The College of
WILLIAM & MARY
IN VIRGINIA

VIRGINIA INSTITUTE of MARINE SCIENCE
VIMS

Richard Bland College
OF THE COLLEGE OF WILLIAM AND MARY

AUDITED
CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2009

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
RICHARD BLAND COLLEGE

ANNUAL FINANCIAL REPORT 2008 - 2009

Contents

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

The College of William and Mary is the second oldest institution of higher education in North America, its royal charter dating to 1693. Today, William and Mary ranks as one of the premier universities in the nation. The College, beginning with its designation as a "Public Ivy" in 1986, has witnessed remarkable growth in its national reputation such that it is now routinely considered among the top national universities in surveys of every kind. Whether seen as the sixth best public university or the 32nd best university, public or private (U.S. News and World Report), the "Hottest Small Public University" (Newsweek), the "3rd best value in higher education" (Kiplinger's), or being known for having the 2nd highest percentage of students who go on to serve in the Peace Corps (Washington Monthly), the College has national status as a highly selective public university. Faculty and students routinely are selected for prestigious national recognition including the Fulbright and Marshall Awards. That reputation reflects our size, our commitment to high quality undergraduate and select graduate and professional education, and a dedication to teaching seldom seen in a public research university. This commitment to quality education has generated steadily increasing numbers of applications for undergraduate enrollment, topping out with 12,110 applications for 1,400 slots for the class of 2013.

William and Mary's stature allows us to recruit superlative faculty and staff as essential ingredients to a community of the best teachers, students, researchers, scholars, creative artists, and professionals. Our faculty win international awards, obtain external resources at several times the national average, and consistently demonstrate their commitment to teaching and learning. Our graduate and professional programs increase in stature annually. External research has more than tripled since 1997, and private giving provides those "margin of excellence" funds that allow the College to be unique in public higher education. We are national leaders in engaging undergraduate students in research, scholarship, and creative endeavor. Both undergraduate research and an expanded study abroad program are hallmarks of the William and Mary experience. As a result, student retention, graduation, and placement rates are comparable to only the most elite institutions of higher education in the country, public or private.

The College affirms its commitment to the highest quality academic programs, accessible to all, committed to public service and outreach, and conscious of the needs of the Commonwealth and its citizens. Under the on-going restructuring of higher education in the Commonwealth, the College is receiving greater fiscal and managerial flexibility while establishing specific goals as it moves to meet the educational and economic needs of the Commonwealth.

MD&A Overview:

This Management's Discussion and Analysis (MD&A) is a supplement to the College's financial statement 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, 2009 and the prior year, ending June 30, 2008. 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 2009. 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. Accordingly, the three financial statements required are the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, 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. 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 "College" 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. 39, *Determining Whether Certain Organizations are Component Units* – an amendment of GASB Statement No. 14. 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". The ninth foundation, Intellectual Properties, was established in fiscal year 2008 and did not have any significant financial activity during the year. While affiliated foundations are not under the direct control of 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.

Financial Summary:

Statement of Net Assets

The Statement of Net Assets provides a snapshot of the College's financial position, specifically the assets, liabilities and resulting net assets as of June 30, 2009. 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) Invested 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 Assets

	FY 2009	FY 2008*	Dollar Change	Percent Change
Assets:				
Current	$46,598,024	$62,597,704	($15,999,680)	-25.56%
Capital, net of accumulated depreciation	584,888,709	511,309,807	73,578,902	14.39%
Other non-current	88,709,315	95,931,547	(7,222,232)	-7.53%
Total assets	720,196,048	669,839,058	50,356,990	7.52%
Liabilities:				
Current	70,590,895	59,872,736	10,718,159	17.90%
Non-current	187,824,695	159,960,418	27,864,277	17.42%
Total liabilities	258,415,590	219,833,154	38,582,436	17.55%

Net Assets:				
Invested in capital assets, net of related debt	406,854,926	374,159,383	32,695,543	8.74%
Restricted	42,800,418	62,894,127	(20,093,709)	-31.95%
Unrestricted	12,125,114	12,952,394	(827,280)	-6.39%
Total net assets	$461,780,458	$450,005,904	$11,774,554	2.62%

* Some FY 2008 amounts have been restated. See footnote 2 for details.

The overall result of the College's fiscal year 2009 operations was an increase in net assets of approximately $11.8 million or 2.62 percent to $461.8 million. The increase in net assets occurred in the category of capital net assets while both the restricted and unrestricted nets assets saw declines reflective of the investment markets during the year. In addition to the College's net assets as shown above, net assets for the College's affiliated foundations totaled $510.1 million.

The $32.7 million increase in capital net assets, net of related debt, reflects the extensive and continuing capital construction activity at the College. In general, the increase reflects the completion and continuing construction of major capital projects including the Integrated Science Center, Mason School of Business building, School of Education building and the VIMS Marine Research Building complex. The specifics of the College's capital construction and renovation activity are detailed in the Capital Asset and Debt Administration section of the MD&A.

Current Assets decreased by $16.0 million primarily as a result of an overall decline in cash equivalent investments reflective of the overall stock market activity over the past year. The increase in Capital Assets again reflects both the construction in progress and capitalization of facilities upon completion. As described in footnote 2, the College made a net beginning balance reduction of $4.3 million to equipment as a result of a comprehensive wall-to-wall inventory and reconciliation associated with the implementation of a new fixed asset management software module. The reduction in Other Non-Current Assets reflects the decline in long-term investments again reflective of the overall stock market activity over the past year.

Liabilities increased primarily in association with the capital construction activity of the College. This includes an overall increase in accounts payable and debt.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets 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 Assets

	FY 2009	FY 2008 *	Dollar Change	Percent Change
Operating revenues	$218,620,611	$196,201,986	$22,418,625	11.43%
Operating expenses	332,641,291	341,455,071	(8,813,780)	-2.58%
Operating gain/(loss)	(114,020,680)	(145,253,085)	31,232,405	-21.50%

Net Non-operating revenues	86,222,121	113,167,306	(26,945,185)	-23.81%
Income/(Loss) before other revenues	(27,798,559)	(32,085,779)	4,287,220	-13.36%
Net other revenues	39,573,113	42,498,557	(2,925,444)	-6.88%
Increase in net assets	$11,774,554	$10,412,778	$1,361,776	13.08%

* FY 2008 building fee revenue of $4.5 million was reclassified from Capital Gifts and Grants to Student Tuition and Fees for consistency with the FY 2009 presentation.

Overall, the result from operations was an increase in net assets of $11.8 million that was primarily attributable to the Net Other Revenues - capital grants and gifts. Increased revenues from Tuition and fees as well as Auxiliary Enterprise operations accounted for the other significant increases in revenue for the year as further detailed in the revenue summary table that follows.

Operating expenses decreased during the year attributable to budgetary constraints driven by the national and state economic climate. The reduction in expenditures occurred in the instruction, academic services, operations of plant and auxiliary enterprise operations. Depreciation expense increased given new facilities being completed and occupied. These changes are reflected in the summary of operating expenses table below.

With the inclusion of state General Fund appropriations for the College in the non-operating category, the College will routinely display an operating loss for the year. This operating loss is primarily covered by the state appropriations included in the non-operating category as well as private and auxiliary fund balances.

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

Summary of Revenues

	FY2009	FY2008 *	Dollar Change	Percent Change
Operating Revenues:				
Student Tuition and Fees, net of scholarship allowances	100,508,481	87,391,798	13,116,683	15.01%
Federal, State, Local and Non-governmental grants and contracts	43,096,309	41,789,703	1,306,606	3.13%
Auxiliary Enterprise, net of scholarship allowances	68,582,461	59,493,440	9,089,021	15.28%
Other	6,433,360	7,527,045	(1,093,685)	-14.53%
Total Operating Revenues	218,620,611	196,201,986	22,418,625	11.43%
Non-Operating:				
State Appropriations	75,328,909	79,380,542	(4,051,633)	-5.10%

Gifts, Investment Income and other income and expenses	10,893,212	33,786,764	(22,893,552)	-67.76%
Total Non-Operating	86,222,121	113,167,306	(26,945,185)	-23.81%
Capital Revenues, Gains and (Losses):				
Capital Appropriations	23,160,997	20,307,871	2,853,126	14.05%
Capital Grants and Gifts	16,412,116	22,190,686	(5,778,570)	-26.04%
Total Capital Revenues, Gains and (Losses)	39,573,113	42,498,557	(2,925,444)	-6.88%
Total Revenues	344,415,845	351,867,849	(7,452,004)	-2.12%

* FY 2008 building fee revenue of $4.5 million was reclassified from Capital Gifts and Grants to Student Tuition and Fees for consistency with the FY 2009 presentation.

Within the operating revenue category, student tuition and fees increased $13.1 million, net of scholarship allowances, reflecting the increase approved by the Board of Visitors in the Spring of 2008. The increase in auxiliary enterprise revenues reflects the increase in the student comprehensive fee, as part of the overall increase in tuition and fees along with specific fees such as dormitory fees and increased contributions to the Athletic program.

The state appropriation reduction was attributable to the state budget reductions enacted by the Governor and General Assembly. The significant reduction in Gifts, Investment Income etc. were attributable to realized and unrealized losses experienced nationally in the financial markets.

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

Summary of Operating Expenses

	FY 2009	FY 2008	Dollar Change	Percent Change
Operating Expenses:				
Instruction	$95,019,851	98,768,113	-$3,748,262	-3.80%
Research	52,179,748	52,007,331	172,417	0.33%
Public Service	32,438	42,774	-10,336	-24.16%
Academic Services	28,024,807	30,546,920	-2,522,113	-8.26%
Student Services	10,019,661	9,109,045	910,616	10.00%
Institutional Support	25,902,045	25,695,530	206,515	0.80%
Operation and Maintenance of Plant	23,092,340	26,769,402	-3,677,062	-13.74%
Student Aid	10,271,795	9,766,411	505,384	5.17%
Auxiliary Enterprise	66,581,809	71,213,368	-4,631,559	-6.50%
Depreciation	19,717,342	17,351,524	2,365,818	13.63%
Other Operating Expenses	1,799,455	184,653	1,614,802	874.51%
Total Operating Expenses	$332,641,291	$341,455,071	-$8,813,780	-2.58%

For fiscal year 2009, operating expenses increased and decreased by individual program in response to various factors including budgetary reductions and increased operational costs. Major changes in expenses include:

- Instruction – a reduction in the accrued personal service expenses at year-end,
- Academic Services – a reduction in accrued personal service expenses and across the board reduction in operating expenses,
- Operation and Maintenance of Plant – a reduction in personal service expenses along with contractual services and repair and maintenance expenses,
- Auxiliary Enterprise – across the board reduction in expenses, and
- Depreciation – increase attributable to the capitalization of new buildings during the year,

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

Cash Flows from:	FY2009	FY 2008	Dollar Change	Percent Change
Operating Activities	($94,097,033)	($132,377,546)	$38,280,513	-28.92%
Non-capital Financing	110,674,502	118,740,330	(8,065,828)	-6.79%
Capital Financing	(23,560,336)	(11,669,727)	(11,890,609)	-101.89%
Investing Activities	15,145,691	20,940,518	(5,794,827)	-27.67%
Net Increase in Cash	8,162,824	(4,366,425)	12,529,249	286.95%

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 2009 were tuition and fees ($98.8 million), state appropriations ($75.3 million), auxiliary enterprise revenues ($70.1 million) and research grants and contracts ($40.4 million).

The primary uses of operating cash in fiscal year 2009 were payments to employees ($196.0 million) representing salaries, wages and fringe benefits and payments to suppliers of goods and services ($105.7 million).

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 2009 were proceeds from bond sales ($38.9 million) and capital appropriations ($25.0 million). The primary use of cash was for capital expenditures ($86.5 million) and debt payments ($16.2 million).

Capital Asset and Debt Administration

The College of William & Mary

General – The College occupied or placed into service capital projects valued at $141 million during FY 2009. An additional $94 million of projects are in the planning, design and construction phases.
Project placed into service include:

- Mason School of Business
- Integrated Science Center, Phase 2 (Phase 1 entered service in FY 2008)
- Graduate Student Housing Complex Building 2 (Re-cladding only)

Significant among these projects is the Mason School of Business at Miller Hall, which consolidates all undergraduate and graduate instruction into a single facility. The 175,000 gsf facility includes 14 new classrooms and 23 team/work group rooms. The classrooms include tiered, clustered (unique lecture and work group cluster arrangement), and flat floor configurations, and boast state of the art audio/visual technology. [Classroom AV package features two projectors, fixed screens, Symodium write on tablet, video-teleconference capability (four classrooms) and room recording capability (four classrooms)]. The facility also features a multipurpose space that can accommodate 400 for lecture and 200 for food service.

Its companion science project is the Integrated Science Center which was delivered in two phases. Phase 1 (new construction) was delivered in FY2008. Phase 2 (renovation of Rogers Hall) was completed in April, 2009. The renovated facility houses the Department of Psychology and the individual research labs of the Biology Department. Also included are a new herbarium, small electron microscope facility and two computer classrooms for lecture/automated survey response input. The Graduate Housing project is the fifth phase of a seven phase project to strip and re-clad the exterior brick on nine graduate buildings to prevent structural and water infiltration issues.

Eleven projects are still in construction. Two focus on academic centers; three renew critical infrastructure and five upgrade residence halls. The academic center projects feature the construction of a New School of Education which will provide a dedicated facility which will house both undergraduate and graduate programs and will, for the first time, create a unique facility identity for Education. In addition to state of the art instructional space, the facility will integrate a resource center, all associated counseling and research centers and a professional development center under one roof. The second academic project is an addition/renovation project for Small Hall which will provide cutting edge research and instruction space for the Department of Physics which will enhance undergraduate, graduate and faculty research to be even more competitive for National Science Foundation and National Institutes of Health research grants. The remaining projects address utility upgrades (three = steam, hot water and chilled water), emergency power (one) and dormitory upgrades for roofing (one) , re-cladding (one) , fire alarms (two) and hot water (one). These projects will be quickly delivered in rapid succession by spring, 2010.

Three major projects are in design. In a continuing effort to upgrade utilities while simultaneously centralizing production, increasing capacity and significantly enhancing efficiency, the College is completing design on the second phase of a four phase sequence to provide new steam and chilled water to the Historic North Campus. The Phase One steam plant renovation is in close-out phase. Phase Two will provide a cooling addition, half the chiller equipment to be housed, and the associated distribution piping. Design will be completed in October, 2009 to enable a construction start in the spring of 2010. Phases Three and Four will complete the equipment fit out and associated distribution piping. The new district plant will also support the second project, renovation of Tucker Hall which is home to the English Department. Detailed planning will be complete in August, 2009 and construction drawings and construction will begin as soon as funding is provided. The renovation will reorganize the poorly programmed space to accommodate 48 faculty offices, seven classrooms/seminar rooms, a linguistic lab and a major lecture hall capable of hosting film studies. The renovation will achieve LEED certification in the continuing march to raise the level of functional/environmental efficiency to match the level of academic excellence.

A new career services center will break ground in late fall, 2009. The privately funded Sherman and Gloria H. Cohen Career Center will triple the size of the current facility, and provide a marquis venue for student interaction and preparation for "life after DOG Street." Located adjacent to the Sadler Center and Zable

Stadium, the new facility is intended to attract students as early as freshman year, and will provide state of the art presentation and interview space for showcasing students to prospective employers.

Construction projects expected to conclude in FY 2010 are the School of Education, the Cooling Addition and Distribution system, and the Sherman and Gloria H. Cohen Career Center. The 2010 – 2016 Capital Outlay Six Year Plan has been submitted the Commonwealth agency, Department of Planning and Budget. Priorities for the 2010-2012 biennium are, in order, the second phase of the Cooling Plant Addition and Utility Improvements, Tucker Hall Renovation, Integrated Science Center 3 design and the design of the Tyler Hall renovation.

Virginia Institute of Marine Science:

Major Projects as of June 30, 2009

	Total Project Expenditures (in Thousand $)	Project Budget (in Thousand $)
New Construction: Marine Research Building Complex	$30,929	$31,214
Acquisition: Master Plan Properties	602	1,100
Acquisition: Wachapreague Property	398	400
Acquisition: (Va. Est. & Coastal Research Res.)	195	350
Acquisition: Acquire Additional Property CBNERRVA	0	250
IMP: Information Technology Infrastructure	1,125	1,200
New Construction: Field Support Center	811	2,000
New Construction: Construct Concrete Pier	1,092	1,450
IMP: Electrical Upgrades	12	268
REN: Maury Hall	0	2,000
New Construction: Research Storage Facility	20	641
Shoreline Erosion Control	5	1,200
REPL: Eastern Shore Seawater Laboratory	387	4,182
	$35,576	$46,255

The Marine Research Building Complex construction started in August 2005. A final certificate of use and occupancy was issued for the Seawater Research Laboratory on April 2, 2007. VIMS received the final certificate to occupy Andrews Hall on July 17, 2009, and the contractor still has a few punch list items to complete.

Property Acquisitions: There are four appropriations for property acquisitions for the Gloucester Point and Wachapreague campuses, the Virginia Estuarine & Coastal Research Reserve program and the Chesapeake Bay National Estuarine Research Reserve in Virginia program. VIMS purchased one property adjacent to the Gloucester Point campus in May 2004 and the appropriation “Acquisition: Master Plan Properties” remains open to purchase other properties that are contiguous to the VIMS campus as they become available. VIMS purchased one property for its Wachapreague campus in April 2003. The “Acquisition: Wachapreague Property” appropriation remains open in the event other property becomes available. Two parcels of land were purchased for the Virginia Estuarine & Coastal Research Reserve program in 2002-03 and that appropriation remains open in the event other property becomes available. As of August 2006 an authorization to purchase additional property was granted under capital project entitled “Acquire Additional Property for the CBNERRVA Program”.

The Information Technology Infrastructure project involves the modernizing of VIMS' aging information technology infrastructure to meet increasing demands for information exchange including systems to carry voice, data, and video. Currently, approximately 100% of the existing copper network has been replaced with the new high speed fiber optics. Construction to improve the air conditioning and power requirements in the Watermen's Hall network server room was completed. New servers were purchased. Along with networking Andrews Hall and the Seawater Research Laboratory, VIMS will extend 24x7 networking capability to existing campus buildings such as Chesapeake Bay Hall and the Fisheries Science Laboratory. New redundant fiber installations will result in a highly available modern campus infrastructure.

The Field Support Center project involves the construction of a 10,000 square foot field support center on the Gloucester Point Campus. This building will replace vessel operation's facilities and field support infrastructure that was severely damaged as a result of Hurricane Isabel. The project is scheduled for completion by Fall 2009.

The Concrete Pier project replaces a damaged wooden pier with a new concrete pier on the VIMS Gloucester Point shoreline. This pier will contain pumps and intake lines to provide 800 gallons per minute of treated seawater. A concrete pier will ensure that VIMS' seawater supply is safe from most hurricane force storms. The elevation of the pier will be set at 10.5 feet above mean low water. The project is scheduled for completion by Fall 2009.

Improvements: Electrical Upgrades - this project involves upgrading the electrical system in Chesapeake Bay Hall. A construction contract was awarded on June 26, 2009 and the project is scheduled for completion by Fall 2009.

The Maury Hall Renovation project will be supported by the raising of private funds to renovate a 50-year old 6,400 square foot outdated laboratory into functional meeting and conference space for the campus. Planning for the project is underway.

The Research Storage Facility project involves the construction of a 4,600 square foot facility that is needed to secure research equipment and instruments that are currently stored outdoors. Schematic design was completed on June 18, 2009, and construction is scheduled to begin by Fall 2009.

The Shoreline Erosion Control project supports erosion control of the entire shoreline of the Gloucester Point campus to protect the shoreline and surrounding structures. The project includes construction of eleven new rip rap breakwaters, the extension of several pipe outfalls further into the York River, replenishment of sand along the entire shoreline, creation of small dunes along the west shoreline and planting of riparian vegetation on the east shoreline. This will be a design/build project. The bridging document and the design/build RFP are awaiting approval so that VIMS can proceed with proposal advertisement.

Eastern Shore Seawater Laboratory Replacement project involves construction of a new laboratory building with running seawater for research on coastal marine ecology and aquaculture in a high salinity environment. Currently, the research is conducted in former oyster shucking houses from the late 1800's. The Eastern Shore Lab is used by many VIMS and visiting researchers. Property has been purchased to support the new Seawater Laboratory. Construction is projected to begin in 2010 with occupancy in January 2011.

<u>Richard Bland College</u>

Major Projects as of June 30, 2009:

	Expenditures To Date
Construct Science and Technology Building	$1,486,824

Construction was begun in May, 2009 on the 52,000 square foot Science and Technology Building. Opening date for this building is August, 2010. It will house biology, chemistry, and physics classrooms and laboratories, as well as classrooms for mathematics and computer sciences. Computer laboratories, faculty offices, staff and student lounges complete the space in this building. It is designed to achieve LEED silver certification.

Debt Activity

The College's long-term debt is comprised of bonds payable, notes 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, 2009 the College has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of $42.5 million and $143.8 million, respectively.

The outstanding balance of 9(c) bonds can be broken down into five major categories as follows: 1) Renovation of Dormitories ($20.6 million), 2) Other housing / residence ($7.5 million), 3) University Center ($3.1 million), 4) Underground Utility ($1.7 million), and 5) Commons Dining Hall ($8.6 million). The majority of the 9(d) balance at June 30, 2009 is related to the new school of business building, Miller Hall, ($46.3 million), the Barksdale dormitories ($24.9 million), integrated science center ($18.8 million), the new parking deck ($11.4 million), and renovations of the recreation sports center ($9.8 million). During the year, new 9(d) bonds were issued for the new school of business building ($23.4 million) and the integrated science center ($6.8 million). Neither the Virginia Institute of Marine Science nor Richard Bland College has capital related long-term debt.

The College anticipates issuing $16.4 million in bonds during fiscal year 2010. These bonds will be used for the renovation of athletic facilities ($2.0 million) and cooling plant project ($14.4 million). For more information on the College's long-term debt, see Note 10 of the Notes to the Financial Statements.

Economic Outlook

The College's economic outlook is tied to various factors including the ability to recruit students, our status as a public institution within the Commonwealth of Virginia's higher education system, and our ability to raise revenue through tuition and fees, grants and contracts, and private funds.

Our ability to recruit, admit, and retain top-caliber students remains excellent, even as we compete against the most selective public and private institutions in the country. Undergraduate applications to the College reached a new high of 12,110 for Fall 2009. The credentials of our admitted students including SAT scores and the number of students within the top 10 percent of their graduating class remain stable 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.

As a public institution, the College receives significant financial support from the Commonwealth of Virginia in the form of operating and capital construction appropriations. As such, the College is directly impacted by changes in the State's financial outlook. The Commonwealth's FY 2008 operating budget initially included incremental support for faculty and staff salaries, base operations, faculty research, and undergraduate and graduate student financial aid. Due to slower than anticipated revenue growth, the Commonwealth subsequently reduced FY 2008 appropriations for the main campus by 6.25 percent or $3.0 million, of which $2.7 million continued as a base reduction in FY 2009. Since that time, the main campus has been asked to absorb an additional $3.4 million reduction in FY 2009 and additional reductions totaling $10.5 million in FY 2010. The College is addressing these reductions through a combination of expenditure reductions and revenue offsets. Supplementing state funds with additional tuition and private fund support, the College continues to protect its core academic programs' quality and integrity while providing incremental support for student financial assistance to ensure access for all qualified students. In this regard, implementation of Gateway

William and Mary, a financial aid program that guarantees that in-state undergraduate students whose families have income of less than $40,000 will be able to graduate from the College without taking out loans, supports access to the College for this socio-economic group.

The College's overall financial and managerial strength was independently verified as it went through the bond rating process with Standard and Poor's in August 2005. This independent evaluation of the College considered all aspects of its operations and resulted in Standard and Poor's assigning the College an "AA" bond rating. In summer 2008, Standard and Poor's reaffirmed the "AA" bond rating for the College citing strong student quality and demand, consistent financial performance and solid fund-raising and endowment.

Long-term planning continues to ensure that the College not only protects its core programs but also invests strategically for the future. With passage of the Restructured Higher Education and Administrative Operation Act of 2005 and the Management Agreement by and Between the Commonwealth of Virginia and the College of William and Mary (most recently updated during the 2009 General Assembly session), the College continues to move forward with the restructuring of its financial, administrative, and managerial relationship with the Commonwealth. This partnership between the College and the Commonwealth allows the College to strengthen its long-term planning efforts while meeting the most critical needs of the Commonwealth in a variety of areas. At the same time, the College continues its own strategic planning effort, identifying six major challenges for the next five years, and developing goals and strategies to address the six challenges.

Incremental capital construction support from the Commonwealth, supplemented with College and private sources, continues to be strong. Significant projects include construction of a 120,000 square foot Integrated Science Center, 175,000 square foot School of Business and an 110,000 square foot School of Education.

Through the efforts of its faculty, grant and contract activity at the College continues to be strong, supporting faculty research while providing educational and research opportunities for our students. The College also just completed its most successful fund raising year in its history, raising just over $50 million in private funds. Overall, endowments held for the benefit of the College now total $495 million as of June 30, 2009. Planning in support of the College's next major fund raising effort continues even as the College focuses in the short-term on increased annual giving and other selected fund raising priorities.

Consolidated Financial Statements

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Net Assets
As of June 30, 2009

ASSETS	Colleges	Component Units
Current assets:		
Cash and cash equivalents (Note 3)	$ 10,217,802	$ 9,597,898
Investments (Note 3)	16,538,569	823,616
Appropriation available	669,649	-
Receivables, net of allowance for doubtful accounts (Note 5)	10,894,603	7,696,665
Notes receivable (Note 5)	11,020	-
Due from commonwealth	5,591,320	-
Inventories	476,236	22,093
Pledges receivable	-	7,669,015
Prepaid expenses	1,504,439	330,667
Other assets	694,386	6,333,337
Total current assets	46,598,024	32,473,291
Non-current assets:		
Restricted cash and cash equivalents (Note 3)	33,250,437	29,750,094
Restricted investments (Note 3)	50,243,022	344,231,563
Investments (Note 3)	2,438,661	7,252,260
Notes receivable, net of allowance for doubtful accounts (Note 5)	2,777,195	-
Pledges receivable	-	19,186,264
Capital assets, nondepreciable (Note 6)	195,786,776	9,148,989
Capital assets, depreciable net of accumulated depreciation of $280,575,387 (Note 6)	389,101,933	33,573,196
Other assets	-	94,066,531
Total non-current assets	673,598,024	537,208,897
Total assets	720,196,048	569,682,188
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	39,675,990	1,546,112
Deferred revenue	11,959,898	706,017
Deposits held in custody for others	3,111,192	100,000
Advance from the Treasurer of Virginia (Note 11)	766,533	-
Obligations under securities lending program	678,173	-
Long-term liabilities-current portion (Note 9)	14,205,882	3,995,739
Other liabilities	193,227	568,156
Total current liabilities	70,590,895	6,916,024
Long-term liabilities-non-current portion (Note 9)	187,824,695	52,666,703
Total liabilities	258,415,590	59,582,727
NET ASSETS		
Invested in capital assets, net of related debt	406,854,926	8,314,880
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	4,169,227	73,270,539
Research	-	3,700,526
Loans	-	24,230
Departmental uses	24,404,061	107,647,568
Other	-	132,869,147
Expendable:		
Scholarships and fellowships	6,349,573	50,083,754
Research	(373,157)	3,282,502
Debt service	493,070	-
Capital projects	(2,610,017)	24,009,420
Loans	-	39,929
Departmental uses	10,367,661	72,321,323
Other	-	11,827,876
Unrestricted	12,125,114	22,707,767
Total net assets	$ 461,780,458	$ 510,099,461

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 Assets
For the Year Ended June 30, 2009

	Colleges	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $15,683,033	$ 100,508,481	$ -
Gifts and contributions	-	20,323,606
Federal grants and contracts	34,383,599	-
State grants and contracts	2,883,325	-
Local grants and contracts	365,089	-
Nongovernmental grants and contracts	5,464,296	-
Auxiliary enterprises, net of scholarship allowances of $7,281,724	68,582,461	-
Other	6,433,360	9,456,465
Total operating revenues	218,620,611	29,780,071
Operating expenses: (Note 12)		
Instruction	95,019,851	4,765,196
Research	52,179,748	578,339
Public service	32,438	122,660
Academic support	28,024,807	3,951,028
Student services	10,019,661	63,999
Institutional support	25,902,045	8,040,584
Operation and maintenance of plant	23,092,340	1,066,215
Student aid	10,271,795	6,141,193
Fundraising	-	2,940,896
Management and general	-	2,660,866
Auxiliary enterprises	66,581,809	618,945
Depreciation	19,717,342	1,317,140
Other	1,799,455	10,778,231
Total operating expenses	332,641,291	43,045,292
Operating loss	(114,020,680)	(13,265,221)
Non-operating revenues/(expenses):		
State appropriations (Note 13)	75,328,909	-
Gifts	26,717,545	-
Net investment revenue	(11,176,423)	(64,193,108)
Pell grant revenue	2,798,939	-
Interest on capital asset related debt	(6,958,288)	(143,940)
Other non-operating revenue	814,993	-
Other non-operating expense	(1,303,554)	(10,559,946)
Net non-operating revenues	86,222,121	(74,896,994)
Income/(loss) before other revenues, expenses, gains or losses	(27,798,559)	(88,162,215)
Other revenues:		
Capital appropriations	23,160,997	-
Capital grants and contributions	16,412,116	5,173,055
Additions to permanent endowments	-	6,697,024
Net other revenues	39,573,113	11,870,079
Increase in net assets	11,774,554	(76,292,136)
Net assets - beginning of year, restated (Note 2)	450,005,904	586,391,597
Net assets - end of year	$ 461,780,458	$ 510,099,461

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, 2009

Cash flows from operating activities:	
Tuition and fees	$ 98,756,082
Scholarships	(4,298,528)
Research grants and contracts	40,448,896
Auxiliary enterprise charges	70,125,186
Payments to suppliers	(85,263,482)
Payments to employees	(196,014,403)
Payments for operation and maintenance of facilities	(20,455,396)
Loans issued to students and employees	(16,854)
Collection of loans to students	2,039
Other receipts	2,619,427
Net cash used by operating activities	(94,097,033)
Cash flows from noncapital financing activities:	
State appropriations	75,328,909
Gifts	26,717,545
Agency receipts	5,769,366
Agency payments	(123,832)
PLUS loans receipts	11,709,220
PLUS loans disbursements	(11,709,220)
Advance from Treasurer of Virginia	766,533
Other nonoperating revenue	3,183,633
Other nonoperating expenses	(967,652)
Net cash provided by noncapital financing activities	110,674,502
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	38,895,313
Capital appropriations	25,040,528
Capital grants and contributions	14,967,120
Insurance payments	160,762
Capital expenditures	(86,492,584)
Principal paid on capital-related debt	(8,726,415)
Interest paid on capital-related debt	(7,428,762)
Proceeds from sale of capital assets	23,702
Net cash used by capital and related financing activities	(23,560,336)
Cash flows from investing activities:	
Investment income	(1,251,121)
Investments	16,396,812
Net cash provided by investing activities	15,145,691
Net increase/(decrease) in cash	8,162,824
Cash-beginning of year*	34,997,124
Cash-end of year	$ 43,159,948

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2009

Reconciliation of Cash-end of year-Cash Flow Statement, to Cash and Cash Equivalents-Statement of Net Assets :		
Statement of Net Assets		
Cash and cash equivalents	$	10,217,802
Restricted cash and cash equivalents		33,250,437
Less: Securities lending -Treasurer of Virginia		(308,291)
Net cash and cash equivalents	$	43,159,948
Reconciliation of net operating expenses to net cash used by operating activities:		
Net operating loss	$	(114,020,680)
Adjustments to reconcile net operating expenses to cash used by operating activities:		
Depreciation expense		19,717,342
Changes in assets and liabilities:		
Receivables-net		(1,760,765)
Inventories		48,021
Prepaid expense		586,460
Accounts payable		(211,121)
Deferred revenue		1,510,472
Deposit held for others		47,888
Compensated absences		(14,650)
Net cash used in operating activities	$	(94,097,033)

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

Amortization of a deferred loss	$	497,976
Donated capital assets	$	1,444,695
Reduction/amortization of bond premium and debt issuance costs	$	27,502

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

Notes to
Financial Statements

Year Ended June 30, 2009

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. 39, *Determining Whether Certain Organizations are Component Units*. 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 39 – 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 thereon that the Foundations hold and invest are restricted to the activities of the College by the donors. Because these restricted resources are held by the Foundations and 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.

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. As of June 30, 2009 the Intellectual Property Foundation completed its first full year of operations. The Foundation had no significant financial activity to report; therefore, it is not included in the component unit financial information reported in the financial statements. 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.

For financial reporting purposes, assets of the OIEAHC are not included in the accompanying financial statements. The following summarizes the unaudited financial position of the OIEAHC at June 30, 2009:

Assets	$ 1,090,611
Liabilities	237,243
Net Assets	853,368
Liabilities and Net Assets	$ 1,090,611

The total unaudited receipts and disbursements of the OIEAHC were $1,947,640 and $2,277,782, respectively, for the year ended June 30, 2009. 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, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. It is the College's policy not to follow FASB standards issued after that date.

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 Assets.

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, 2009, the Colleges' prepaid expenses included items such as insurance premiums, membership dues, conference registrations for fiscal year 2010 that were paid in advance, and publications subscriptions which include initial and renewal annual subscriptions for technical and professional publications.

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. The Williamsburg and York River campuses capitalize all items with a unit price greater than or equal to $2,000 and Richard Bland College capitalizes 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.

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

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.

Deferred Revenue

Deferred revenue represents revenue collected but not earned as of June 30, 2009. This is primarily comprised of revenue for student tuition accrued 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 Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets. 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, 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 Assets

GASB Statement No. 34 requires that the Statement of Net Assets report the difference between assets and liabilities as net assets rather than fund balance. Accordingly, the College's net assets are classified as follows:

Invested in Capital Assets, net of related debt – consist of total investment in capital assets, net of accumulated depreciation and outstanding debt obligations.

Restricted Net Assets – Nonexpendable – include 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 Assets – Expendable – represent 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 Assets – represent 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 Assets. 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 Assets. 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 Federal Family Education Loan Program (FFELP), which includes Stafford Loans and Parent Loans for Undergraduate Students (PLUS). 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 - include 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 - include 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 - include 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 ASSETS

Certain net assets originally reported in the College's financial statements as of June 30, 2008, have been restated to reflect further evaluation of assets and liabilities.

Net assets as previously reported June 30, 2008	$ 453,746,563
Wall to wall inventory adjustments	(1,710,750)
Adjustment for endowment property assets duplication	35,979
Adjustment for VIMS assets recorded in duplicate as W&M assets	(438,840)
Capital asset adjustments due to system conversion and reconciliation	(857,279)
Accumulated depreciation adjustments due to system conversion and reconciliatior	(1,360,100)
Prepaid expense adjustment	(177,857)
Reversal of previous adjustment to appropriations done in error	(1,812)
Adjustment for correction of prior year accrual of salary and fringe benefit expens	770,000
Net asset balance at July 1, 2008	$ 450,005,904

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, and Resolution 12(R) November 21-22, 2002, 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, 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. As of June 30, 2009, none of the investments in stocks or bonds represents five percent or more of the total investments; therefore, the College does not have concentration of credit risk.

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 does not have investments in foreign currency.

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 Assets, 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.

Credit & Concentration of Credit Risks

Cash Equivalents:	Fair Value	S&P Credit Quality Rating AAA	Unrated
Certificate of deposit	$ 10,000	-	$ 10,000
Money market	19,189,909	-	19,189,909
State non-arbitrage program	19,703,568		19,703,568
Securities lending	308,291	-	308,291
Total cash equivalents	39,211,768	-	39,211,768
Investments:			
U.S. treasury and agency securities:			
Federal National Mortgage Association	10,003,493	1,661,863	8,341,630
Federal Home Loan Bank	5,543,414	149,954	5,393,460
Federal Home Loan Mortgage Corporation	10,576,311	1,653,745	8,922,566
Mutual funds:			
Delaware	77,373	-	77,373
Investment Funds	12,091,786	-	12,091,786
Commercial paper	160,000	-	160,000
Total investments	38,452,377	$ 3,465,562	$ 34,986,815
Other Investments			
Common and preferred stocks	29,952,113		
Securities lending	369,882		
Rare coins	280		
Property held as investment for endowments	445,600		
Total other investments	30,767,875		
Total cash equivalents and investments	$ 108,432,020		

Interest Rate Risk: Maturities

Type of Investment	Fair Value	0-3 months	4-12 months	1-5 years	6-10 years	Greater than 10 years
U.S. Treasury and agency securities:						
Federal National Mortgage Association	$ 10,003,493		$ 8,341,630	$ 1,661,863		
Federal Home Loan Bank	5,543,414		5,393,460	149,954		
Federal Home Loan Mortgage Corporation	10,576,311		8,922,566	1,653,745		
Commercial paper	160,000			160,000		
Mutual and money market funds:						
Certificate of deposit	10,000	10,000				
Money market	19,189,909	19,189,909				
Mutual funds-Investment Funds	12,091,786		222,365	5,588,620	4,247,090	2,033,711
Mutual funds-Delaware Investments	77,373		4,727	27,754	44,892	
State non-arbitrage program	19,703,568	19,703,568				
Securities lending	308,291	308,291	-	-	-	-
	77,664,145	$ 39,211,768	$ 22,884,748	$ 9,241,936	$ 4,291,982	$ 2,033,711
Other Investments						
Common and preferred stocks	29,952,113					
Securities lending	369,882					
Rare coins	280					
Property held as investment for endowments	445,600					
Total other investments	30,767,875					
Total cash equivalents and investments	$ 108,432,020					

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 2009, had a net appreciation of $4,082,759 which is available to be spent and is reported in the Statement of Net Assets in the following categories: Restricted for Expendable Scholarships and Fellowships - $1,003,283, Restricted for Expendable Research - $19,022, Restricted for Expendable Capital Projects - $108,330, Restricted for Expendable Departmental Uses - $2,230,775 and Unrestricted - $721,349.

Investments of Endowment and Similar Funds:

Marketable securities are reported at fair value in accordance with GASB Statement No. 31. GASB Statement No. 31 does not apply to those securities that are accounted for under the equity method. Those received by gift are recorded at fair value on the date of acquisition. Generally, assets of individual endowment funds are pooled on a market value basis. Each individual fund subscribes to or disposes of units on the basis of the market value per unit share at the beginning of the calendar quarter within which the transaction takes place. The distribution of income is based on the number of units owned by each fund. Realized gains and losses are not distributed to individual funds but are reflected in the Reserve for Securities Appreciation Fund. Valuations of investments are as follows:

	College of William and Mary	Richard Bland College
Balances as of June 30, 2009		
Equity Investments	$ 29,632,057	$ 378,286
Bond Investments	12,091,786	-
Cash Equivalents/Money Market	222,502	-
Total	$ 41,946,345	$ 378,286

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, 2009 as follows:

Accounts receivable consisted of the following at June 30, 2009:

Student Tuition and Fees	$ 2,533,900
Auxiliary Enterprises	846,929
Federal, State and Non-Governemental Grants & Contracts	5,490,344
Other Activities	2,024,059
Gross Receivables	10,895,232
Less: allowance for doubtful accounts	(629)
Net Receivables	$ 10,894,603

Notes receivable consisted of the following at June 30, 2009:

Current portion:	
Federal student loans	$ 11,020
Non-current portion:	
Federal student loans	$ 2,805,022
Less: allowance for doubtful accounts	(27,827)
Net non-current notes receivable	$ 2,777,195

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2009 consists of the following:

	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance
Non-depreciable capital assets:					
Land	$ 13,973,327	$ -	$ 272,543	$ 13,501	$ 14,232,369
Inexhaustible artwork and Historical treasures	70,366,157	-	977,190	-	71,343,347
Construction in Progress	57,948,743	-	84,729,866	32,467,549	110,211,060
Total non-depreciable capital assets	142,288,227	-	85,979,599	32,481,050	195,786,776
Depreciable capital assets:					
Buildings	436,181,341	-	27,808,955	1,772,266	462,218,030
Equipment	84,781,905	(11,593,891)	5,469,713	159,180	78,498,547
Infrastructure	35,309,109	940,823	4,548,940	-	40,798,872
Other improvements	5,117,475	(940,823)	12,352	-	4,189,004
Library Materials	83,035,142	-	1,638,724	700,999	83,972,867
Total depreciable capital assets	644,424,972	(11,593,891)	39,478,684	2,632,445	669,677,320
Less accumulated depreciation for:					
Buildings	118,988,852	1,258,061	10,713,089	1,644,506	129,315,496
Equipment	54,292,877	(9,072,998)	4,932,447	137,849	50,014,477
Infrastructure	20,365,709	1,023,498	1,289,412	-	22,678,619
Other improvements	4,135,577	(939,564)	130,867	-	3,326,880
Library Materials	73,289,387	-	2,651,527	700,999	75,239,915
Total accumulated depreciation	271,072,402	(7,731,003)	19,717,342	2,483,354	280,575,387
Depreciable capital assets, net	373,352,570	(3,862,888)	19,761,342	149,091	389,101,933
Total capital assets, net	$ 515,640,797	$ (3,862,888)	$ 105,740,941	$ 32,630,141	$ 584,888,709

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 $51.88 for fiscal year 2009. The average cost of the Law Library purchases of books was $93.06 for fiscal year 2009. 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 $67.20 for fiscal year 2009. The average cost of library books purchased for Richard Bland College was $27.90 for fiscal year 2009. The effects of the net change in the value of the collections of the libraries have been included as additions to current year operations. The changes reflected in the valuation are due to the recognition of depreciation in accordance with GASB Statements No. 34 and 35.

The College engaged Hiron's and Associates, Inc. to perform a wall to wall equipment inventory of the William and Mary and Virginia Institute of Marine Science campuses in fiscal year 2008. The final changes were not presented to the College until after fiscal year 2008's financial statements were published. Due to this timing, the results are presented in these reports as beginning balance adjustments. Investment in capital assets, net of related debt decreased by $1,710,750 as a result of the inventory.

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 were no impairment losses for fiscal year 2009. Proceeds from insurance recoveries attributable to capital assets are reported as a capital related financing activity in the Statement of Cash Flows. Accordingly, $157,898 of proceeds from insurance recoveries are classified as a capital related financing activity.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2009:

Current Liabilities:	
Employee salaries, wages, and fringe benefits payable	$17,424,829
Vendors and supplies accounts payable	6,363,308
Capital projects accounts and retainage payable	15,887,853
Total current liabilities-accounts payable and accrued liabilities	$39,675,990

8. COMMITMENTS

At June 30, 2009, outstanding construction commitments totaled approximately $106,848,333.

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, 2009, was $5,088,113.

As of June 30, 2009, the following total future minimum rental payments are due under the above leases:

Year Ending June 30, 2009	Amount
2010	$ 4,308,896
2011	3,280,123
2012	2,870,105
2013	2,882,338
2014	1,309,334
2015-2019	2,391,515
2020-2024	287,525
Total	$ 17,329,836

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, 2009 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Leases	$ -	$ -	$ -	$ -	$ -
Installment Purchases	2,635,927	2,019,564	265,097	4,390,394	369,376
Notes Payable	116,176,924	32,295,312	4,682,954	143,789,282	4,649,661
Bonds Payable	43,788,837	6,816,789	8,071,086	42,534,540	3,660,627
Total long-term debt	162,601,688	41,131,665	13,019,137	190,714,216	8,679,664
Perkins Loan Fund Balance	2,571,555	-	-	2,571,555	-
Accrued compensated absences	8,759,456	6,806,577	6,821,227	8,744,806	5,526,218
Total long-term liabilities	$173,932,699	$47,938,242	$19,840,364	$202,030,577	$14,205,882

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:

Description	Interest Rates(%)	Maturity	Balance as of June 30, 2009
Section 9(c) bonds payable:			
Dormitory, Series 2001A1	3.500 - 5.000	2021	810,000
Dormitory, Series 2002A1	2.500 - 5.000	2022	3,680,000
Dormitory, Series 2002R4	2.500 - 5.000	2013	170,000
Dormitory, Series 2002R9	2.500 - 4.000	2016	796,328
Dormitory, Series 2004B2	3.000 - 5.000	2017	381,908
Dormitory, Series 2004B3	3.000 - 5.000	2017	1,706,498
Dormitory, Series 2004B4	3.000 - 5.000	2018	3,417,264
Dormitory, Series 2004B5	3.000 - 5.000	2020	2,571,123
Dormitory, Series 2005A1	3.500 - 5.000	2026	5,235,000
Dormitory, Series 2006A1	4.000 - 5.000	2014	90,000
Dormitory, Series 2006A2	4.000 - 5.000	2015	1,430,000
Dormitory, Series 2008B	3.000 - 5.000	2013	394,880
Renovation of Dormitories			20,683,001
Graduate Housing, Series 2006B	4.000 - 5.000	2026	4,000,000
Graduate Housing, Series 2003R5	3.500 - 5.000	2011	1,083,911
Graduate Housing, Series 2008B	3.000 - 5.000	2028	2,395,000
Graduate Housing			7,478,911
University Center, Series 2002R5	2.500 - 5.000	2013	60,000
University Center, Series 2008B	3.000 - 5.000	2013	3,035,289
University Center			3,095,289
Underground Utility, Series 2002R8	3.500 - 5.600	2016	717,072
Underground Utility, Series 2004B1	3.000 - 5.000	2017	1,000,675
Underground Utility			1,717,747
Renovate Commons Dining Hall, Series 2005A2	3.500 - 5.000	2026	8,620,000
Total bonds payable			41,594,948
Deferred Gain/(Loss) on Advance Refundings			(77,746)
Unamortized premiums (discounts)			1,017,338
Net bonds payable			$ 42,534,540

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.

In addition, the College entered into two seven-year commercial notes with SunTrust Bank to partially finance the multi-year implementation of a new administrative and financial system, described as an enterprise resource planning system. The annual debt service on these notes is payable from a specific annual appropriation of funds from the Commonwealth and other discretionary funds of the College. The College is currently implementing Banner, an integrated information system using SunGard SCT Corporation's Banner products for higher education. Implementation began with the Student Information System (SIS) module. The Finance module was implemented on July 1, 2004 and Human Resource was implemented on January 1, 2006. The College went live with the Banner Fixed Assets module on July 1, 2008. The following are notes outstanding at year-end:

Description	Interest Rated (%)	Maturity	Outstanding Balance as of June 30, 2009
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2003A	2.000 - 5.000	2024	$ 1,590,000
Barksdale Dormitory, Series 2004A	3.000 - 5.000	2025	9,485,000
Barksdale Dormitory, Series 2005A	3.500 - 5.000	2026	12,020,000
Barksdale Dormitory, Series 2006A	3.000 - 5.000	2027	1,825,000
William and Mary Hall, Series 2004B	3.000 - 5.000	2016	1,020,000
William and Mary Hall, Series 2007B	4.000- 4.250	2018	165,000
Parking Deck, Series 2003A	2.000 - 5.000	2024	3,350,000
Parking Deck, Series 2004A	3.000 - 5.000	2025	2,065,000
Parking Deck, Series 2005A	3.500 - 5.000	2026	5,965,000
Recreation Sports Center, Series 2003A	2.000 - 5.000	2024	795,000
Recreation Sports Center, Series 2004A	3.500 - 5.000	2025	6,715,000
Recreation Sports Center, Series 2005A	3.500 - 5.000	2026	2,330,000
Improve Athletics Facilities, Series 2005A	3.500 - 5.000	2026	3,185,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	730,000
Marshall-Wythe Library, Series 1999A	5.000 - 6.000	2010	85,000
Marshall-Wythe Library, Series 2004B	3.000 - 5.000	2019	1,210,000
Law School Library, Series 2003A	2.000 - 5.000	2024	955,000
Law School Library, Series 2007A	4.500 - 5.000	2027	3,545,000
Magnet Facility, Series 2003A	2.000 - 5.000	2024	2,000,000
Williamsburg Hospital/School of Education, 2006A	3.000 - 5.000	2027	2,285,000
J. Laycock Football Facility, Series 2006A	3.000 - 5.000	2027	5,260,000
Residence Hall Fire Safety Systems, Series 2006A	3.000 - 5.000	2027	1,845,000
School of Business 2007A	4.500 - 5.000	2027	22,930,000
School of Business 2009A	2.750 - 4.000	2016	23,350,000
Integrated Science Center 2007A	4.500 - 5.000	2027	12,025,000
Integrated Science Center 2009A	2.750 - 5.000	2029	6,750,000
Power Plant Renovations 2007A	4.500 - 5.000	2027	4,710,000
Total 9 (d) bonds			138,190,000
Commercial Notes:			
Enterprise Resource Planning System	3.75	2010	308,868
Total notes payable			138,498,868
Deferred Gain/(Loss) on Advance Refundings			(22,500)
Unamortized premiums (discounts)			5,312,914
Net notes payable			$ 143,789,282

Installment Purchases and Capital Leases

At June 30, 2009, installment purchases and capital leases consist of the current and long-term portions of obligations resulting from various contracts used to finance 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.

Description	Maturity	Balance as of June 30, 2009
Installment purchases	2008-2020	$4,390,394

Long-term debt matures as follows:

Fiscal Year	Principal	Interest
2010	$ 8,679,664	$ 8,533,473
2011	8,776,053	8,145,795
2012	12,836,968	7,623,842
2013	13,454,821	6,991,527
2014	12,980,923	6,354,530
2015-2019	54,062,294	23,403,359
2020-2024	46,898,487	12,000,718
2025-2029	26,805,000	2,107,532
Refunding gain	(100,246)	-
Unamortized premiums	6,330,252	-
Total	$ 190,724,216	$ 75,160,776

Defeasance of Debt

In November 2008, the VCBA (Virginia College Building Authority) issued $270,865,000 of Educational Facilities Revenue Refunding Bonds, Series 2008B with a true interest cost (TIC) of 4.3974 percent. The sale of these bonds enabled the College to advance refund certain 1998 9C bonds with interest rates ranging from 4.375 percent to 4.7 percent used to finance the renovation of William & Mary Dormitories and the University Center. 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 follows:

Series	Debt Outstanding	Amount Defeased	Percentage Defeased
1998	$ 4,292,722	$ 4,292,722	100%

The College's portion of the accounting loss recognized in the financial statements was $151,354. The net economic gain attributable to the College was $123,044 and will result in a decreased cash flow requirement of $134,574 over the remaining life of the debt.

Prior Year Defeasance of Debt

During fiscal years 1993, 1994, 1996, 2003, 2004, 2006, 2008 and 2009 the College defeased certain General Obligation Revenue Bonds. The proceeds from these refunding bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the College's financial statements. At June 30, 2009, $7,286,720 of the defeased bonds was outstanding.

11. ADVANCES FROM THE TREASURER OF VIRGINIA

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, 2009, there is $766,533 in outstanding Advances from the Treasurer representing advances from the Commonwealth of Virginia for working capital pending the receipt of funds from bond sale proceeds.

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 Assets 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	$ 85,121,444	$ 6,198,883	$ 1,248,190	$ 2,451,334	$ -	$ 95,019,851
Research	33,588,241	12,516,907	3,544,787	2,529,813	-	52,179,748
Public service	7,821	19,437	1,372	3,808	-	32,438
Academic support	20,347,064	3,365,480	145,311	4,166,952	-	28,024,807
Student services	7,642,843	2,165,072	112,593	99,153	-	10,019,661
Institutional support	20,351,562	5,092,174	136,175	322,134	-	25,902,045
Operation and maintenance of plant	6,273,555	14,174,934	3,826	2,640,025	-	23,092,340
Depreciation	-	-	-	-	19,717,342	19,717,342
Scholarships and related expenses	4,448,031	85,155	5,730,544	8,065	-	10,271,795
Auxiliary enterprises	18,031,051	40,840,779	(717,615)	8,427,594	-	66,581,809
Other	240,581	1,558,874	-	-	-	1,799,455
Total	$ 196,052,193	$ 86,017,695	$ 10,205,183	$ 20,648,878	$ 19,717,342	$ 332,641,291

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 879 - 2008 Appropriation Act (Educational & General Programs)		$ 76,004,298
Student financial assistance		3,983,757
Supplemental appropriation:		
VIVA libraries	40,295	
Prior year reappropriations	102,042	
State employees workers compensation	45,024	
Rapa Whelk research funds	30,848	
VRS retirement contribution changes	14,003	
Eminent Scholars	1,271,933	
HE tuition incentive transfer	102,045	
Biomedical research	75,000	1,681,190
Appropriation reductions:		
Retiree health credit reduction	9,027	
Employee health insurance - remove OPEB	140,638	
Employee health insurance reduction	309,241	
Group life contribution changes	81,231	
Disability contribution changes	95,965	
Governor's budget reduction plan	5,199,744	
HEETF debt payments	504,378	(6,340,224)
Reversions to the General Fund of the Commonwealth		(112)
Appropriations as adjusted		$ 75,328,909

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 was not material to the College in fiscal year 2009; therefore, it is not included in the presentation of component unit financial information.

Summary of Statement of Net Assets - 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	$ 994,311	$ 2,495,251	$ 2,389,472	$ 442,029
Investments	823,616	-	-	-
Pledges receivable, net - current portion	2,902,060	848,901	2,691,461	-
Receivables, net	7,245,191	146,297	223,533	56,144
Inventories	-	-	-	22,093
Prepaids	169,546	26,893	84,362	48,409
Due from the College	52,540	-	-	-
Other assets	-	-	-	-
Total Current Assets	12,187,264	3,517,342	5,388,828	568,675
Non-current Assets				
Restricted cash and cash equivalents	2,795,940	2,261,099	20,010,097	-
Restricted investments	303,625,519	17,548,761	15,221,768	-
Investments	578,735	2,740,926	-	3,470,584
Pledges receivable, net	4,659,707	1,020,898	12,217,946	-
Capital assets, nondepreciable	8,474,970	302,672	-	31,800
Capital assets, net of accumulated depreciation	8,093,536	77,406	30,356	336,892
Other assets	88,937,941	289,036	119,163	2,958,052
Total non-current assets	417,166,348	24,240,798	47,599,330	6,797,328
Total Assets	429,353,612	27,758,140	52,988,158	7,366,003
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	425,950	79,549	242,079	223,026
Deferred revenue	61,327	230,185	-	401,618
Deposits held in custody for others	-	-	-	-
Long-term liabilities - current portion	2,714,672	-	-	-
Due to the College	-	-	449,492	117,766
Other liabilities	-	-	-	-
Total Current Liabilities	3,201,949	309,734	691,571	742,410
Non-current Liabilities				
Long-term liabilities	26,664,675	415,079	-	-
Total Liabilities	29,866,624	724,813	691,571	742,410
NET ASSETS				
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	64,392,067	4,876,808	368,632	-
Research	3,573,690	-	-	-
Loans	-	-	24,230	-
Departmental Uses	68,187,113	5,277,609	33,218,454	-
Other	127,712,520	-	147,698	2,856,625
Expendable:				
Scholarships and Fellowships	42,726,186	2,970,976	224,800	-
Research	3,045,277	-	110,580	-
Capital Projects	5,159,542	2,903,120	15,610,822	-
Loans	-	-	39,929	-
Departmental Uses	62,913,402	5,940,182	2,435,752	-
Other	9,706,168	-	37,280	1,165,737
Invested in Capital Assets, net of related debt	7,617,377	380,078	39,929	368,692
Unrestricted	4,453,646	4,684,554	38,481	2,232,539
Total Net Assets	$ 399,486,988	$ 27,033,327	$ 52,296,587	$ 6,623,593

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 1,720,173	$ 156,638	$ 1,164,571	$ 235,453	$ 9,597,898
-	-	-	-	823,616
727,399	256,684	242,510	-	7,669,015
-	-	25,500	-	7,696,665
-	-	-	-	22,093
-	-	-	1,457	330,667
-	-	-	-	52,540
-	-	14,915	6,265,882	6,280,797
2,447,572	413,322	1,447,496	6,502,792	32,473,291
3,420,274	547,067	715,617	-	29,750,094
144,554	5,418,256	2,272,705	-	344,231,563
-	103,834	358,181	-	7,252,260
932,860	196,083	158,770	-	19,186,264
-	-	-	339,547	9,148,989
43,008	-	24,750,132	241,866	33,573,196
-	-	-	1,762,339	94,066,531
4,540,696	6,265,240	28,255,405	2,343,752	537,208,897
6,988,268	6,678,562	29,702,901	8,846,544	569,682,188
29,829	-	510,463	35,216	1,546,112
12,887	-	-	-	706,017
-	-	-	100,000	100,000
-	-	1,181,067	100,000	3,995,739
-	-	-	-	567,258
898	-	-	-	898
43,614	-	1,691,530	235,216	6,916,024
-	-	25,586,949	-	52,666,703
43,614	-	27,278,479	235,216	59,582,727
-	1,055,986	2,577,046	-	73,270,539
-	126,836	-	-	3,700,526
-	-	-	-	24,230
-	964,392	-	-	107,647,568
-	2,152,304	-	-	132,869,147
3,982,949	178,843	-	-	50,083,754
-	126,645	-	-	3,282,502
-	335,936	-	-	24,009,420
-	-	-	-	39,929
-	1,031,987	-	-	72,321,323
-	445,161	433,131	40,399	11,827,876
43,008	-	(715,617)	581,413	8,314,880
2,918,697	260,472	129,862	7,989,516	22,707,767
$ 6,944,654	$ 6,678,562	$ 2,424,422	$ 8,611,328	$ 510,099,461

Summary of Statement of Revenues, Expenses, and Changes in Net Assets - 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	$	11,206,752	$	1,647,682	$	968,853	$	1,862,704
Other		1,986,423		1,067,560		3,276,691		834,332
Total operating revenues		13,193,175		2,715,242		4,245,544		2,697,036
Operating expenses:								
Instruction		4,151,900		506,002		-		-
Research		269,099		-		-		-
Public service		60,373		52,325		-		-
Academic support		1,206,919		770,191		1,856,365		-
Student services		51,312		12,687		-		-
Institutional support		1,171,998		-		3,707,432		-
Operation and maintenance of plant		692,938		295,799		77,478		-
Student aid		5,831,450		40,572		60,278		-
Fundraising		2,022,182		518,076		271,013		-
Management and general		1,110,670		100,826		219,598		216,564
Auxiliary enterprises		581,740		-		37,205		-
Depreciation		529,241		20,280		14,630		53,216
Other		4,731,966		3,510		684,392		2,682,215
Total operating expenses		22,411,788		2,320,268		6,928,391		2,951,995
Operating gain/(loss)		(9,218,613)		394,974		(2,682,847)		(254,959)
Non-operating revenues and expenses:								
Net investment revenue (expense)		(55,284,322)		(4,160,973)		(2,788,077)		(628,756)
Interest on capital asset related debt		(143,940)		-		-		-
Other non-operating revenue		-		-		-		-
Other non-operating expense		(7,496,788)		-		(2,528,790)		(534,368)
Net non-operating revenues		(62,925,050)		(4,160,973)		(5,316,867)		(1,163,124)
Income before other revenues		(72,143,663)		(3,765,999)		(7,999,714)		(1,418,083)
Other revenues:								
Capital grants and contributions		2,515,219		-		2,532,836		-
Additions to permanent endowments		5,771,118		229,269		91,765		201,294
Net other revenues		8,286,337		229,269		2,624,601		201,294
Change in net assets, before transfers		(63,857,326)		(3,536,730)		(5,375,113)		(1,216,789)
LOC (CWMF to WMREF)		(389,318)		-		-		-
Contribution between Foundations		(29,380)		250		74,939		(123,818)
Transfers		(418,698)		250		74,939		(123,818)
Change in net assets		(64,276,024)		(3,536,480)		(5,300,174)		(1,340,607)
Net assets - beginning of year		463,763,012		30,569,807		57,596,761		7,964,200
Net assets - end of year	$	399,486,988	$	27,033,327	$	52,296,587	$	6,623,593

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 3,982,949	$ 494,590	$ 160,076	$ -	$ 20,323,606
884,630	-	1,360,698	46,131	9,456,465
4,867,579	494,590	1,520,774	46,131	29,780,071
-	107,294	-	-	4,765,196
-	309,240	-	-	578,339
-	9,962	-	-	122,660
-	117,553	-	-	3,951,028
-	-	-	-	63,999
2,982,852	55,326	-	122,976	8,040,584
-	-	-	-	1,066,215
-	34,643	174,250	-	6,141,193
46,547	-	83,078	-	2,940,896
901,272	27,188	35,514	49,234	2,660,866
-	-	-	-	618,945
11,999	-	680,434	7,340	1,317,140
-	-	2,676,148	-	10,778,231
3,942,670	661,206	3,649,424	179,550	43,045,292
924,909	(166,616)	(2,128,650)	(133,419)	(13,265,221)
127,764	(1,023,800)	(434,944)	-	(64,193,108)
-	-	-	-	(143,940)
-	-	-	-	-
-	-	-	-	(10,559,946)
127,764	(1,023,800)	(434,944)	-	(74,896,994)
1,052,673	(1,190,416)	(2,563,594)	(133,419)	(88,162,215)
-	-	-	125,000	5,173,055
-	51,778	351,800	-	6,697,024
-	51,778	351,800	125,000	11,870,079
1,052,673	(1,138,638)	(2,211,794)	(8,419)	(76,292,136)
-	-	-	389,318	-
(57,765)	60,161	-	75,613	-
(57,765)	60,161	-	464,931	-
994,908	(1,078,477)	(2,211,794)	456,512	(76,292,136)
5,949,746	7,757,039	4,636,216	8,154,816	586,391,597
$ 6,944,654	$ 6,678,562	$ 2,424,422	$ 8,611,328	$ 510,099,461

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
Certificates of deposit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Mutual and money market funds	4,084,716	-	-	3,116,906	4,162	-	-	7,205,784
U.S. treasury and agency securities	10,015,795	-	-	-	-	-	-	10,015,795
Common and preferred stocks	150,625	-	357,840	353,678	26,700	-	-	888,843
Investment in grantor trust	-	-	-	-	-	-	-	-
Notes receivable	1,432,859	-	-	-	-	-	-	1,432,859
Auction instruments	-	-	-	-	-	-	-	-
Pooled investments	287,953,402	20,289,687	14,789,529	-	-	5,522,090	2,630,886	331,185,594
Real estate	1,337,982	-	-	-	71,200	-	-	1,409,182
Other	52,491	-	74,399	-	42,492	-	-	169,382
Total Investments	$ 305,027,870	$ 20,289,687	$ 15,221,768	$ 3,470,584	$ 144,554	$ 5,522,090	$ 2,630,886	$ 352,307,439

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	$ 9,600,104	$ 2,173,080	$ 16,030,251	$ 2,115,059	$ 462,184	$ 427,700	$ 30,808,378
Less:							
Allowance for uncollectibles	(1,612,625)	(206,655)	-	(387,120)	-	(19,788)	(2,226,188)
Discounting to present value	(425,712)	(96,626)	(1,120,844)	(67,680)	(9,417)	(6,632)	(1,726,911)
Net pledges receivable	7,561,767	1,869,799	14,909,407	1,660,259	452,767	401,280	26,855,279
Less:							
Current pledges receivable	(2,902,060)	(848,901)	(2,691,461)	(727,399)	(256,684)	(242,510)	(7,669,015)
Total non-current pledges receivable	$ 4,659,707	$ 1,020,898	$ 12,217,946	$ 932,860	$ 196,083	$ 158,770	$ 19,186,264

Capital Assets

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Nondepreciable:								
Land	$ 3,403,427	$ 262,916	$ -	$ -	$ -	$ -	$ 339,547	$ 4,005,890
Construction in progress	-	-	-	-	-	-	-	-
Historical treasures and inexhaustable works of art	5,071,543	39,756	-	31,800	-	-	-	5,143,099
Total nondepreciable capital assets	$ 8,474,970	$ 302,672	$ -	$ 31,800	$ -	$ -	$ 339,547	$ 9,148,989
Depreciable:								
Building	$ 7,534,094	$ -	$ -	$ 388,658	$ -	$ 24,148,380	$ 236,215	$ 32,307,347
Equipment, vehicles and furniture	9,239,627	163,007	117,847	508,737	59,992	922,572	15,099	11,026,881
Improvements, other than building	338,138	-	-	-	-	361,195	-	699,333
	17,111,859	163,007	117,847	897,395	59,992	25,432,147	251,314	44,033,561
Less accumulated depreciation	(9,018,323)	(85,601)	(87,491)	(560,503)	(16,984)	(682,015)	(9,448)	(10,460,365)
Total depreciable capital assets	$ 8,093,536	$ 77,406	$ 30,356	$ 336,892	$ 43,008	$ 24,750,132	$ 241,866	$ 33,573,196

Long-term Liabilities

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Line of credit	$ 2,145,000	$ -	$ -	$ 100,000	$ 2,245,000
Notes payable	2,636,140	-	-	-	2,636,140
Bonds payable	8,053,205	-	26,768,016	-	34,821,221
Other liabilities	16,545,002	415,079	-	-	16,960,081
Total long-term liabilities	29,379,347	415,079	26,768,016	100,000	56,662,442
Less current portion	(2,714,672)	-	(1,181,067)	(100,000)	(3,995,739)
Total long-term liabilities	$ 26,664,675	$ 415,079	$ 25,586,949	$ -	$ 52,666,703

Long-term Liabilities

On June 25, 2001, Reliance Holdings, LLC entered into a revolving line of credit agreement with First Union National Bank (now Wachovia Bank) 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, and to provide working capital to Reliance. As such, most of the loan proceeds have in turn been advanced to the Real Estate Foundation, and the majority of the interest on the note is reflected as expenses of the Real Estate Foundation. This line of credit has been extended to $3,000,000 with all principal and accrued interest due and payable on June 30, 2010. Interest only, which accrues daily at the LIBOR market index rate plus 1.35 percent is payable monthly. The amount outstanding was $2,145,000 at June 30, 2009 and 2008. Interest paid during the years ended June 30, 2009 and 2008, was $44,025 and $180,355, respectively.

During the fiscal year ended June 30, 2007, the Foundation entered into a revolving line of credit agreement with SunTrust Bank in the amount of $2,800,000. Interest accrues at a rate of the one month LIBOR plus 0.50 percent. SunTrust is granted a security interest in and lien upon all deposits and investments maintained with SunTrust. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200 percent of the Foundation’s total funded debt. The note matured on December 12, 2008, and was replaced with a loan in the amount of $2,636,140. Interest is payable monthly at a fixed rate of 4.43 percent. Principal is payable in two equal annual installments on February 28, 2011 and 2012. The balance outstanding on the loan at June 30, 2009 was $2,636,140. The amount outstanding on the line of credit at June 30, 2008 was $2,636,140. Interest paid during the fiscal years ending June 30, 2009 and 2008, was $86,181 and $106,907, respectively.

Bonds Payable

In December 2006, the Economic Development Authority of James City County, Virginia issued 2006 series revenue bonds in the amount of $9,070,000 (Bonds) and lent the proceeds from the sale of the Bonds to the Foundation and CWMF Ventures. The purpose of the Bonds is to finance the cost of land acquisition, construction, furnishing 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 of William and Mary. In their current mode, interest on the Bonds is 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, would be the minimum interest rate required to sell the Bonds at a price of par on such date. The Foundation and CWMF Ventures have the option to direct a change in the type of interest period by delivering written notice to the trustee and remarking agent.

The Bonds mature, subject to prior redemption or demand purchase, on December 1, 2036. Bonds bearing interest at the daily or weekly rate must be purchased from the owners on any tender date upon delivery of written notice to the trustee and remarketing agent. If not successfully remarketed, funds for the purchase of tendered Bonds will be drawn on the credit facility described below. During the year ending June 30, 2009, the Foundation redeemed $980,000 of the Bonds. In addition, as described below, $2,745,000 of the Bonds had been tendered but not remarketed as of June 30, 2009. While these Bonds are issued, they were not outstanding at June 30, 2009. The recorded amount of the Bonds outstanding at June 30, 2009 and 2008, was $5,307,956 and $9,026,957, respectively, based on their original purchase price to the underwriter of the Bonds. Face value of Bonds outstanding at June 30, 2009 and 2008, was $5,345,000 and $9,070,000, respectively. As interest on the Bonds is a floating rate which is reset weekly, fair value of the Bonds approximates face value. Interest paid to bondholders for the years ended June 30, 2009 and 2008, was $143,692 and $275,878, respectively.

In addition to payments under the loan agreement in respect of the Bonds, the Bonds are further secured by an irrevocable letter of credit issued by SunTrust Bank. The initial expiration date of the letter of credit is 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 provide for automatic one-year extensions through December 31, 2036 unless SunTrust provides at least two years notice of its intent to terminate, and the current date of expiration is December 31, 2011. The terms of the letter of credit also require the Foundation at all times to maintain unrestricted and temporarily restricted net assets equal to at least 200 percent 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 Bonds will be secured by the pledge of all right, title and interest in those Bonds. Unreimbursed draws under the letter of credit bear interest at the rate of LIBOR plus 1.50 percent per annum. During the year, 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 bondholders. In addition, draws were made in the amount of $4,225,000 for tendered Bonds not successfully remarketed. Subsequent to this draw, $980,000 of the tendered Bonds were retired, and $500,000 was successfully remarketed as of June 30, 2009. Proceeds from these transactions paid down the draws on the letter of credit. The total interest paid on the letter of credit during the years ended June 30, 2009 and 2008, was $11,018 and $0, respectively. As of June 30, 2009 and 2008, the amount outstanding under the letter of credit was $2,745,249 and $0, respectively. $2,745,000 of the balance as of June 30, 2009 represents Bonds that are issued, but not outstanding. The total available under the letter of credit is based on the amount of Bonds outstanding, plus 40 days interest at 10 percent. The total amount of the letter credit was $8,178,658 and $9,170,778 as of June 30, 2009 and 2008, respectively. The total available to draw was $5,403,575 and $9,170,778 as of June 30, 2009 and 2008, respectively.

During the year ended June 30, 2009, the Foundation executed an interest rate swap on a $7,000,000 notional amount in order to create a synthetic fixed rate on a portion of the Bonds. The Foundation makes monthly payments at a fixed annual rate of 2.05 percent, and receives monthly payments at a floating rate based on 67 percent of LIBOR. The interest rate swap agreement terminates December 1, 2036 unless terminated early under the provisions of the agreement.

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 and bearing interest at the rate of the 30 day LIBOR plus 0.60 percent. The facility was revised in September 2004 and December 2006. The total currently available is $5,000,000, which may be used for borrowing or for letters of credit. The Foundation guarantees up to $2,500,000, and members of the C.C. Casey Limited Company guarantee up to $2,500,000. Outstanding loan balances of $2,610,000 and $685,000 existed as of June 30, 2009 and 2008, respectively. Letters of credit outstanding under this facility at June 30, 2009 and 2008, were $1,797,750 and $1,731,050, respectively. The balance is due on demand, with the next review date being September 30, 2009. The letters of credit are issued to guarantee the completion of site improvements as required by James City County. Upon completion of those improvements, these letters of credit are to be terminated, with no residual liability. No draws had been made on the letters of credit as of June 30, 2009 and 2008.

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 College received appropriation authority from the Commonwealth of Virginia to initiate the project. Total expected cost of the Project is $75 million. Financing the cost of construction and equipping the building is projected to be as follows: (a) $25 million in private funds (donor gifts) raised by the Foundation; (b) $25 million in Series A bonds with debt service payable to the College; and (c) $25 million in Series B bonds with debt service to be reimbursed to the College from the Foundation. The bonds will be secured by the general revenue pledge of the College. No security interest in the Project or deed of trust on the Property will be granted to secure the bonds.

On October 31, 2007, the Virginia College Building Authority authorized the issuance and sale of $23,635,000 (par value) of 2008 Series A bonds. The proceeds were used to finance construction of the Project. By the terms of the bond issue, the Foundation has no direct obligation for payment of the 2008 Series A bonds.

On January 21, 2009, the Virginia College Building Authority authorized the issuance and sale of $23,350,000 (par value) of 2009 Series A bonds. By the terms of the Reimbursement Agreement with the College, the Foundation must reimburse the College for all 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 with respect to the 2009 Series A bonds and fees of any financial institution providing credit support with respect to the 2009 Series A bonds. 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.

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 $106,962 in interest payments during 2009.

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, 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 agreement provides for rates of interest of 4.23 percent with adjustments beginning in 2016 and every 5 years thereafter at 70 percent of the 5-year U.S. Treasury Note, and 60 equal semi-annual principal and interest payments commencing on February 5, 2009. 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 Prince George, Virginia.

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 $63,724,242 for the year ended June 30, 2009. Total payroll costs were $155,064,295 for the year ended June 30, 2009.

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 $7,166,287 for the year ended June 30, 2009, which included a 5 percent employee contribution assumed by the employer. These contributions represent approximately 11.25 percent of covered payroll for the period July 2008 to June 2009.

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, 2009. 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, plus interest and dividends.

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 $7,197,932 for the year ended June 30, 2009. Contributions to the optional retirement plans were calculated using the base salary amount of $69,210,888 for fiscal year 2009. The College of William and Mary and Richard Bland College's total payroll for fiscal year 2009 was $155,064,295.

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 $702,799 for fiscal year 2009.

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, 2009, the College estimates that no material liabilities will result from such audits.

Litigation

The College is currently involved in litigation which could result in a judgment against the College. The final outcome of this lawsuit cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the College may be exposed will not have a material effect upon the College's financial position.

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.

Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

April 12, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
The College of William and Mary in Virginia

INDEPENDENT AUDITOR'S 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 Richard Bland College and the Virginia Institute of Marine Science, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the College, which are discussed in Note 1. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2010, on our consideration of the College'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 and should be considered in assessing the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

The College of William and Mary in Virginia
Richard Bland College

June 30, 2009

OFFICERS OF ADMINISTRATION

The College of William and Mary in Virginia

W. Taylor Reveley III, President
P. Geoffrey Feiss, Provost
Virginia Ambler, Interim Vice President for Student Affairs
James R. Golden, Vice President for Strategic Initiatives
Samuel E. Jones, Vice President for Finance
Anna B. Martin, Vice President for Administration
Sean M. Pieri, Vice President for Development

Richard Bland College

James B. McNeer, President
Vernon R. Lindquist, Provost and Dean of Faculty
Russell E. Whitaker, Jr., Dean of Administration and Finance