversary of the refinancing and every 5 years thereafter at 70010 of the 5-year U. S. Treasury Note plus 120 basis points. The bonds are due August 5, 2038. The primary purpose of this loan is to refund and redeem in full the outstanding principal amount of the Authorities' \$27,000,000 Series 2006 Revenue Bonds (Richard Bland College Foundation Student Housing Facilities), the proceeds of which were used to finance the costs of construction and equipping of a student housing facility located in Dinwiddie, Virginia.

Investment in Direct Financing Lease

The Foundation has an investment in a direct financing lease in connection with its long-term leasing arrangement with the College. The terms of the lease include the leasing of a student housing facility located in Dinwiddie, Virginia originally constructed by the Foundation for the College. The lease is due in semi-annual installments and expires in August 2038.

WILLIAM & MARY REAL ESTATE FOUNDATION

Tribe Square

The Foundation develops and owns a mixed use property known as Tribe Square, which consists of one floor retail space and two floors student housing. Construction was completed and the building was put into service during 2012. The Foundation is party to a commercial management agreement dated December 6, 2010 with an agent to manage the property on behalf of the Foundation. The agreement is for a one-year term ending July 31, 2013, and continuing on an annual basis unless and until terminated by either party. The services to be provided by the agent include the operation and maintenance of the property, as well as financial duties as defined in the agreement. The management fee paid to the agent will be \$20,940 per annum. The Foundation has executed four lease agreements for tenants in the first floor retail area, which is fully occupied. The student housing space is being leased to the College.

The Foundation leases the Tribe Square student housing to the College pursuant to a lease agreement dated August 1, 2011 for a five-year term ending June 30, 2016, with an automatic renewal for an additional five year term ending on June 30, 2021. Annual base rent is \$459,816, payable in two equal installments, with the first installment due on the commencement date, and each semi-annual installment thereafter due on September 1 and March 1 of each lease year. The base rent may be increased annually by a percentage equal to the increase in the Consumer Price Index. In no event shall the base rent be less than the base rent payable for the preceding year. Rental income received under this lease was \$467,633 and \$410,685 for 2013 and 2012, respectively.

Discovery II

During 2013, the Foundation purchased property held and referred to as Discovery II. The property is being operated as College office space. The Foundation entered into a commercial management agreement dated April 11, 2013 with an agent to manage the property on behalf of the Foundation. The agreement is for a one year term beginning on April 20, 2013 and ending on March 31, 2014, and continuing on an annual basis unless and until terminated by either party. The services to be provided by the agent include the operation and maintenance of the property, as well as financial duties as defined in the agreement. The management fee paid to the agent will be \$10,800 per annum. At year-end, the Foundation has executed a lease agreement with the College in the building.

Beginning in 2013, the Foundation began leasing the Discovery II office space to the College. The Foundation entered into a lease agreement with the College dated May 18, 2013 for a sixty-two month term commencing May 1, 2013 and ending June 30, 2018 with the right to renew the lease for up to five additional consecutive one-year terms. Annual base rent is \$382,200, payable in 12 equal installments, with the first installment due on the commencement date, and each monthly installment thereafter due on the first business day of the month. The base rent may be increased annually by two percent. Rental income received under this lease was \$77,002 for 2013.

Bonds Payable

The Foundation closed a tax-exempt student housing facilities revenue bond, dated September 16, 2011. The bond bears interest at a fixed rate of 3.75%. Required monthly payments of principal and interest total \$25,855. The outstanding principal balance is \$4,783,075 at June 30, 2013.

The bond was issued through the Economic Development Authority of the City of Williamsburg for a principal amount of \$5 million. The proceeds of this bond were used to finance the costs to acquire, construct, and equip the student apartment portion of Tribe Square, and pay certain expenses of issuing the bond. The bond is secured by the rents and revenues of Tribe Square, and the property itself.

The bond, which is bank held, has an option for the bank to require the Foundation to repurchase the bond once the bond is 10 years past the issuance date. If this option is exercised the Foundation would pay the aggregate unpaid principal plus accrued interest through the date of such payment. The bank must give the Foundation 120 days' notice prior to the tender date if this option is exercised.

Promissory Note

The Foundation obtained a promissory note, dated June 3, 2013, ten (10) year term. The note bears interest at a fixed rate of 3.22%. Required monthly payments of principal and interest total \$18,007. The outstanding principal balance is \$3,689,000 at June 30, 2013.

The promissory note was issued through a private lender for a principal amount of \$3,689,000. The proceeds of this note were used to finance the costs to acquire Discovery II, and pay certain expenses of issuing the note. The note is secured by the rents and revenues of Discovery II, and the property itself. A balloon payment in the amount of \$2,570,410 is due at note maturity on June 1, 2023. Prepayments made within the first thirty-six months of the loan are subject to a penalty of 1% of the prepayment amount.

Demolition Loans

The Foundation obtained demolition loans, dated February 15, 2013. The loans are secured by deed of trust. The loans bear no interest and will be forgiven on a dollar-for-dollar basis to the extent of real estate taxes assessed on the improvements made to certain real estate. The outstanding principal balance is \$28,120 at June 30, 2013.

Commitments and Contingencies

In June 2013, the Foundation entered in an agreement with a contractor for work to be done on Discovery II. Construction began on July 8, 2013 and should be substantially complete by December 11, 2013. The total contract price is \$283,301. All costs under this contract will be paid by the Foundation and then reimbursed by the College over a sixty-two month term.

15. CONTRIBUTION TO PENSION PLAN

Virginia Retirement System

Employees of the College are employees of the Commonwealth of Virginia. Substantially all full-time classified salaried employees of the College of William and Mary and Richard Bland College participate in the defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

The College of William and Mary and Richard Bland College's payroll costs for employees covered by VRS were \$65,285,353 for the year ended June 30, 2013. Total payroll costs were \$168,839,958 for the year ended June 30, 2013.

Information regarding types of employees covered, benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions as well as employer and employee obligations to contribute are established can be found in the Commonwealth's Comprehensive Annual Financial Report.

The College of William and Mary and Richard Bland College's total VRS contributions were \$5,782,656 for the year ended June 30, 2013. These contributions represent approximately 8.76 percent for state employees and 14.80 percent for VaLORS employees of covered payroll for the period July 2012 to June 2013.

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. The Comprehensive Annual Financial Report provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2013. The same report contains historical trend information showing VRS progress in accumulating sufficient assets to pay benefits when due.

Optional Retirement Plan

Full-time faculty and certain administrative staff may participate in a retirement annuity program through various optional retirement plans other than the VRS. This is a fixed-contribution program where the retirement benefits received are based upon the employer's contributions of approximately 10.4 percent or 8.50 percent depending on whether the employee is in Plan 1 or Plan 2, plus interest and dividends. Plan 1 consists of employees who became a member prior to July 1, 2010. Plan 2 consists of employees who became a member on or after July 1, 2010.

Individual contracts issued under the plan provide for full and immediate vesting of contributions of the College of William and Mary and Richard Bland College and their employees. Total pension costs under this plan were \$ 7,547,371 for the year ended June 30, 2013. Contributions to the optional retirement plans were calculated using the base salary amount of \$74,497,317 for fiscal year 2013. The College of William and Mary and Richard Bland College's total payroll for fiscal year 2013 was \$168,839,958.

Deferred Compensation

Employees of the College are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount of the match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately \$705,983 for fiscal year 2013.

16. POST-RETIREMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance program which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and

participate in the State's health plan. Information related to these plans is available at the statewide level in the Comprehensive Annual Financial Report.

17. CONTINGENCIES

Grants and Contracts

The College of William and Mary and Richard Bland College receive assistance from non-state grantor agencies in the form of grants and contracts. Entitlement to these resources is conditional upon compliance with the terms and conditions of the agreements, including the expenditure of resources for eligible purposes. Substantially all grants and contracts are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability. As of June 30, 2013, the College estimates that no material liabilities will result from such audits.

Litigation

The College is not involved in any litigation at this time.

18. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The College participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The College pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

19. SUBSEQUENT EVENTS

In November of 2013, the Virginia College Building Authority (VCBA) issued Series 2013A Educational Facilities Revenue Bonds and 2013B Federally Taxable Revenue Bonds in which the College of William and Mary was a participating institution. The College received \$9,135,000 in proceeds to finance improvements to the Sadler Center, Law School and various athletic facilities. Also received was \$22,355,000 in proceeds to finance the purchase and repair of One Tribe Place (formerly the Hospitality House Hotel). The bonds were issued with interest rates varying from 2 percent to 5 percent and will mature in 20 years.

In April of 2014, the Virginia Department of the Treasury issued Series 2014A Commonwealth of Virginia General Obligation Bonds in which the College of William and Mary was a participating institution. The College received \$9,005,000 in proceeds to finance the continuing renovation of dormitories. The bonds were issued with interest rates varying from 2 percent to 5 percent and will mature in 20 years.

Also in April of 2014, the Treasury Board completed the sale of General Obligation Refunding Bonds, Series 2014B. The bonds were issued to provide funds to refund 2004 dormitory renovations and utilities projects. The aggregate debt service savings for the College's 9(c) projects was \$473,714.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 16, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
College of William and Mary

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the College of William and Mary in Virginia, including the Virginia Institute of Marine Science and Richard Bland College (the College), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the College, which are discussed in Notes 1 and 14. Those financial statements were audited by other

auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the College, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the College that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the College as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2012 financial statements have been restated to correct several misstatements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 1 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 16, 2014 on our consideration of the College of William and Mary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.



AUDITOR OF PUBLIC ACCOUNTS

BDH/alh

**The College of William and Mary in Virginia
Richard Bland College**

June 30, 2013

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Richard Bland College

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