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, 2012

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
RICHARD BLAND COLLEGE

ANNUAL FINANCIAL REPORT 2011 - 2012

Contents

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

This Management's Discussion and Analysis (MD&A) is a supplement to the College's financial statements designed to assist readers in understanding the financial statement information presented. The following information includes a comparative analysis between the current fiscal year ending June 30, 2012 and the prior year ending June 30, 2011. 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 2012. 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 (RBC). All three entities are agencies of the Commonwealth of Virginia reporting to the Board of Visitors of the College of William and Mary and are referred to collectively as the "Colleges" within the MD&A as well as in the financial statements under the columns titled "College", unless otherwise indicated.

The College's affiliated foundations are also included in these statements consistent with GASB Statement No. 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 significant financial activity during the year. While affiliated foundations are not under the direct control of the College's Board of Visitors, this presentation provides a more holistic view of resources available to support the College and its mission. Additional information and detail related to the foundations can be found in the Component Unit Financial Information footnote.

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, 2012. 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 2012	FY 2011	Dollar Change	Percent Change
Assets:				
Current	$ 70,873,133	$58,073,066	$12,800,067	22.04%
Capital, net of accumulated depreciation	699,630,341	696,017,401	3,612,940	0.52%
Other non-current	120,267,473	110,252,618	10,014,855	9.08%
Total assets	890,770,947	864,343,085	26,427,862	3.06%
Liabilities:				
Current	75,172,877	69,849,461	5,323,416	7.62%
Non-current	221,944,706	222,179,900	(235,194)	-0.11%
Total liabilities	297,117,583	292,029,361	5,088,222	1.74%
Net Assets:				
Invested in capital assets, net of related debt	483,765,246	479,773,969	3,991,277	0.83%
Restricted	79,651,407	72,462,702	7,188,705	9.92%
Unrestricted	30,236,711	20,077,053	10,159,658	50.60%
Total net assets	$593,653,364	$572,313,724	$21,339,640	3.73%

The overall result of the College's fiscal year 2012 operations was an increase in net assets of approximately $21.3 million or 3.7 percent to $593.7 million. The increase in net assets occurred in the categories of restricted ($7.2 million) and unrestricted ($10.2 million) net assets. In addition to the College's net assets as shown above, net assets for the College's affiliated foundations totaled $634.4 million.

The $1.3million decrease in capital net assets, net of related debt, reflects the College and VIMS' change in capitalization threshold for capital assets from $2,000 to $5,000. 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 increased by $12.8 million primarily as a result of an overall increase in cash and cash equivalents offset by a decrease in investments and amounts due from the Commonwealth of Virginia. The amounts due from the Commonwealth reflect routine and recurring requests for bond proceeds for capital construction. The increase in Other Non-Current Assets reflects the net increase in cash, cash equivalents and restricted investments.

Total liabilities increased slightly driven by increases in deferred revenue, deposits held in custody for others and the current portion of long-term liabilities. See footnote 7 for the details of the accounts payable and accrued expenses and footnote 10 for the long-term debt details.

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 2012	FY 2011	Dollar Change	Percent Change
Operating revenues	$ 270,401,471	$ 242,417,920	$27,983,551	11.54%
Operating expenses	356,429,081	337,426,850	19,002,231	5.63%
Operating gain/(loss)	(86,027,610)	(95,008,930)	8,981,320	9.45%
Net Non-operating revenues	86,811,719	101,912,686	(15,100,967)	-14.82%
Income/(Loss) before other revenues	784,109	6,903,756	(6,119,647)	88.64%
Net other revenues	20,555,531	42,231,642	(21,676,111)	-51.33%
Increase in net assets	$21,339,640	$49,135,398	($27,795,758)	-56.57%

Overall, the result from operations was an increase in net assets of $21.3 million. This increase was attributable to increases in Operating Revenues offset by an increase in operating expenses and a decrease in Non-Operating and Net Other Revenues.

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

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

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

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

<u>Summary of Revenues</u>

	FY2012	FY2011	Dollar Change	Percent Change
Operating Revenues:				
Student Tuition and Fees, net of scholarship allowances	$ 139,365,551	$ 122,740,797	$ 16,624,754	13.54%
Federal, State, Local and Non-governmental grants and contracts	45,702,027	44,115,237	1,586,790	3.60%
Auxiliary Enterprise, net of scholarship allowances	79,401,760	71,794,030	7,607,730	10.60%
Other	5,932,133	3,767,856	2,164,277	57.44%
Total Operating Revenues	270,401,471	242,417,920	27,983,551	11.54%
Non-Operating:				
State Appropriations	62,652,180	67,058,280	(4,406,100)	-6.57%
Gifts, Investment Income and other income and expenses	24,159,539	34,854,406	(10,694,867)	-30.68%
Total Non-Operating	86,811,719	101,912,686	(15,100,967)	-14.82%
Capital Revenues, Gains and (Losses):				
Capital Appropriations	9,902,380	29,139,531	(19,237,151)	-66.02%
Capital Grants and Gifts	10,653,151	13,092,111	(2,438,960)	-18.63%
Total Capital Revenues, Gains and (Losses)	20,555,531	42,231,642	(21,676,111)	-51.33%
Total Revenues	$ 377,768,721	$ 386,562,248	$ (8,793,527)	-2.27%

Within the operating revenue category, student tuition and fees increased $16.6 million, net of scholarship allowances, reflecting the increase approved by the Board of Visitors in the Spring of 2011. An increase in Federal, State and Local grants was offset by a reduction in non-governmental funding for research for a slight overall increase in revenues. The increase in Auxiliary Enterprise revenues is attributable to the Board approved fee increases and increased sales.

The Capital Revenues decrease reflects a decrease in capital appropriations given the completion of the capital construction projects.

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

Summary of Operating Expenses

	FY 2012	FY 2011	Dollar Change	Percent Change
Operating Expenses:				
Instruction	$97,989,332	$94,581,663	$3,407,669	3.60%
Research	48,221,990	47,796,508	425,482	0.89%
Public Service	68,442	52,740	15,702	29.77%
Academic Support	29,626,975	27,596,836	2,030,139	7.36%
Student Services	13,994,086	11,017,209	2,976,877	27.02%
Institutional Support	27,166,785	26,503,476	663,309	2.50%
Operation and Maintenance of Plant	23,472,575	27,551,256	-4,078,681	-14.80%
Student Aid	33,246,613	14,875,398	18,371,215	123.50%
Auxiliary Enterprise	57,826,571	63,901,228	-6,074,657	-9.51%
Depreciation	23,761,878	22,951,758	810,120	3.53%
Other Operating Expenses	1,053,834	598,778	455,056	76.00%
Total Operating Expenses	$356,429,081	$337,426,850	$19,002,231	5.63%

For fiscal year 2012, operating expenses increased notably in the four programs; Student Aid, Instruction, Academic Support and Student Services.

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

	FY2012	FY 2011	Dollar Change	Percent Change
Cash Flows from:				
Operating Activities	$ (59,927,275)	$ (72,253,252)	$12,325,977	17.06%
Non-capital Financing	96,759,485	99,232,682	(2,473,197)	-2.49%
Capital Financing	(11,021,124)	(15,332,663)	4,311,539	28.12%
Investing Activities	6,265,688	10,492,973	(4,227,285)	40.29%
Net Increase in Cash	$ 32,076,774	$ 22,139,740	$ 9,937,034	-44.88%

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 2012 were tuition and fees - $133.7 million, auxiliary enterprise revenues $78.9 million, state appropriations - $62.7 million, and research grants and contracts - $45.4 million.

The primary uses of operating cash in fiscal year 2012 were payments to employees - $194.3 million representing salaries, wages and fringe benefits and payments to suppliers of goods and services - $96.9 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 2012 were proceeds from capital appropriations - $11.3 million, bond sales - $25.6 million and capital grants and gifts - $9.8 million. The primary uses of cash were for debt payments - $29.3 million and capital expenditures - $29.2 million.

Capital Asset and Debt Administration

The College of William & Mary

General –The impact of the national recession continues to ripple down to College level as the total volume of work has declined significantly. FY 2012 marks the low point of College construction placement and project delivery since the 2001 bond issue ignited higher education construction in the Commonwealth. Support for construction of primary academic facilities (education and general) has dropped to the point that only one of five projects delivered in the last two years has included state funds – a ratio which is a direct reflection of the continuing fiscal climate.

Completed Projects – Twenty-three projects listed as “placed into service” were completed prior to FY 2012, and residual funds in each budget have been used to restore items deleted from project scopes during design to reduce estimated costs prior to contract bid/negotiation and/or to purchase equipment required to optimize facility functionality. These projects will be closed as rapidly as possible.

Projects in Progress - Fourteen projects are currently in design (3) and construction (11).

Design – Three projects have elements in design. Two are the final phases of utility infrastructure projects, Emergency Generators and Power Plant Utilities Improvements, which will design an emergency power automatic transfer switch for the campus museum and offices for Power Plant maintenance staff within the renovated plant, respectively. The third is design of additional kitchen space within the Commons Dining Facility.

Construction - Eleven projects are in construction. Five are for residence hall construction and improvement, four renovate academic/academic administration facilities, one supports intercollegiate athletic facility repairs and a final project renews/augments critical infrastructure.

Residence Life - The residence life projects consist of construction of a new 187 bed fraternity complex and four dormitory repair umbrella projects focused on envelope repairs, structural improvements, HVAC upgrades and fire safety. The fraternity complex consists of 11 two story, 17 bed houses and a community building. The complex provides additional beds to accommodate an expanding undergraduate population and places the Greek community in the heart of student residential housing.

Academic/Academic Administration – The four academic/academic administration projects provide final adjustments to the addition and renovation of the Physics building, final adjustments to the renovation of the Art and Art History building, renovation of the 1909 home of the English department, and an upgrade for building systems within the historic Brafferton. Small Hall, the home to Physics, provides vibration free, “heavy” labs with sufficient power and associated cooling to support graduate level research featuring cutting edge laser technology in partnership with private industry. Final steps in the renovation include installation of lab entry security for laser labs, laser curtain installation, incorporation of radiation security features and lecture hall seating modifications. The second project is a basic building systems renewal of Andrews Hall, home to Art and Art History which repairs structural masonry defects and brings mechanical, electrical, fire sprinkler and associated controls into compliance with current building codes to ensure systems operability and occupant safety. A major fire alarm and fire sprinkler installation in the previously unprotected foundry area has been added per the direction of the Building Code Official to ensure fire safety during foundry pours. The English Department project will renovate the 1909 era Tucker Hall. The project will re-program interior space to house the current staff, reconfigure instructional space to support seminar size classes and equip all instructional space with state of the art audio/visual equipment and data connectivity to support modern pedagogy. The building systems in this century old hall will be simultaneously replaced to meet current code standards and to ensure full accessibility, LEED Silver sustainability and state of the art life safety provisions. Design was paused in 2010 but is now complete. Project costs have been submitted to the Bureau of Capital Outlay Management for review and approval of construction funds. The final project is renovation of the Brafferton, a former 18th century Indian School, which now houses the offices of the President, the Provost and their staffs. The proposed scope will upgrade building systems with minimal disruption to existing programming and virtually no destruction of historic fabric.

Intercollegiate Athletics - An intercollegiate umbrella will address long standing deficiencies at existing facilities by reroofing the campus arena, providing new lighting for an athletic field complex and replacing deteriorating windows in Zable Stadium.

Utilities/Infrastructure - The final infrastructure project provides a cooling addition to the existing steam plant and constructs the first phase of chilled water/steam distribution to ten of twenty seven supported buildings. The creation of a district plant significantly increases energy efficiency as it simultaneously replaces sixty year plant and piping with geometrically increasing failure/repair rates.

A new Six Year Plan for the 2014-2020 period will be submitted in May, 2013. The plan will mark a significant transition functionally and fiscally. New construction will include a shift in focus to support the arts, technology and renovation of older academic facilities and dormitories. Funding support will continue to rely heavily on College and donor support during this period of fiscal recession and recovery.

Virginia Institute of Marine Science

The Marine Research Building Complex is comprised of two buildings, a seawater laboratory and a scientific building. Construction started in August 2005; a final certificate of use and occupancy was issued for the Seawater Research Laboratory on April 2, 2007 and for Andrews Hall on July 17, 2009. Installation of a second seawater line was completed in July 2012 and the project is now closed.

The Property Acquisitions have four appropriations for property at the Gloucester Point and Wachapreague campuses, the Virginia Estuarine & Coastal Research Reserve and the Chesapeake Bay National Estuarine Research Reserve in Virginia programs. The appropriation for “Acquisition: Master Plan Properties” involves the purchase of properties contiguous to the Gloucester Point campus. VIMS is currently in the process to acquire property which should be complete by Fall 2013. VIMS purchased two properties for its Wachapreague campus in May and June 2011, respectively. 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”. VIMS purchased the Catlett Islands from Timberneck, L.L.C. for the Chesapeake Bay National Estuarine Research Reserve in Virginia Program in May 2012 and the appropriation remains open for future properties to become available.

The Improvement Project of Electrical Upgrades involves upgrading the electrical distribution system in Chesapeake Bay Hall. The building’s present electrical system does not provide the type of clean power needed by some of the sensitive electronic lab equipment and instrumentation used in modern research. The project will install transient voltage surge suppression and other improvements to the grounding system and a second emergency generator. The project is substantially complete. VIMS will purchase and install UPS systems in various laboratories with the remaining funds.

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. The project is on hold.

The Research Storage Facility project involves the construction of a 4,900 square foot facility that is needed to secure research equipment and instruments that are currently stored outdoors. The project was completed in December 2011.

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.
The research had been conducted in former oyster shucking houses from the late 1800's. Substantial completion was on February 3, 2012. VIMS has moved into the new facility and the contractor is completing the punch list items.

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, 2012 the College has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of $53.7 million and $150.8 million respectively.

The outstanding balance of 9(c) bonds can be summarized in four major categories as follows: (1) Renovation of Dormitories - $19.4 million, (2) Commons Dining Hall - $7.6 million, (3) Other housing / residence - $5.7 million, and (4) New Dormitory - $16.3 million. The majority of the 9(d) balance at June 30, 2012 is related to the new school of business building, Miller Hall, - $39.7 million, the Barksdale dormitories - $21.2 million, Cooling Plant - $21.8 million, Integrated Science Center - $16.9 million and the Parking Deck - $9.5 million.

Economic Outlook

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

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. Freshman applications to the College reached a new high of 13,660 for Fall 2012. The credentials of our admitted students remain strong, reflecting the highly selective nature of the College. These statistics, coupled with the College's academic reputation, suggest a strong continuing student demand for the future.

The rebound in endowment value that began in FY 2010 continued through FY 2012. By June 30, 2012, the consolidated value of endowments held by all of the various entities supporting the College and its programs totaled $644.2 million, an increase of 30.2% since FY 2008, and a record high for the College. While investment performance reflected the challenge of investing in sometimes turbulent national and global markets, strong gift flow and significant growth in assets held in external trusts more than compensated. The Board of Visitors' endowment and the William and Mary Investment Trust, the largest of the College's investment portfolios, remain highly diversified across asset classes.

With the opening of the School of Education and the Sherman and Gloria Cohen Career Center, the facilities focus shifts to planning for the final phase of the Integrated Science Center and the renovation of both Tucker and Tyler Halls. Since the ISC 3 and Tucker Hall projects had been previously authorized by the State, the College requested and received permission to move forward with Tyler Hall planning. On the non-academic side, the William and Mary Real Estate Foundation opened Tribe Square for Fall, 2011. Located just across Richmond Road from campus, Tribe Square provided 56 apartment-style beds as well as four commercial spaces. On-campus, construction of the new fraternity houses is underway. When complete in Summer, 2013, these houses will not only dramatically improve fraternity housing, but add an additional 187 beds to our on-campus inventory, reaffirming once again the College's residential commitment.

In the short-term, fiscal year 2013 budgets continue our progress. Within available resources the budgets reflect priorities included in the College's Strategic Plan and the Six-Year Plan approved by the Board of Visitors in response to the recently passed Higher Education Opportunity Act. This Act reaffirmed "the Commonwealth's commitment…to having a distinctive 'public ivy' at William and Mary".

Long-term, the Board of Visitors and the administration are focused on how best to attract and retain the very best students, faculty and staff while enhancing quality, affordability, and access. Well into its strategic planning process, the College will this year assess progress to date and identify more intentional investments to move the College forward. Under the general theme of "Breaking Boundaries", possible initiatives include enhancing the "360 degree" nature of a William and Mary education, leadership development, expanding technology-based instructional methods, interdisciplinary opportunities, applied learning, and global education and awareness. These investments will occur even as the College continues to address the six original "grand challenges" that have driven recent funding decisions.

All of the College's constituencies will need to contribute to this effort. While we do not expect the state to restore those funds lost since 2008, the Commonwealth will continue to play an important role in the College's future, providing both operating and facilities support. We can expect state resources to be targeted to support the various initiatives highlighted in the Higher Education Opportunity Act. Internally, the deans and vice presidents remain focused on ways to improve the efficiency and effectiveness of program delivery, allowing for the reallocation of funds to higher priority needs. Tuition and fees remain a part of the funding solution, recognizing that any action increasing the cost to students must address access and affordability issues. Finally, private fund raising, both annual giving and endowment, remains crucial to both the short- and long-term financial health of the institution. The Board of Visitors, in partnership with the College of William and Mary Foundation, the William and Mary Alumni Association, and the various other foundations and boards supporting the College, continues to invest those resources necessary to grow the College's giving profile and endowment.

As noted above, recent state funding action has cleared a variety of capital needs. As a result, the College is able to shift its facility focus to the programmatic and spaces needs of its various arts programs. Prior studies have more than adequately documented the condition and space needs in theatre, speech, dance, music, art and art history, and the Muscarelle Museum of Art. To be funded with both state and private funds, planning is underway for an "Arts Quarter" that will provide quality instructional, performance, and exhibition space for our students, faculty, and visitors.

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, 2012

ASSETS	**Colleges**	**Component Units**
Current assets:		
Cash and cash equivalents (Note 3)	$ 49,896,351	$ 21,967,908
Investments (Note 3)	2,459,080	955,692
Appropriation available	281,686	-
Receivables, net of allowance for doubtful accounts (Note 5)	13,827,647	1,906,293
Notes receivable (Note 5)	20,941	-
Due from commonwealth	2,068,744	-
Inventories	807,924	40,319
Pledges receivable	-	7,948,925
Prepaid expenses	1,427,924	615,819
Other assets	82,836	14,915
Total current assets	70,873,133	33,449,871
Non-current assets:		
Restricted cash and cash equivalents (Note 3)	43,549,934	19,715,256
Restricted investments (Note 3)	64,537,738	435,044,383
Investments (Note 3)	9,091,673	11,995,721
Receivables	-	23,673,342
Notes receivable, net of allowance for doubtful accounts (Note 5)	3,088,128	-
Pledges receivable	-	12,750,259
Capital assets, nondepreciable (Note 6)	133,307,189	11,849,287
Capital assets, depreciable net of accumulated depreciation of $335,526,543 (Note 6)	566,323,152	15,143,635
Other assets	-	1,506,592
Other restricted assets	-	136,883,891
Total non-current assets	819,897,814	668,562,366
Total assets	890,770,947	702,012,237
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	34,263,442	1,795,345
Deferred revenue	13,684,090	1,691,693
Deposits held in custody for others	3,078,155	19,655
Obligations under securities lending program	139,525	-
Long-term liabilities-current portion (Note 9)	23,664,491	1,884,316
Short term debt	-	2,635,000
Other liabilities	343,174	33,043
Total current liabilities	75,172,877	8,059,052
Long-term liabilities-non-current portion (Note 9)	221,944,706	59,536,120
Total liabilities	297,117,583	67,595,172
NET ASSETS		
Invested in capital assets, net of related debt	483,765,246	11,601,830
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	14,437,880	90,124,469
Research	-	5,861,795
Loans	-	24,230
Departmental uses	27,195,681	124,633,047
Other	-	182,488,048
Expendable:		
Scholarships and fellowships	7,693,609	62,936,460
Research	-	2,318,540
Debt service	599,510	-
Capital projects	3,422,586	7,076,090
Loans	721,043	49,945
Departmental uses	25,581,098	101,268,589
Other	-	13,945,100
Unrestricted	30,236,711	32,088,922
Total net assets	$ 593,653,364	$ 634,417,065

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, 2012

	Colleges	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $24,602,458	$ 139,365,551	$ -
Gifts and contributions	-	15,988,737
Federal grants and contracts	39,125,012	-
State grants and contracts	2,203,945	-
Local grants and contracts	401,159	-
Nongovernmental grants and contracts	3,971,911	-
Auxiliary enterprises, net of scholarship allowances of $10,876,628	79,401,760	-
Other	5,932,133	11,604,268
Total operating revenues	270,401,471	27,593,005
Operating expenses: (Note 11)		
Instruction	97,989,332	3,958,874
Research	48,221,990	526,022
Public service	68,442	948,439
Academic support	29,626,975	5,365,409
Student services	13,994,086	1,286,177
Institutional support	27,166,785	12,686,923
Operation and maintenance of plant	23,472,575	1,094,897
Student aid	33,246,613	6,143,259
Auxiliary enterprises	57,826,571	831,101
Depreciation	23,761,878	819,088
Other	1,053,834	6,916,956
Total operating expenses	356,429,081	40,577,145
Operating loss	(86,027,610)	(12,984,140)
Non-operating revenues/(expenses):		
State appropriations (Note 12)	62,652,180	-
Gifts	17,177,812	-
Net investment revenue	(1,926,708)	(5,546,231)
Pell grant revenue	5,183,669	-
ARRA State Fiscal Stabilization Funds	940,873	-
Interest on capital asset related debt	(7,631,176)	(147,454)
Other non-operating revenue	12,392,152	19,722,074
Other non-operating expense	(1,977,083)	(5,318,495)
Net non-operating revenues	86,811,719	8,709,894
Income/(loss) before other revenues, expenses, gains or losses	784,109	(4,274,246)
Capital appropriations	9,902,380	-
Capital grants and contributions	10,653,151	184,212
Additions to permanent endowments	-	18,322,449
Net other revenues, expenses, gains or losses	20,555,531	18,506,661
Increase in net assets	21,339,640	14,232,415
Net assets - beginning of year, restated (Note 2)	572,313,724	620,184,650
Net assets - end of year	$ 593,653,364	$ 634,417,065

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, 2012

Cash flows from operating activities:	
Tuition and fees	$ 133,696,948
Scholarships	(21,356,891)
Research grants and contracts	45,383,644
Auxiliary enterprise charges	78,942,364
Payments to suppliers	(96,912,996)
Payments to employees	(194,299,574)
Payments for operation and maintenance of facilities	(12,559,399)
Loans issued to students and employees	(392,299)
Collection of loans to students and employees	467,829
Other receipts	7,627,775
Other payments	(524,676)
Net cash used by operating activities	(59,927,275)
Cash flows from noncapital financing activities:	
State appropriations	62,652,180
Gifts	17,177,812
Agency receipts	5,874,486
Agency payments	(5,190,190)
Direct Loan receipts	47,405,825
Direct Loan disbursements	(47,405,825)
Other non-operating receipts	18,222,280
Other non-operating disbursements	(1,977,083)
Net cash provided by noncapital financing activities	96,759,485
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	25,640,084
Capital appropriations	11,293,309
Capital grants and contributions	9,774,795
Insurance payments	680,113
Capital expenditures	(29,214,049)
Principal paid on capital-related debt	(20,612,944)
Interest paid on capital-related debt	(8,648,289)
Proceeds from sale of capital assets	65,857
Net cash used by capital and related financing activities	(11,021,124)
Cash flows from investing activities:	
Investment income	(1,871,737)
Investments	8,137,425
Net cash provided by investing activities	6,265,688
Net increase/(decrease) in cash	32,076,774
Cash-beginning of year*	61,234,170
Cash-end of year	$ 93,310,944

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2012

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	$	49,896,351
Restricted cash and cash equivalents		43,549,934
Less: Securities lending -Treasurer of Virginia		(135,341)
Net cash and cash equivalents	$	93,310,944

Reconciliation of net operating expenses to net cash used by operating activities:

Net operating loss	$	(86,027,610)
Adjustments to reconcile net operating expenses to cash used by operating activities:		
Depreciation expense		23,761,878
Changes in assets and liabilities:		
Receivables-net		864,788
Inventories		(330,087)
Prepaid expense		(152,549)
Accounts payable		2,140,612
Deferred revenue		469,360
Deposit held for others		(223,064)
Compensated absences		94,073
Other liability		(524,676)
Net cash used in operating activities	$	(59,927,275)

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

Amortization of a deferred loss	$	1,326,362
Donated capital assets	$	878,356
Reduction/amortization of bond premium and debt issuance costs	$	309,249

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

Notes to
Financial Statements

Year Ended June 30, 2012

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 13.

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 which the Foundations hold and invest are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundations can only be used by or for the benefit of the College, the Foundations are considered component units of the College and are discretely presented in the financial statements.

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

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

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

The William and Mary Athletic Educational Foundation is a not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Foundation is to promote, foster, encourage and further education, in all enterprises of all kinds at the College of William and Mary Virginia, but it principally supports the Athletic

Department of the College. For additional information on the Athletic Educational Foundation, contact the Foundation Office at 751 Ukrop Drive, Williamsburg, Virginia 23187.

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

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

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

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

The Intellectual Property Foundation is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia in September 2007. Its purpose is to handle all aspects of the intellectual property of the College of William and Mary in Virginia in support of the educational goals of the College. The 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, 2012:

Assets	$ 616,655
Liabilities	139,602
Net Assets	477,053
Liabilities and Net Assets	$ 616,655

The total unaudited receipts and disbursements of the OIEAHC were $1,896,364 and $1,936,994 respectively, for the year ended June 30, 2012. 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, 2012, the Colleges' prepaid expenses included items such as insurance premiums, membership dues, conference registrations for fiscal year 2013 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. All three campuses capitalize all items with a unit price greater than or equal to $5,000. Library materials for the academic or research libraries are capitalized as a collection and are valued at cost. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets for financial statement periods beginning after June 15, 2009. The Williamsburg and York River campuses capitalize intangible assets with a cost greater than or equal to $50,000 except for internally generated computer software which is capitalized at a cost of $100,000 or greater. Richard Bland College capitalizes intangible assets with a cost greater than or equal to $20,000.

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

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

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

Deferred Revenue

Deferred revenue represents revenue collected but not earned as of June 30, 2012. This is primarily comprised of revenue for student tuition paid in advance of the semester, amounts received from grant and contract sponsors that have not yet been earned and advance ticket sales for athletic events.

Compensated Absences

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net 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 Direct Loans, which includes Stafford Loans, Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS Loans. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, Audit of States, Local Governments and Non-Profit Organizations, and the Compliance Supplement.

Classification of Revenues and Expenses

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

Operating revenues - 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, 2011 have been restated to reflect further evaluation of assets and liabilities.

Net assets as previously reported June 30, 2011	$	575,773,359
Reduction in assets due to increase in capital asset capitalization threshold		(5,291,475)
Adjustment to fund balance for grant transactions		1,831,840
Net asset balance at July 1, 2011	$	572,313,724

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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

Investments

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

Concentration of Credit Risk

Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents five percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. The College's investment policy does not limit the amount invested in U.S. Government or Agency Securities. As of June 30, 2012, 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 had no investments in foreign currency but had foreign deposits in the amount of $280,499 as of June 30, 2012.

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.

Interest Rate Risk: Maturities

Type of Investment	Fair Value	Less than 1 year	1-5 years	6-10 years	Greater than 10 years
Agency unsecured bonds and notes:					
Federal Home Loan Bank	$ 2,000,360	$ 2,000,360	$ -	$ -	$ -
Federal Farm Credit Bank	998,804	998,804	-	-	-
Ridgeworth Fund - U.S. Government Sec	9,091,673	-	9,091,673	-	-
Mutual and money market funds:					
Money market	61,659,339	61,659,339	-	-	-
Mutual funds - Investment Funds	6,097,658	-	-	3,021,772	3,075,886
Mutual funds - PIMCO Funds	9,988,437	-	-	9,988,437	-
Mutual funds - PIONEER Strategic Income	9,725,688	-	-	-	9,725,688
Mutual funds - Calvert Social Investment Fund	44,467	-	-	44,467	-
Mutual funds - Wells Fargo	169,973	169,973	-	-	-
State non-arbitrage program	24,082,548	24,082,548	-	-	-
Securities lending	135,341	135,341	-	-	-
	$ 123,994,288	$ 89,046,365	$ 9,091,673	$ 13,054,676	$ 12,801,574

Credit & Concentration of Credit Risks

	Fair Value	S&P Credit Quality Rating AA+	Unrated
Cash Equivalents			
Certificate of deposit	$ 170,000	$ -	$ 170,000
Money market	61,659,339	-	61,659,339
State non-arbitrage program	24,082,548	-	24,082,548
Securities lending	135,341	-	135,341
Total cash equivalents	86,047,228	-	86,047,228
Investments			
Agency unsecured bonds and notes:			
Federal Home Loan Bank	$ 2,000,360	$ 2,000,360	$ -
Federal Farm Credit Bank	998,804	-	998,804
Ridgeworth Fund - U.S. Government Securities	9,091,673	-	9,091,673
Mutual funds:			
Investment Funds	6,097,658	-	6,097,658
PIMCO Funds	9,988,437	-	9,988,437
PIONEER Strategic Income Fund	9,725,688	-	9,725,688
Calvert Social Investment Fund	44,467	-	44,467
Wells Fargo	169,973	-	169,973
Total investments	38,117,060	$ 2,000,360	$ 36,116,700
Other Investments			
Other	37,521,366		
Securities lending	4,184		
Rare coins	280		
Property held as investment for endowments	445,600		
Total other investments	37,971,430		
Total cash equivalents and investments	$ 162,135,718		

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 2012, had a net appreciation of $8,633,049 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 - $4,100,878, Restricted for Expendable Research - $21,073, Restricted for Expendable Capital Projects - $147,232, Restricted for Expendable Departmental Uses - $3,368,186 and Unrestricted - $995,680. The amount for Research was reclassified to unrestricted because the total net assets Restricted Expendable Research was negative.

5. ACCOUNTS AND NOTES RECEIVABLES

Receivables include transactions related to accounts and notes receivable and are shown net of allowance for doubtful accounts for the year ending June 30, 2012 as follows:

Accounts receivable consisted of the following at June 30, 2012:

Student Tuition and Fees	$	3,644,535
Auxiliary Enterprises		1,274,706
Federal, State and Non-Governemental Grants & Contracts		6,272,627
Other Activities		2,683,571
Gross Receivables		13,875,439
Less: allowance for doubtful accounts		(47,792)
Net Receivables	$	13,827,647

Notes receivable consisted of the following at June 30, 2012:

Current portion:		
Federal student loans and promissory notes	$	20,941
Non-current portion:		
Federal student loans and promissory notes	$	3,157,944
Less: allowance for doubtful accounts		(69,816)
Net non-current notes receivable	$	3,088,128

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2012 consists of the following:

	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance
Non-depreciable capital assets:					
Land	$ 14,257,770	$ (7,055)	$ 807,703	$ -	$ 15,058,418
Inexhaustible artwork and Historical treasures	72,478,892	-	902,373	(12,310)	73,368,955
Construction in Progress	44,755,691	-	19,563,636	(19,439,511)	44,879,816
Total non-depreciable capital assets	131,492,353	(7,055)	21,273,712	(19,451,821)	133,307,189
Depreciable capital assets:					
Buildings	667,691,019	(42,700)	16,186,031	(974,241)	682,860,109
Equipment	85,796,508	(13,989,610)	4,942,303	(1,730,066)	75,019,135
Infrastructure	42,532,130	(17,459)	235,768	-	42,750,439
Other improvements	5,895,056	(4,004)	2,863,443	-	8,754,495
Library Materials	85,811,533	-	1,455,783	(227,871)	87,039,445
Computer software	5,121,258	-	304,814	-	5,426,072
Total depreciable capital assets	892,847,504	(14,053,773)	25,988,142	(2,932,178)	901,849,695
Less accumulated depreciation for:					
Buildings	156,934,862	(35,865)	15,295,011	(820,951)	171,373,057
Equipment	54,248,498	(8,718,182)	5,026,013	(1,448,713)	49,107,616
Infrastructure	25,494,132	(11,302)	1,378,542	-	26,861,372
Other improvements	3,879,253	(4,004)	432,866	-	4,308,115
Library Materials	77,877,634	-	1,535,181	(227,871)	79,184,944
Computer software	4,596,602	-	94,837	-	4,691,439
Total accumulated depreciation	323,030,981	(8,769,353)	23,762,450	(2,497,535)	335,526,543
Depreciable capital assets, net	569,816,523	(5,284,420)	2,225,692	(434,643)	566,323,152
Total capital assets, net	$ 701,308,876	$ (5,291,475)	$ 23,499,404	$ (19,886,464)	$ 699,630,341

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 $33.99 for fiscal year 2012. The average cost of the Law Library purchases of books was $105.43 for fiscal year 2012. 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 $79.30 for fiscal year 2012. The average cost of library books purchased for Richard Bland College was $14.68 for fiscal year 2012. The changes reflected in the valuation are due to the recognition of depreciation in accordance with GASB Statements No. 34 and 35, as well as purchases, donations and disposals.

Impairment of Capital Assets

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, was issued effective for the fiscal year ended June 30, 2006. Statement No. 42 requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and whether any insurance recoveries should be offset against the impairment loss. There was a fire on November 18, 2010 at the VIMS Wachapreague campus which completely destroyed a laboratory and its contents. The impairment loss was recognized in the FY11 financial statements. During FY12, $500,000 of insurance recoveries for this loss was received by the Institute. VIMS does plan to rebuild the facility.

Proceeds from other insurance recoveries attributable to capital assets are reported as a capital related financing activity in the Statement of Cash Flows. Accordingly, $180,113 of proceeds from insurance recoveries are classified as a capital related financing activity.

GASB 42 also requires the disclosure of idle assets at the close of each fiscal year. As of June 30, 2012 there were several vacant or unused buildings on the main William and Mary campus and at the Dillard Complex. The carrying value of these unused buildings at year-end was $1,895,515.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2012:

Current Liabilities:	
Employee salaries, wages, and fringe benefits payable	$ 18,801,024
Vendors and supplies accounts payable	8,468,962
Capital projects accounts and retainage payable	6,993,456
Total current liabilities-accounts payable and accrued liabilities	$ 34,263,442

8. COMMITMENTS

At June 30, 2012, outstanding construction commitments totaled approximately $44,929,652.

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, 2012, was $4,672,628.

As of June 30, 2012, the following total future minimum rental payments are due under the above leases:

Year Ending June 30, 2012	Amount
2013	$ 4,280,354
2014	1,501,335
2015	1,418,966
2016	1,154,853
2017	650,232
Total	$ 9,005,740

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, 2012 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Installment Purchases	$ 5,979,315	$ 26,797	$ (522,519)	$ 5,483,593	$ 561,072
Capital Lease Payable	24,593,595	-	(449,359)	24,144,236	470,894
Notes Payable	159,955,401	35,469,723	(44,661,650)	150,763,474	10,345,000
Bonds Payable	41,437,379	20,214,630	(7,938,265)	53,713,744	4,126,146
Total long-term debt	231,965,690	55,711,150	(53,571,793)	234,105,047	15,503,112
Perkins Loan Fund Balance	2,498,565	-	-	2,498,565	-
Accrued compensated absences	8,911,512	9,022,898	(8,928,825)	9,005,585	8,161,379
Total long-term liabilities	$243,375,767	$ 64,734,048	$ (62,500,618)	$245,609,197	$ 23,664,491

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, 2012
Section 9(c) bonds payable:			
Dormitory, Series 2004B2	3.000 - 5.000	2017	256,943
Dormitory, Series 2004B3	3.000 - 5.000	2017	1,144,123
Dormitory, Series 2004B4	3.000 - 5.000	2018	2,443,250
Dormitory, Series 2004B5	3.000 - 5.000	2020	2,323,816
Dormitory, Series 2005A1	3.500 - 5.000	2026	1,870,000
Dormitory, Series 2006A1	4.000 - 5.000	2014	40,000
Dormitory, Series 2006A2	4.000 - 5.000	2015	760,000
Dormitory, Series 2008B	3.000 - 5.000	2013	106,203
Dormitory, Series 2009C	3.000 - 4.000	2021	383,984
Dormitory, Series 2009C	3.000 - 4.000	2022	2,582,213
Dormitory, Series 2009D	2.500 - 5.000	2022	1,940,000
Renovate Residence Halls, Series 2010A2	2.000 - 5.000	2030	4,160,000
Dormitory, Series 2012A	3.000 - 5.000	2013	21,031
Dormitory, Series 2012A	3.000 - 5.000	2016	429,179
Dormitory, Series 2012A	3.000 - 5.000	2013	136,598
Dormitory, Series 2012A	3.000 - 5.000	2024	779,720
Renovation of Dormitories			19,377,060
Graduate Housing, Series 2006B	4.000 - 5.000	2026	2,240,000
Graduate Housing, Series 2008B	3.000 - 5.000	2028	2,145,000
Graduate Housing, Series 2009D	2.500 - 5.000	2022	1,270,000
Graduate Housing			5,655,000
Construct New Dormitory, Series 2010A2	2.000 - 5.000	2030	1,885,000
Construct New Dormitory, Series 2011A	3.000 - 5.000	2031	14,400,000
Construct New Dormitory			16,285,000
University Center, Series 2008B	3.000 - 5.000	2013	806,998
University Center, Series 2012A	3.000 - 5.000	2013	7,010
University Center			814,008
Underground Utility, Series 2004B1	3.000 - 5.000	2017	669,021
Underground Utility, Series 2012A	3.000 - 5.000	2016	388,481
Underground Utility			1,057,502
Renovate Commons Dining Hall, Series 2005A2	3.500 - 5.000	2026	3,075,000
Renovate Commons Dining Hall, Series 2009D	2.500 - 5.000	2022	3,200,000
Renovate Commons Dining Hall, Series 2012A	3.000 - 5.000	2024	1,289,537
Commons Dining Hall			7,564,537
Total bonds payable			50,753,107
Deferred Gain/(Loss) on Advance Refundings			(917,613)
Unamortized premiums (discounts)			3,878,250
Net bonds payable			$ 53,713,744

Notes Payable

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

Description	Interest Rates (%)	Maturity	Outstanding Balance as of June 30, 2012
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2003A	2.000 - 5.000	2024	$ 175,000
Barksdale Dormitory, Series 2004A	3.000 - 5.000	2025	1,470,000
Barksdale Dormitory, Series 2005A	3.500 - 5.000	2026	3,995,000
Barksdale Dormitory, Series 2006A	3.000 - 5.000	2027	1,620,000
Barksdale Dormitory, Series 2010B	2.000 - 5.000	2021	450,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2024	640,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	6,495,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	6,330,000
William and Mary Hall, Series 2004B	3.000 - 5.000	2016	685,000
William and Mary Hall, Series 2007B	4.000- 4.250	2018	165,000
Parking Deck, Series 2003A	2.000 - 5.000	2024	370,000
Parking Deck, Series 2004A	3.000 - 5.000	2025	315,000
Parking Deck, Series 2005A	3.500 - 5.000	2026	1,975,000
Parking Deck, Series 2010B	2.000 - 5.000	2021	950,000
Parking Deck, Series 2012A	3.000 - 5.000	2024	1,355,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	1,385,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	3,140,000
Recreation Sports Center, Series 2003A	2.000 - 5.000	2024	90,000
Recreation Sports Center, Series 2004A	3.500 - 5.000	2025	1,040,000
Recreation Sports Center, Series 2005A	3.500 - 5.000	2026	770,000
Recreation Sports Center, Series 2010B	2.000 - 5.000	2021	220,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2024	315,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	4,585,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	1,225,000
Improve Athletics Facilities, Series 2005A	3.500 - 5.000	2026	1,065,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	650,000
Improve Athletics Facilities, Series 2012A	3.000 - 5.000	2025	1,655,000
Marshall-Wythe Library, Series 2004B	3.000 - 5.000	2019	1,010,000
Law School Library, Series 2003A	2.000 - 5.000	2024	105,000
Law School Library, Series 2007A	4.500 - 5.000	2027	3,185,000
Law School Library, Series 2010B	2.000 - 5.000	2021	260,000
Law School Library, Series 2012A	3.000 - 5.000	2024	385,000
Magnet Facility, Series 2003A	2.000 - 5.000	2024	225,000
Magnet Facility, Series 2010B	2.000 - 5.000	2021	570,000
Magnet Facility, Series 2012A	3.000 - 5.000	2024	805,000
Williamsburg Hospital/School of Education, 2006A	3.000 - 5.000	2027	2,030,000
J. Laycock Football Facility, Series 2006A	3.000 - 5.000	2027	4,675,000

Residence Hall Fire Safety Systems, Series 2006A	3.000 - 5.000	2027	1,640,000
School of Business, Series 2007A	4.500 - 5.000	2027	20,585,000
School of Business, Series 2009A	2.750 - 4.000	2016	19,070,000
Integrated Science Center, Series 2007A	4.500 - 5.000	2027	10,795,000
Integrated Science Center, Series 2009A	2.750 - 5.000	2029	6,060,000
Power Plant Renovations, Series 2007A	4.500 - 5.000	2027	4,225,000
Busch Field Astroturf Replacement, Series 2009B	2.000 - 5.000	2029	1,335,000
Cooling Plant & Utilities, Series 2009B	2.000 - 5.000	2029	11,000,000
Cooling Plant & Utilities, Series 2010A1&A2	2.000 - 5.500	2031	10,765,000
AshLawn Barn, Series 2010A1&A2	2.000 - 5.500	2031	750,000
Total 9 (d) bonds			142,605,000
Deferred Gain/(Loss) on Advance Refundings			(3,082,644)
Unamortized premiums (discounts)			11,241,118
Net notes payable			$150,763,474

Installment Purchases

At June 30, 2012, installment purchases consist of the current and long-term portions of obligations resulting from various contracts used to finance energy performance contracts and the acquisition of equipment. The lengths of purchase agreements range from two to fifteen years, and the interest rate charges are from 1.3 to 4.7 percent. The outstanding balance of installment purchases as of June 30, 2012 is $5,483,593.

Capital Lease

Richard Bland College (RBC) has entered into a thirty year capital lease with Richard Bland College Foundation (RBCF) for the provision of a student housing complex with two dormitories on the RBC campus. RBC has accounted for the acquisition of the complex and its furniture and equipment as a capital lease, and therefore has recorded the facility and furnishings as depreciable capital assets and has also recorded a corresponding lease liability in long-term debt on the Statement of Net Assets. The outstanding balance as of June 30, 2012 is $24,144,236.

Long-term debt matures as follows:

Fiscal Year	Principal	Interest	BAB Interest Subsidy	Net Interest
2013	$ 15,503,112	$ 9,929,376	$ 204,644	$ 9,724,732
2014	15,146,995	9,352,038	204,644	9,147,394
2015	15,974,671	8,667,395	204,644	8,462,751
2016	16,333,480	7,944,467	204,644	7,739,823
2017	11,599,122	7,295,362	202,439	7,092,923
2018-2022	59,539,029	28,070,907	931,946	27,138,961
2023-2027	58,988,959	13,582,930	617,628	12,965,302
2028-2032	20,989,147	4,095,790	159,631	3,936,159
2033-2037	6,608,060	1,436,270	-	1,436,270
2038-2042	2,303,361	109,938	-	109,938
Refunding gains/(losses)	(4,000,257)	-	-	-
Unamortized premiums	15,119,368	-	-	-
Total	$ 234,105,047	$ 90,484,473	$ 2,730,220	$ 87,754,253

Defeasance of Debt

In March 2012, the Treasury Board and VCBA issued Educational Facilities Revenue Refunding Bonds, Series 2012A with a true interest cost (TIC) of 1.5829 percent. The sale of these bonds enabled the College to advance refund certain 9(c) and 9(d) bonds issued from 2002 through 2005 with interest rates ranging from 4.0 percent to 5.0 percent. The original bonds were used to finance the construction of a dormitory, parking deck and nuclear magnet facility, and renovation of the student recreation center and law library and various dormitories. The net proceeds from the sale of the Refunding Bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the College's portion of the liability has been removed from the financial statements.

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

Series	Type	Debt Outstanding	Amount Defeased	Percentage Defeased
2002	9C	$ 1,233,849	$ 1,233,849	100%
2005	9C	7,610,000	2,070,000	27%
		$ 8,843,849	$ 3,303,849	37%
2003	9D	$ 4,845,000	$ 3,880,000	80%
2004	9D	15,790,000	12,965,000	82%
2005	9D	20,615,000	12,810,000	62%
		$ 41,250,000	$ 29,655,000	72%

The College's portion of the accounting loss recognized in the financial statements was $3,529,302. The net economic gain attributable to the College was $2,472,817 and will result in a decreased cash flow requirement of $2,813,420 over the remaining life of the debt.

Prior Year Defeasance of Debt

The Commonwealth of Virginia, on behalf of the College, issued bonds in previous and current fiscal years for which the proceeds were deposited into irrevocable trusts with escrow agents to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not included in the College's financial statements. At June 30, 2012, $41,933,849 of the defeased bonds was outstanding.

11. 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	$ 89,049,629	$ 7,102,690	$ 1,312,961	$ 524,052	$ -	$ 97,989,332
Research	32,066,175	12,234,996	1,335,762	2,585,057	-	48,221,990
Public service	17,371	51,060	-	11	-	68,442
Academic support	21,282,778	3,291,632	153,601	4,898,964	-	29,626,975
Student services	9,012,830	4,747,388	68,228	165,640	-	13,994,086
Institutional support	21,702,436	5,168,617	196,724	99,008	-	27,166,785
Operation and maintenance of plant	6,961,725	15,960,573	9,062	541,215	-	23,472,575
Depreciation	-	-	-	-	23,761,878	23,761,878
Scholarships and related expenses	1,552,662	52,641	31,634,214	7,096	-	33,246,613
Auxiliary enterprises	18,901,507	46,064,663	(10,845,965)	3,706,366	-	57,826,571
Other	17,552	1,036,282	-	-	-	1,053,834
Total	$ 200,564,665	$ 95,710,542	$ 23,864,587	$ 12,527,409	$ 23,761,878	$ 356,429,081

12. 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 890 - 2011 Acts of Assembly (Educational and General Programs)		$ 56,750,947
Student financial assistance		4,167,642
Supplemental appropriations:		
Prior year reappropriations	177,533	
VIVA libraries	32,811	
Salary, Benefit, and Other changes per Chapter 890	883,384	
Marine research graduate assistantships	238,527	
Commonwealth Technology Research award	80,000	
Interest earnings and credit card rebates	(98)	
Eminent Scholars/Biomedical research	435,865	1,848,022
Appropriation reductions:		
Appropriation Act Part 3 transfers	(16,950)	
School efficiency review	(1,350)	(18,300)
Reversions to the General Fund of the Commonwealth		(96,131)
Appropriations as adjusted		$ 62,652,180

13. 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 2012; 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	$ 3,016,900	$ 3,975,797	$ 2,833,444	$ 622,598
Investments	955,692	-	-	-
Pledges receivable, net - current portion	2,203,754	829,277	3,889,807	-
Receivables, net	596,034	82,711	149,189	71,556
Inventories	-	-	-	40,319
Prepaids	383,354	53,355	132,345	39,233
Due from the College	383	-	-	-
Other assets	-	-	-	-
Total Current Assets	7,156,117	4,941,140	7,004,785	773,706
Non-current Assets				
Restricted cash and cash equivalents	3,667,778	2,484,854	12,723,040	-
Restricted investments	378,953,670	24,122,943	21,058,569	-
Restricted other assets	136,062,700	342,277	308,702	-
Investments	671,770	3,537,330	(747,888)	5,430,527
Pledges receivable, net	5,050,807	775,685	5,374,657	-
Capital assets, nondepreciable	9,193,722	321,627	-	31,800
Capital assets, net of accumulated depreciation	8,268,213	27,971	13,376	195,565
Due from the College	-	-	-	-
Other assets	907,244	-	-	-
Total non-current assets	542,775,904	31,612,687	38,730,456	5,657,892
Total Assets	549,932,021	36,553,827	45,735,241	6,431,598
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	495,470	100,829	277,241	346,416
Deferred revenue	50,280	260,523	34,701	1,346,189
Deposits held in custody for others	-	-	19,655	-
Long-term liabilities - current portion	1,201,111	-	-	-
Due to the College	-	-	-	-
Short-term debt	2,145,000	-	-	-
Other liabilities	-	-	-	-
Total Current Liabilities	3,891,861	361,352	331,597	1,692,605
Non-current Liabilities				
Other long-term liabilities	179,632	394,750	-	-
Long-term liabilities	29,722,512	-	-	-
Total Liabilities	33,794,005	756,102	331,597	1,692,605
NET ASSETS				
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	79,939,205	5,386,737	437,684	-
Research	4,646,550	-	-	-
Loans	-	-	24,230	-
Departmental Uses	80,935,281	7,251,602	36,396,164	-
Other	178,988,556	-	148,698	-
Expendable:				
Scholarships and Fellowships	56,489,448	4,984,643	527,559	-
Research	1,967,179	-	11,007	-
Capital Projects	2,633,497	2,023,547	2,419,046	-
Loans	-	-	49,945	-
Departmental Uses	80,577,838	8,328,287	3,863,432	1,101,660
Other	11,753,519	622,069	47,344	-
Invested in Capital Assets, net of related debt	7,297,105	349,598	13,376	227,365
Unrestricted	10,909,838	6,851,242	1,465,159	3,409,968
Total Net Assets	$ 516,138,016	$ 35,797,725	$ 45,403,644	$ 4,738,993

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 4,791,218	$ 270,004	$ 281,674	$ 6,176,273	$ 21,967,908
-	-	-	-	955,692
729,250	276,908	19,929	-	7,948,925
8,481	-	455,495	71,550	1,435,016
-	-	-	-	40,319
-	-	-	7,532	615,819
-	-	470,894	-	471,277
-	-	14,915	-	14,915
5,528,949	546,912	1,242,907	6,255,355	33,449,871
-	250,410	589,174	-	19,715,256
-	7,615,739	3,293,462	-	435,044,383
-	-	29,686	140,526	136,883,891
2,537,243	566,739	-	-	11,995,721
1,092,673	451,290	5,147	-	12,750,259
-	-	-	2,302,138	11,849,287
66,069	-	-	6,572,441	15,143,635
-	-	23,673,342	-	23,673,342
-	-	-	599,348	1,506,592
3,695,985	8,884,178	27,590,811	9,614,453	668,562,366
9,224,934	9,431,090	28,833,718	15,869,808	702,012,237
-	33,712	433,981	107,696	1,795,345
-	-	-	-	1,691,693
-	-	-	-	19,655
-	-	557,411	125,794	1,884,316
-	-	-	3,357	3,357
-	-	-	490,000	2,635,000
-	-	29,686	-	29,686
-	33,712	1,021,078	726,847	8,059,052
-	-	-	18,860	593,242
-	-	24,437,300	4,783,066	58,942,878
-	33,712	25,458,378	5,528,773	67,595,172
-	1,445,720	2,915,123	-	90,124,469
-	1,215,245	-	-	5,861,795
-	-	-	-	24,230
-	50,000	-	-	124,633,047
-	3,350,794	-	-	182,488,048
609,249	325,561	-	-	62,936,460
-	340,354	-	-	2,318,540
-	-	-	-	7,076,090
-	-	-	-	49,945
5,940,401	1,456,971	-	-	101,268,589
-	395,584	986,058	140,526	13,945,100
66,069	-	-	3,648,317	11,601,830
2,609,215	817,149	(525,841)	6,552,192	32,088,922
$ 9,224,934	$ 9,397,378	$ 3,375,340	$ 10,341,035	$ 634,417,065

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	$ 2,912,434	$ 2,089,530	$ 3,520,113	$ 2,378,562
Other	2,405,563	961,976	4,720,066	1,123,680
Total operating revenues	5,317,997	3,051,506	8,240,179	3,502,242
Operating expenses:				
Instruction	3,245,416	395,117	229,699	-
Research	170,319	-	59,952	-
Public service	78,268	89,909	779,262	-
Academic support	1,234,662	1,364,168	2,756,259	-
Student services	93,160	18,855	1,174,162	-
Institutional support	5,290,817	647,107	1,225,310	768,218
Operation and maintenance of plant	806,614	282,150	-	-
Scholarships & fellowships	5,816,450	34,125	26,462	-
Auxiliary enterprises	620,288	-	45,082	-
Depreciation	540,059	23,356	6,423	57,859
Independent operations	-	-	-	-
Other	2,618,781	-	-	2,915,182
Total operating expenses	20,514,834	2,854,787	6,302,611	3,741,259
Operating gain/(loss)	(15,196,837)	196,719	1,937,568	(239,017)
Non-operating revenues and expenses:				
Net investment revenue (expense)	(4,535,571)	(391,170)	(260,125)	(172,231)
Interest on capital asset related debt	(147,454)	-	-	-
Other non-operating revenue	19,722,074	-	-	-
Other non-operating expense	-	-	(5,318,495)	-
Net non-operating revenues	15,039,049	(391,170)	(5,578,620)	(172,231)
Income before other revenues	(157,788)	(194,451)	(3,641,052)	(411,248)
Other revenues:				
Capital grants and contributions	1,087,530	-	(1,028,318)	-
Additions to permanent endowments	13,569,475	421,075	3,008,353	-
Net other revenues	14,657,005	421,075	1,980,035	-
Change in net assets, before transfers	14,499,217	226,624	(1,661,017)	(411,248)
Contribution between Foundations	28,033	-	-	124,646
Transfers	28,033	-	-	124,646
Change in net assets	14,527,250	226,624	(1,661,017)	(286,602)
Net assets - beginning of year	501,610,766	35,571,101	47,064,661	5,025,595
Net assets - end of year	$ 516,138,016	$ 35,797,725	$ 45,403,644	$ 4,738,993

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 4,593,659	$ 260,612	$ 92,088	$ 141,739	$ 15,988,737
685,929	-	1,114,032	593,022	11,604,268
5,279,588	260,612	1,206,120	734,761	27,593,005
-	88,642	-	-	3,958,874
-	295,751	-	-	526,022
-	1,000	-	-	948,439
-	10,320	-	-	5,365,409
-	-	-	-	1,286,177
4,283,030	169,144	52,620	250,677	12,686,923
-	6,133	-	-	1,094,897
-	52,422	213,800	-	6,143,259
-	-	-	165,731	831,101
20,257	-	-	171,134	819,088
-	-	-	139,391	139,391
-	22,623	1,220,979	-	6,777,565
4,303,287	646,035	1,487,399	726,933	40,577,145
976,301	(385,423)	(281,279)	7,828	(12,984,140)
18,868	(83,424)	(131,150)	8,572	(5,546,231)
-	-	-	-	(147,454)
-	-	-	-	19,722,074
-	-	-	-	(5,318,495)
18,868	(83,424)	(131,150)	8,572	8,709,894
995,169	(468,847)	(412,429)	16,400	(4,274,246)
-	-	-	125,000	184,212
-	1,243,308	80,238	-	18,322,449
-	1,243,308	80,238	125,000	18,506,661
995,169	774,461	(332,191)	141,400	14,232,415
(277,679)	-	-	125,000	-
(277,679)	-	-	125,000	-
717,490	774,461	(332,191)	266,400	14,232,415
8,507,444	8,622,917	3,707,531	10,074,635	620,184,650
$ 9,224,934	$ 9,397,378	$ 3,375,340	$ 10,341,035	$ 634,417,065

Investments

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

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Mutual and money market funds	$ 4,978,259	$ 511,558	$ -	$ 4,361,702	$ 5,649	$ -	$ 2,630,619	$ 12,487,787
U.S. treasury and agency securities	7,795,200	-	-	-	-	-	-	7,795,200
Common and preferred stocks	187,550	-	658,894	1,068,825	-	-	662,843	2,578,112
Notes receivable	1,432,860	-	-	-	-	-	-	1,432,860
Pooled investments	364,498,655	27,148,715	19,572,249	-	-	8,182,478	-	419,402,097
Real estate	1,202,424	-	-	-	106,000	-	-	1,308,424
Other	486,184	-	79,538	-	2,425,594	-	-	2,991,316
Total Investments	$ 380,581,132	$ 27,660,273	$ 20,310,681	$ 5,430,527	$ 2,537,243	$ 8,182,478	$ 3,293,462	$ 447,995,796

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	$ 8,087,933	$ 1,866,941	$ 10,939,790	$ 2,265,150	$ 735,225	$ 28,428	$ 23,923,467
Less:							
Allowance for uncollectibles	(654,637)	(207,517)	(819,459)	(328,220)	-	(776)	(2,010,609)
Discounting to present value	(178,735)	(54,462)	(855,867)	(115,007)	(7,027)	(2,576)	(1,213,674)
Net pledges receivable	7,254,561	1,604,962	9,264,464	1,821,923	728,198	25,076	20,699,184
Less:							
Current pledges receivable	(2,203,754)	(829,277)	(3,889,807)	(729,250)	(276,908)	(19,929)	(7,948,925)
Total non-current pledges receivable	$ 5,050,807	$ 775,685	$ 5,374,657	$ 1,092,673	$ 451,290	$ 5,147	$ 12,750,259

Capital Assets

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Nondepreciable:								
Land	$ 3,365,927	$ 262,916	$ -	$ -	$ -	$ -	$ 2,302,138	$ 5,930,981
Historical treasures and inexhaustable works of art	5,827,795	58,711	-	31,800	-	-	-	5,918,306
Total nondepreciable capital assets	$ 9,193,722	$ 321,627	$ -	$ 31,800	$ -	$ -	$ 2,302,138	$ 11,849,287
Depreciable:								
Building	$ 7,553,333	$ -	$ -	$ -	$ -	$ -	$ 6,597,322	$ 14,150,655
Equipment, vehicles and furniture	7,355,979	142,811	93,752	494,661	102,996	2,995	170,126	8,363,320
Improvements, other than building	338,138	-	-	388,658	-	-	-	726,796
	15,247,450	142,811	93,752	883,319	102,996	2,995	6,767,448	23,240,771
Less accumulated depreciation	(6,979,237)	(114,840)	(80,376)	(687,754)	(36,927)	(2,995)	(195,007)	(8,097,136)
Total depreciable capital assets	$ 8,268,213	$ 27,971	$ 13,376	$ 195,565	$ 66,069	$ -	$ 6,572,441	$ 15,143,635

Long-term Liabilities

	The College of William & Mary Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Compensated absences	$ 124,615	$ -	$ -	$ 124,615
Notes payable	4,222,623	-	-	4,222,623
Bonds payable	8,090,000	24,994,711	4,908,860	37,993,571
Other liabilities	18,486,385	-	-	18,486,385
Total long-term liabilities	30,923,623	24,994,711	4,908,860	60,827,194
Less current portion	(1,201,111)	(557,411)	(125,794)	(1,884,316)
Total long-term liabilities	$ 29,722,512	$ 24,437,300	$ 4,783,066	$ 58,942,878

Long-term Liabilities

On June 25, 2001, Reliance Holdings, LLC entered into a revolving line of credit agreement with First Union National Bank (now Wells Fargo Bank, NA) in the amount of $2,000,000, which the Foundation guaranteed. The purpose of the line of credit was to fund the initial purchase of the real estate sold to New Town Associates, and to provide working capital to Reliance. As such, most of the loan proceeds have in turn been advanced to the REF, and the majority of the interest on the note is reflected as expenses of the Real Estate Foundation. This line of credit has been increased to $3,000,000 with all principal and accrued interest due and payable on June 29, 2013. Interest only, which accrues daily at the LIBOR market index rate plus 1.35% is payable monthly. The amount outstanding was $2,145,000 at June 30, 2012 and 2011. Interest paid during the years ended June 30, 2012 and 2011, was $34,623 and $34,846, respectively.

During the fiscal year ended June 30, 2009, the Foundation entered into a borrowing arrangement with SunTrust Bank in the amount of $2,636,140 for renovation of the College's Admissions Office. The terms of the loan were revised during the fiscal year ended June 30, 2011. Under the original terms, interest was payable monthly at a fixed rate of 4.43% and principal was payable in two equal annual installments on February 28, 2011 and 2012. Under the revised terms, interest accrues at a rate of 4.99% and is payable monthly. Principal is payable annually over a ten year term, with the final amount due on February 1, 2021. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any affiliates. The balance outstanding on the loan at June 30, 2012 and 2011 was $2,426,419 and $2,636,098, respectively. Interest paid during the fiscal years ending June 30, 2012 and 2011, on the loans was $130,217 and $113,628, respectively.

During the year ended June 30, 2011 the Foundation and CEI entered into a joint borrowing arrangement with SunTrust Bank to fund expansion of the telecommunications system. The agreement provided for loan draws up to the amount of $1,450,000 through August 7, 2011. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. Interest at a rate of 3.97% is payable monthly. Principal is payable annually over a five year term, with the final amount due January 15, 2016. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any affiliates. The amount outstanding at June 30, 2012 and 2011 was $1,182,000 and $1,000,000, respectively. Interest paid during the fiscal years ended June 30, 2012 and 2011, on the loans was $52,196 and $6,948, respectively.

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

Bonds Payable

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

The Series 2006 Bonds bore a stated maturity date, subject to prior redemption or purchase, of December 1, 2036. The Foundation and CWMF Ventures redeemed in full the Series 2006 Bonds on January 16, 2012 with the proceeds from a revenue refunding bond as described below. The remaining unamortized discount on the original sale of the Series 2006 Bonds in the amount of $34,350 was expensed. The recorded amount of the Series 2006 Bonds outstanding at June 30, 2012 and 2011, was $0 and $8,055,650, respectively, based on the original purchase price to the underwriter of the Series 2006 Bonds. The face value of Series 2006 Bonds outstanding at June 30, 2012 and 2011, was $0 and $8,090,000, respectively. As the Series 2006 Bonds bore interest at a floating rate which was reset weekly, fair value of the Series

2006 Bonds was approximately their face value. Interest paid to bondholders for the years ended June 30, 2012 and 2011, was $22,253 and $57,561, respectively.

The Series 2006 Bonds were also secured by an irrevocable direct pay letter of credit issued by SunTrust Bank. The initial expiration date of the letter of credit was December 31, 2009, unless extended, renewed or otherwise terminated under the applicable letter of credit documents among SunTrust bank, the Foundation and CWMF Ventures. The terms of the letter of credit provided for automatic one-year extensions through December 31, 2036, unless SunTrust provided at least two years notice of its intent to terminate. SunTrust provided such notice that the letter of credit would expire December 31, 2011. The expiration date was subsequently extended to April 1, 2012. The terms of the letter of credit also required the Foundation at all times to maintain unrestricted and temporarily restricted net assets equal to at least 200% of the Foundation's total indebtedness, or such lesser amount as may be agreed by SunTrust Bank. Draws on the letter of credit for the purpose of purchasing any of the Series 2006 Bonds were secured by the pledge of all right, title and interest in those Series 2006 Bonds. Unreimbursed draws under the letter of credit bore interest at the rate of LIBOR plus 1.50% per annum. During the years ended June 30, 2012 and 2011, draws were made, in the normal course, on the letter of credit per the bond and letter of credit documents in order to pay interest to Series 2006 Bondholders. The letter of credit and related documents were terminated in January 2012 in connection with the redemption of the Series 2006 Bonds. The total interest paid on the letter of credit during the fiscal years ended June 30, 2012 and 2011, was $0. As of June 30, 2012 and 2011, there was no amount outstanding under the letter of credit. The total available under the letter of credit was based on the amount of Bonds outstanding, plus 40 days interest at 10%. The total amount of the letter credit was $0 and $8,179,889 as of June 30, 2012 and 2011, respectively, and the entire amount was available to draw.

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

During the fiscal year ended June 30, 2009, the Foundation executed an interest rate swap on a $7,000,000 notional amount. The Foundation used this interest-rate derivative instrument to manage its interest rate exposure on a portion of the Series 2006 Bonds. The Foundation does not enter into derivative instruments for any purpose other than to mitigate the impact of changes in interest rates on its cash flows. The Foundation made monthly payments at a fixed annual rate of 2.05%, and received monthly payments at a floating rate based on 67% of the one month LIBOR. The interest rate swap was terminated in December 2011 at a cost of $534,580. The fair value of the interest rate swap was $0 and $671,976 at June 30, 2012 and 2011, respectively.

Commitments and Contingencies

On August 21, 2002, New Town Associates entered into a borrowing agreement with SunTrust Bank with a limit of $5,000,000. The facility was revised in September 2004, December 2006, and October 2009 and was replaced in November 2011. The amount available under the agreement could be used for loans and for letters of credit. Interest rate on the facility was of the 30-day LIBOR plus 2.50%, with a minimum of 3%. The Foundation guaranteed up to $2,500,000, and members of the C.C. Casey Limited Company (the "Casey Group") guaranteed up to $2,500,000. Outstanding loan balances of $0 and $2,300,000 existed as of June 30, 2012 and 2011, respectively. Letters of credit outstanding under this facility at June 30, 2012 and 2011, were $0 and $1,623,750, respectively. The letters of credit were issued to guarantee the completion of site improvements as required by James City County. Upon completion of those improvements, these letters of credit were terminated, with no residual liability. No draws had been made on the letters of credit as of June 30, 2012 and 2011.

During the fiscal year ended June 30, 2012 New Town Associates entered into two financing arrangements, with Chesapeake Bank and SunTrust Bank, to replace its borrowing agreement with SunTrust. The Chesapeake Bank agreement is a $3,000,000 line of credit available for the issuance of loans and letters of credit, and is secured by a lien on New Town Associates' commercial land and improvements, as well as the assignment of rents, profits and leases. This facility bears an interest rate of 5.5%, and matures November 22, 2015. The Foundation guarantees 50% of the balance of the Chesapeake facility, not to exceed $1,500,000. As of June 30, 2012 the principal amount outstanding under this note was $2,192,526. Letters of credit outstanding under this facility totaled $606,000 at June 30, 2012. The SunTrust Bank agreement is a $2,000,000 unsecured line of credit available for the issuance of loans and letters of credit. The SunTrust facility bears an interest rate equal to the three-month LIBOR Rate plus 2.50% with a minimum of 3%, and matures on October 31, 2013. Each of the Foundation and the Casey Group guarantees the full amount outstanding under the facility. However, a separate mutual indemnity agreement has been executed between the guarantors whereby each of the Foundation and the Casey Group will reimburse the other should the amount paid by a guarantor group in connection with the guaranty exceed 50%. As a result the Foundation's ultimate liability under the guaranty is limited to 50%. As of June 30, 2012 the principal amount of loans outstanding under the SunTrust agreement was $129,911. Letters of credit outstanding under this agreement totaled $1,398,950 at June 30, 2012.

WILLIAM AND MARY BUSINESS SCHOOL FOUNDATION

Commitments and Contingencies

On January 31, 2007, the Foundation entered into a Development Agreement and a Reimbursement Agreement (Agreements) with the College of William and Mary (College), in connection with the construction and equipping of a new academic building, Alan B. Miller Hall, for the College's Mason School of Business (Project). The total cost of the Project was approximately $75 million. In order to finance the cost of construction and equipping the building, two bond series were issued by the College – 2008 Series A bonds for $23,6050,000, and 2009 Series A bonds for $23,650,000.

By the terms of the Reimbursement Agreement, 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 and fees of any financial institution providing credit support. In addition, the Foundation has pledged as security for the payments all of its assets that are not subject to donor or other legal restrictions, as defined in the Reimbursement Agreement.

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

The 2009 Series A bonds have a seven-year term, with principal payments due annually beginning in 2012 and interest payments due biannually. The Foundation paid to the College $864,608 in interest payments and $4,280,000 in principal during 2012.

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% with adjustments beginning in 2016 and every 5 years thereafter at 70% 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 Dinwiddie, Virginia.

WILLIAM & MARY REAL ESTATE FOUNDATION

Tribe Square

During 2010, the Foundation began development of properties held and referred to as Tribe Square. The development consists of two properties already held by the foundation, and three properties that were transferred to the Foundation from the College on July 16, 2010. This transfer is included in the statement of activities as transfers from the College of William & Mary in the amount of $245,000.

The properties are being developed into a mixed use property known as Tribe Square, which consists of one floor retail space and two floors student housing. Construction was completed during 2012 and the building was put into service. The Foundation entered into a commercial management agreement dated December 6, 2010 with an agent to manage the property on behalf of the Foundation. The agreement is for one-year term beginning on August 1, 2011 and ending on July 31, 2012, and continuing on an annual basis unless and until terminated by either party. The services to be provided by the agent include the operation and maintenance of the property, as well as financial duties as defined in the agreement. The management fee paid to the agent will be $ 20,940 per annum. At year-end, the Foundation has executed four lease agreements for tenants in the first floor retail area. The student housing space is being leased to the College.

Bonds Payable

The Foundation closed a tax-exempt student housing facilities revenue bond, dated September 16, 2011. The bond was issued through the Economic Development Authority of the City of Williamsburg for a principal amount of $5 million. The proceeds of this bond were used to finance the costs to acquire, construct, and equip the student apartment portion of Tribe Square, and pay certain expenses of issuing the bond. The bond is secured by the rents and revenues of Tribe Square, and the property itself.

The rate of interest on this bond is 3.75% per annum. The principal balance of this bond is being amortized over the twenty-five year term of the bond, with equal payments of principal and interest in the amount of $25,855.44 due monthly, commencing on October 16, 2011. The outstanding principal balance is $4,908,860 at June 30, 2012.

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

14. 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 $35,556,293 for the year ended June 30, 2012. Total payroll costs were $131,779,152 for the year ended June 30, 2012.

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 $2,401,553 for the year ended June 30, 2012. These contributions represent approximately 6.75 percent of covered payroll for the period July 2011 to June 2012.

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, 2012. The same report contains historical trend information showing VRS progress in accumulating sufficient assets to pay benefits when due.

Optional Retirement Plan

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

Individual contracts issued under the plan provide for full and immediate vesting of contributions of the College of William and Mary and Richard Bland College and their employees. Total pension costs under this plan were $7,302,997 for the year ended June 30, 2012. Contributions to the optional retirement plans were calculated using the base salary amount of $71,310,597 for fiscal year 2012. The College of William and Mary and Richard Bland College's total payroll for fiscal year 2012 was $131,779,152.

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 $755,359 for fiscal year 2012.

15. 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.

16. 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, 2012, 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.

17. 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.

18. SUBSEQUENT EVENTS

In November of 2012, the Virginia College Building Authority (VCBA) issued Series 2012B Educational Facilities Revenue Bonds in which the College of William and Mary was a participating institution. The College received $7,205,000 in proceeds to finance the expansion of the Sadler Center. The bonds were issued with interest rates varying from 3 percent to 5 percent and will mature in 20 years.

In March of 2013, the College of William and Mary issued Series 2013A, 9(c) General Obligation Bonds through the Treasurer of Virginia in the amount of $13,430,000. Proceeds from these bonds will be used to continue construction of a new dormitory and for dormitory renovations. The bonds were issued with interest rates varying from 2 percent to 5 percent and will mature in 20 years.

Also in March of 2013, the Treasury Board completed the sale of General Obligation Refunding Bonds, Series 2013B. The bonds were issued to provide funds to refund 2005 and 2006 dormitory renovations and dining hall projects. The aggregate debt service savings for the College's 9(c) projects was $403,772.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

April 9, 2013

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
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 Virginia Institute of Marine Science and Richard Bland College (the College), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2012, 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 previously 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, 2012, 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.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2013, 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.

Martha S. Mosher

AUDITOR OF PUBLIC ACCOUNTS

LJH/clj

The College of William and Mary in Virginia
Richard Bland College

June 30, 2012

The Board of Visitors

Student Representatives

Kaveh Sadeghian - College of William and Mary
Emily R. Michalek - Richard Bland College

Faculty Representatives

Alan J. Meese - College of William and Mary
Stephen E. Martin - Richard Bland College

OFFICERS OF ADMINISTRATION

The College of William and Mary in Virginia

W. Taylor Reveley III, President
Michael R. Halleran, Provost
Virginia M. Ambler, 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
LeAnn Binger, Provost and Dean of Faculty
Russell E. Whitaker, Jr., Vice President of Administration and Finance