A Cornerstone for Excellence, A Catalyst for Progress

THE COLLEGE OF WILLIAM & MARY FOUNDATION

2008 Annual Report
TO BE GOOD STEWARDS of William and Mary’s great inheritance, the people of the College must keep pressing forward. Having a glorious history is a significant advantage in today’s competitive world. But past glory provides no substitute for present accomplishment.

William and Mary is rich with accomplishment these days. We teach, do research, and learn at a level of excellence that is matched on few other campuses. Our life outside the classroom is equally marvelous, from our playing fields to our service trips abroad.

William and Mary’s present excellence and future potential are seriously challenged, however, by our need to move to a new financial model as quickly and seamlessly as we can. We must go from a state-funded financial base to a privately funded financial base. While state support will remain important to the College, the taxpayers’ share of the College’s operating budget has declined radically in recent years. For all practical purposes, William and Mary has become a privately supported university that also receives some state assistance. This means that private gifts to the College — annual giving, endowment gifts, and funds for bricks and mortar — have become even more vital than in the past.

The College of William & Mary Foundation is crucial to building this vital private support. Although the Foundation’s work is complex, its mission is simple. Through a combination of fundraising and investment, it provides scholarships, professorships, research support, funds for new initiatives, financing for the renovation and construction of facilities, and unrestricted support of the operating budget. The Foundation does all this through current support and by building endowments to ensure a stable flow of funds for the long term.

This report for fiscal year 2008 tells the story of a few of the people and programs that make William and Mary exceptional. Behind them stand the alumni, friends, corporations and foundations that contribute so generously to the College. Together they are marvelously effective stewards in our time of William and Mary’s great inheritance.
A Vital Role

WHEN THE COLLEGE’S 19th president, John Stewart Bryan, encouraged the formation of an endowment association for William and Mary in 1939, he believed such an entity would enable the College to retain a position of preeminence and leadership within American higher education. His vision, which continues to be realized seven decades later, reflects his understanding of the key role private support would play in William and Mary’s future. Today, that role is more crucial than ever. As the beneficiary of more than three quarters of the institution’s endowed assets, The College of William & Mary Foundation takes its share in that role very seriously.

GROWING IMPORTANCE: Given the tremendous economic challenges facing the Commonwealth, nation and world, the need for the College to direct its own financial future has never been greater. While capital projects continue to enjoy generous public assistance at William and Mary, state funding constitutes a shrinking proportion (now less than one-fifth) of the College’s annual operating budget. As a result, the stable source of revenue provided by the Foundation — especially the 1,002 active endowments it held as of June 30, 2008 — has become indispensable to the day-to-day activities of the campus.

WISE MANAGEMENT: An independent volunteer board of approximately 40 trustees, together with a professional staff, manages the Foundation’s affairs and assets. Drawing on their own knowledge and experience, trustees advocate tirelessly on the Foundation’s behalf and advise staff on the investment and management of gifts. A dozen committees and sub-committees, comprised of both trustees and staff, oversee specific areas of the Foundation’s responsibilities, such as investments.

In striving to carefully manage its funds, the Foundation employs an investment strategy that emphasizes long-term results. Its rates of return regularly exceed set benchmarks. The five-year rate of return for its portfolio, the William and Mary Investment Trust (WAMIT), was 12.2 percent (annualized) through June 30, 2008. In addition, the Foundation has typically placed in the top quartile of institutions surveyed for the annual endowment study by the National Association of College and University Business Officers (NACUBO). The College and its related foundations ranked 129th out of 785 institutions in the 2007 study.

THE CORE PURPOSE of the Foundation is to support the College’s exceptional people and programs. This goal is accomplished thanks to the hard work of dedicated staff and volunteers and, most importantly, to the generosity of thousands of loyal alumni, parents, friends, corporations and foundations.

INVESTMENT RESULTS — Fiscal year 2008

<table>
<thead>
<tr>
<th></th>
<th>1 YEAR</th>
<th>3 YEARS</th>
<th>5 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAMIT</td>
<td>-1.98%</td>
<td>10.00%</td>
<td>12.23%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>-8.02%</td>
<td>6.49%</td>
<td>9.32%</td>
</tr>
<tr>
<td>Value Added</td>
<td>6.04%</td>
<td>3.51%</td>
<td>2.91%</td>
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*Policy Benchmark: 60% Russell 3000 Index, 20% MSCI World ex-US, 20% Lehman Aggregate Bond Index

THE ARTS ARE A VITAL COMPONENT OF THE COLLEGE’S VIBRANT LIFE, AND STUDENTS WITH A CREATIVE BENT ARE ENCOURAGED TO DEVELOP THEIR TALENTS THROUGH OPPORTUNITIES BOTH IN AND OUT OF THE CLASSROOM.

GROWTH IN ENDOWMENT AND SIMILAR FUNDS
THE COLLEGE OF WILLIAM & MARY FOUNDATION*

Millions of dollars

FISCAL YEARS ENDDED JUNE 30

*As of June 30, 2008, the Foundation’s $450 million in endowment and similar funds constituted 91% of total assets of the Foundation and represented approximately 78% of the $580 million total endowment of the College.
Just mention “turtles” and Randy Chambers’ entire face lights up. An associate professor of biology who specializes in wetlands ecology, Chambers has spent years researching these slow-moving omnivores and their habits in the waters of the Chesapeake.

And, more often than not, he is not alone in his studies. Having overseen the research of more than 90 students, predominantly undergraduates, since coming to William and Mary in 2001, Chambers personifies the faculty-mentor ideal. Not only does his impressive knowledge span four disciplines — biology, environmental science and policy (ENSP), marine science and geology — but he possesses an equally impressive commitment to students, especially in helping them understand the research process. Furthermore, he exudes an enthusiasm and sense of humor that are contagious even to the most reluctant scholars.

Best of all, the College will be the beneficiary of Chambers’ energy and expertise for a while longer, thanks in large part to Carol B. Talbot ’46.

Talbot established the Cornelia Brackenridge Talbot Term Professorship in 2006 in memory of her mother with mid-career professors like Chambers in mind. Her hope — and William and Mary’s — is that the endowment will help her alma mater retain its best science faculty at a time in their careers when they might easily be lured to other institutions.

According to Chambers, awards like the Talbot Professorship give teeth to William and Mary’s avowed dedication to its professors.

“It says, ‘You are appreciated and valued here’; it’s more than just an ‘atta-boy pat on the back,’” he says, explaining that such signs of appreciation are crucial because of the high demand on professors’ time and energy to deliver the hands-on, personalized education that makes the College unique among its peers.

Initially brought to the College to serve as the first director of its Keck Environmental Field Laboratory (which he still heads), Chambers remains integral to the success of the ENSP program and serves as an important link between main campus and the College’s Gloucester-based Virginia Institute of Marine Science (VIMS). He is also involved in a community organization that promotes watershed stewardship and education in Williamsburg and James City County.

Above all, however, Chambers takes to heart William and Mary’s commitment to providing students with an education that will benefit them for the rest of their lives.

“It’s been drilled into the faculty’s heads that we are the best small public university in the nation,” Chambers adds. “That’s a distinction we take pride in and don’t want to lose, and our ongoing enthusiasm for undergraduate teaching and research are the key to that.”
Financial Summary

Summary Statement of Activities*  
JUNE 30, 2008

REVENUES:
Contributions $14,107,155
Income on funds held by others 2,499,837
Operating and non-operating investment return (6,162,637)
Unrealized gains (losses) on funds held in trust by others (1,648,568)
Other revenue 1,842,497
TOTAL REVENUES $10,638,284

EXPENSES:
Program expenses $22,892,698
Fundraising 2,479,514
Transfer of real estate and endowments to related foundations 7,709,512
Administrative and other 1,074,868
TOTAL EXPENSES $34,156,592

CHANGE IN NET ASSETS ($23,518,308)

NET ASSETS – Beginning of year $487,281,320
NET ASSETS – End of year $463,763,012

TOTAL LIABILITIES AND NET ASSETS $495,708,822

*Includes four wholly owned subsidiaries

AVERAGE SOURCES OF SUPPORT — $49 million
FISCAL YEARS 2004 – 2008

Income and unrealized gain/loss on funds held by others $4.76 million
Contributions $11.68 million
Investment return $30.36 million
Other revenue $2.18 million

AVERAGE USES OF SUPPORT — $21.8 million
FISCAL YEARS 2004 – 2008

Institutional support $3.77 million
Scholarships and fellowships $4.12 million
Instruction, research and academic support $4.4 million
Other program expenses $6.82 million
Administrative and other $1.18 million
Transfer of real estate and endowments to related foundations $1.54 million

STUDENT MUSICIANS SHOWCASE THEIR MANY AND VARIED TALENTS TO THE COLLEGE COMMUNITY.

(RIGHT) EACH YEAR, THE FOUNDATION FUNDS UNDERGRADUATE AND GRADUATE RESEARCH PROJECTS, A GROWING NUMBER OF WHICH ARE JOINTLY UNDERTAKEN BY STUDENTS AND THEIR PROFESSORS.
Like many college juniors, Jonathan Converse ’10 has put a lot of thought into his future career, but he is still narrowing his options.

One thing Converse is certain of, however, is that he wants to “make a positive difference in someone’s life” through whatever path he chooses.

His goal makes him a fitting inaugural recipient of the Gerald L. Tuttle Jr. Scholarship. Established in 2007, the scholarship memorializes the class of 1990 William and Mary alumnus whose life was unexpectedly cut short in January 2007. By providing assistance to a junior or senior government major — preferably one who also belongs to Lambda Chi Alpha — the endowment benefits students similar to Tuttle, who deeply valued his membership in Lambda Chi Alpha and his government degree from the College.

“There are a million ways to respond to tragedy, but they [Mr. Tuttle’s family and friends] chose this avenue,” Converse says, explaining that the meaning behind the scholarship has special significance for him.

“To have someone else investing in you like this — it’s a really neat feeling; it really motivates you to work harder and make something of yourself,” he adds.

Hailing from Phoenix, Converse’s high school alma mater strongly emphasized service and community solidarity. Those values have carried over into his William and Mary career, particularly through his involvement with Lambda Chi Alpha, as well as his participation in club sports and Buddy Baseball, a local outreach program for special needs children. He also serves as an audio visual technician at the Sadler Center and as a resident assistant.

In the classroom, meanwhile, Converse excels as a government and film double major.

“Film is my artistic love, whereas government is my intellectual outlet — although, of course, both have a little of each,” he says.

Converse entered the College on the premed track, but after just a couple of government courses, he realized he had found his niche in an unexpected area.

“You encounter government in every facet of your life — it affects everything,” Converse says, explaining that the field’s relevance to everyday life combined with the inspiring teaching of the department’s professors is what captured — and held — his interest.

Looking to the future, Converse has his eyes on the Peace Corps or Teach for America and ultimately hopes to teach high school. Whatever he does, he plans to make the most of the opportunities William and Mary has provided him, especially those afforded by the Tuttle Scholarship.
Frequently Asked Questions

How does the Foundation invest funds?
The Investments Committee — a group of trustees, many of whom have well-established careers in the investment industry — oversees the investment of the Foundation’s endowed assets with the help of a professional, experienced staff, which provides day-to-day monitoring and reporting of the endowed assets.

The establishment of asset allocation targets and the development of a “policy portfolio” are at the heart of the investment process. Though disciplined in its creation, such a portfolio has built-in flexibility to match the dynamic nature of today’s financial markets. In addition to reviewing the portfolio annually, the Investments Committee may also make adjustments during the year depending on market conditions. Once the policy portfolio is established, the Investments Committee, in consultation with the Foundation’s staff, selects various investment managers and allocates funds according to the policy. (See sidebar for current allocation.)

Does the Foundation receive and invest all of the funds for the College?
The Foundation oversees just over three quarters of the College’s endowed assets. The Board of Visitors, the William and Mary Business School Foundation, the Marshall-Wythe School of Law Foundation, and the VIMS Foundation (Virginia Institute of Marine Science) hold the bulk of the remaining assets.

What is the William and Mary Investment Trust (WAMIT)?
WAMIT was created by The College of William & Mary Foundation in 2004 so that most of the College’s endowed assets could be administered under one structure — thereby reducing the burden of administering endowed assets and increasing the efficiency gained by pooling assets. To date, the Law School, Business School, and VIMS foundations are all members of WAMIT along with the William & Mary Foundation.

How does the Foundation determine how much of its annual income is spent on College priorities?
The Foundation typically expects that investment returns will not only preserve but enhance the real value of the endowment after funds are released for use, the objective being to achieve a real growth of 2 percent in the long term. (Real growth is the return after subtracting annual spending and accounting for inflation.) In so doing, the Foundation preserves the purchasing power of endowment assets for future generations.

In consultation with the Foundation’s chair, the Investments Committee reviews the spending policy annually and recommends a “spending rate” to the Executive Committee. The spending rate typically ranges from 3.75 percent to 4.75 percent of the average market value of the fund over the three preceding calendar years.

How does the Foundation determine the uses of its available funds?
Donors often make commitments to the Foundation in the form of endowments that are either unrestricted or restricted to particular priorities — such as scholarships, professorships or programs; donors may also give expendable funds to the Foundation. Distributions from the investment portfolio support a donor’s restrictions as to use, or, in the case of unrestricted support, the College’s most pressing needs.

What is the difference between endowed and expendable funds?
Gifts to endowment are invested in perpetuity; Board-approved payout from the investment is distributed on an annual basis to support the funds’ objectives. Alternatively, expendable funds, whether restricted or unrestricted, can be fully spent in support of a donor’s intended use.

How soon after it is established does an endowment begin to benefit students and faculty?
Generally, invested funds will begin to generate a cash flow for an endowment’s designated purpose within a year or two after a gift is made. Since the annual budget for an academic year is based on funds invested at the end of the previous calendar year, if an endowment agreement and a corresponding gift are received by early December, the endowment will generate a budget for the next academic year, beginning July 1.

How do changes in the economy affect the Foundation’s investment decisions?
The perpetual nature of the endowment allows the Foundation to take a long-term perspective in developing its investment policy, which in turn enables implementation of its investment strategy without being significantly influenced by the day-to-day fluctuations of the financial markets.

<table>
<thead>
<tr>
<th>ASSET ALLOCATION OF POLICY PORTFOLIO</th>
<th>The William and Mary Investment Trust (WAMIT)</th>
<th>Fiscal year 2008</th>
<th>Policy</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equities</td>
<td>20%</td>
<td>18.95%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Equities</td>
<td>13%</td>
<td>11.59%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>7%</td>
<td>12.52%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>12%</td>
<td>12.72%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Situations</td>
<td>10%</td>
<td>12.17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute Return</td>
<td>20%</td>
<td>15.96%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Assets</td>
<td>10%</td>
<td>11.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Equity</td>
<td>8%</td>
<td>3.44%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>1.65%</td>
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</tbody>
</table>
William and Mary may not offer a master of fine arts in creative writing, but it attracts big literary talent and provides a rich cultural experience through its Patrick Hayes Writers Festival. For almost two decades, the Festival (which has evolved into a year-long series) has brought prominent and emerging poets, novelists and nonfiction writers to campus to share their work and meet with students, faculty and members of the community.

“It’s kind of the flagship program of the English Department and one of my favorite campus events,” says Philip Zapfel ’09, a dual major in English and environmental science with a penchant for creative writing. “Everyone knows the Patrick Hayes Writers Festival.”

Such was not always the case. Once threatened with cancellation due to lack of funding, the festival came roaring back to life in 1991 when the late Patrick Hayes, a longtime benefactor of the College, created an endowment that would bring major writers to campus in perpetuity.

“Patrick Hayes literally rescued the festival from the brink,” says Professor of English Nancy Schoenberger, who currently organizes the festival’s events. “Since then, it’s become a terrific opportunity for our students and the community.”

Formerly held once a year in April, visiting writers now come to campus throughout the academic year to give public readings and lectures and occasionally visit classes. The College’s writer-in-residence also participates, as do faculty members who publish poetry and fiction. The series gives students the opportunity to meet authors up close and even discuss works with writers they’re studying in class. They also receive tips on how to become writers themselves.

“You get to meet real people, not just names in a book,” says David Edmondson ’10, a psychology and literary and cultural studies double major. “Talking with writers about their experiences, you can see yourself doing the same and getting published.”

The Williamsburg community likewise reaps the benefits of the series. Such authors as A.S. Byatt (Possession: A Romance), Christopher Bram ’74 (Father of Frankenstein), and crime novelist James Ellroy have filled Colonial Williamsburg’s Kimball Theatre to bursting. And a partial list of past participants reveals such literary giants as Allen Ginsberg, Seamus Heaney, Charles Simic, Billy Collins, Michael Ondaatje and Ntozake Shange.

“In a way, the series is a public face of what the William and Mary English Department does — and both have lasting value,” says Schoenberger. “Thanks to the generosity of Patrick Hayes, the Writers Festival is the gift that keeps on giving.”

TOM DE HAVEN (RIGHT), THE CURRENT CLASS OF 1939 ARTIST-IN-RESIDENCE AT THE COLLEGE, HAS AUTHORED MORE THAN A DOZEN FICTION BOOKS AND IS A PROFESSOR AT THE VIRGINIA COMMONWEALTH UNIVERSITY IN RICHMOND. IN THE FALL, HE DISCUSSED HIS LATEST WORK WITH STUDENTS LIKE JUNIOR DAVID EDMONDS ON AS PART OF THE PATRICK HAYES WRITERS FESTIVAL.
Inspiration often comes from personal experience. When Nihan Kaya ’10 was 12 years old, she learned of a family friend’s struggles with Crohn’s disease, an autoimmune disorder that affects the digestive system and can cause frequent pain. “The symptoms of Crohn’s are very uncomfortable to discuss,” says Kaya, a premed student majoring in neuroscience and sociology at the College. “What interested me was the prolonged period of time it usually takes to diagnose this disorder as well as being able to understand the sociology behind the disease.”

Last summer, Kaya discovered an opportunity to contribute to Associate Professor of Sociology Kelly Joyce’s research on Crohn’s disease. Kaya’s work was supported by a Chappell Summer Research Fellowship, which provides undergraduates with stipends to assist faculty in ongoing scholarship.

Kaya analyzed the cultural factors that contribute to the diagnosis and treatment of Crohn’s. She interviewed about 20 people in the Williamsburg area who have the disease, and added her own perspective to the project to include physicians and patients in Turkey, where she traveled over the summer. “There are a lot of factors that impact the timeframe for a diagnosis to take place,” says Kaya. “Those include culture, perception and socioeconomic status.” For example, in Turkey many people won’t talk about the disease. This perception may prevent those with Crohn’s from seeking diagnosis.

Kaya says that it is important to address the physical aspects of the disease, as well as the psychological and emotional factors. “I think people feel that once they’re in a comfortable setting, they can talk about it,” says Kaya. “In fact, a lot of people will say things like they have ‘true guts,’ or they’ll show their battle scars from undergoing surgery.”

During her research, Kaya discovered online support groups, formed in places such as Facebook, that help young people live with Crohn’s. Ultimately, she would like to start a Web site that links people with the disease to such groups. Attracted to the College because of its strong liberal arts curriculum and premedical track, Kaya, who plans to attend medical school, says she has found all she was looking for — and then some. In addition to her studies, she is active with the Tae Kwon Do Club and the Health Careers Club, which brings medical professionals to speak on campus.

Vital to Kaya’s positive undergraduate experience at William and Mary has been the bonus opportunity of conducting original, mentored summer research through the Chappell Fellows Program.
Looking Forward

The College of William and Mary is a place not just where knowledge is acquired, but where lives are shaped. It is a community where students like Jonathan Converse ’10 and Nihan Kaya ’10 can cultivate their individual talents and become empowered to use them to serve others. It is also a place where inquiring minds can unite to explore, refine and expand on the issues and ideas that impact our globe — much as Professor Randy Chambers does with the undergraduates he mentors and as aspiring writers do with the guest authors of the Patrick Hayes Writers Festival.

William and Mary is indeed a unique and wonderful place. The College is simultaneously moving forward — progressing alongside the sundry advances in science, humanities, business, law and education — while providing a timeless and well-rounded education that teaches students to think critically and apply their skills constructively and creatively to the world.

All of this, and more, would not be possible without The College of William & Mary Foundation. We are deeply grateful for the past generosity of so many alumni, parents, friends, foundations and corporations that have invested in the College. Looking forward, we covet your continued partnership and support. They are truly vital to the life and future of this institution.