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, 2011

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
RICHARD BLAND COLLEGE

ANNUAL FINANCIAL REPORT 2010 - 2011

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 statement designed to assist readers in understanding the financial statement information presented. The following information includes a comparative analysis between the current fiscal year ending June 30, 2011 and the prior year ending June 30, 2010. 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 2011. College management has prepared the MD&A, along with the financial statements and footnotes, and is responsible for all of the information presented.

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

The financial statements of the College of William and Mary are consolidated statements that include the College, the Virginia Institute of Marine Science (VIMS) and Richard Bland College. All three entities are agencies of the Commonwealth of Virginia reporting to the Board of Visitors of the College of William and Mary and are referred to collectively as the "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.

<u>Financial Summary:</u>

<u>Statement of Net Assets</u>

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, 2011. 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 2011	FY 2010	Dollar Change	Percent Change
Assets:				
Current	$58,698,066	$54,428,974	$4,269,092	7.84%
Capital, net of accumulated depreciation	701,308,876	665,733,120	35,575,756	5.34%
Other non-current	110,252,618	93,265,295	16,987,323	18.21%
Total assets	870,259,560	813,427,389	56,832,171	6.99%
Liabilities:				
Current	72,306,301	70,086,536	2,219,765	3.17%
Non-current	222,179,900	216,702,892	5,477,008	2.53%
Total liabilities	294,486,201	286,789,428	7,696,773	2.68%
Net Assets:				
Invested in capital assets, net of related debt	485,065,444	462,086,648	22,978,796	4.97%
Restricted	70,630,862	56,216,999	14,413,863	25.64%
Unrestricted	20,077,053	8,334,314	11,742,739	140.90%
Total net assets	$575,773,359	$526,637,961	$49,135,398	9.33%

The overall result of the College's fiscal year 2011 operations was an increase in net assets of approximately $49.1 million or 9.3 percent to $575.7 million. The increase in net assets occurred in the categories of capital net assets ($22.9 million), restricted nets assets ($14.4 million) and unrestricted net assets ($11.7 million). In addition to the College's net assets as shown above, net assets for the College's affiliated foundations totaled $618.4 million.

The $22.9 million increase in capital net assets, net of related debt, reflects the extensive and continuing capital construction activity at the College. In general, the increase reflects the completion and continuing construction of major capital projects including the Martin Family Stadium, Cohen Career Center, a research equipment storage facility and continuing dormitory renovations. 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 $4.3 million primarily as a result of an overall increase in cash and cash equivalents and sponsored research receivables offset by decreases 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 Capital Assets reflects both the construction in progress and capitalization of facilities upon completion. 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 and the current portion of long-term liabilities, (primarily bonds for capital construction) offset by decreases in accounts payable and accrued expenses. 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 2011	FY 2010	Dollar Change	Percent Change
Operating revenues	$242,417,920	$231,383,476	$11,034,444	4.77%
Operating expenses	337,426,850	319,809,418	17,617,432	5.51%
Operating gain/(loss)	(95,008,930)	(88,425,942)	(6,582,988)	-7.44%
Net Non-operating revenues	101,912,686	85,592,183	16,320,503	19.07%
Income/(loss) before other revenues	6,903,756	(2,833,759)	9,737,515	343.63%
Net other revenues	42,231,642	70,049,118	(27,817,476)	-39.71%
Increase in net assets	$49,135,398	$67,215,359	($18,079,961)	-26.90%

Overall, the result from operations was an increase in net assets of $49.1 million. This increase was attributable to increases in Operating and Non-Operating Revenues offset by an increase in operating expenses and a decrease in Net Other Revenues.

The increase in operating revenues was driven by primarily by an increase in tuition and fees. See the following section of Summary of Revenues for further details.

Operating expenses increased notably in the four programs of Operation and Maintenance of Plant, 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. This year, the inclusion of $9.9 million in American Recovery and Reinvestment Act fiscal stabilization funds, along with increases in investment income and state appropriations contributed to the increase in Income before Other Revenues from last fiscal year.

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

Summary of Revenues

	FY2011	FY2010	Dollar Change	Percent Change
Operating Revenues:				
Student Tuition and Fees, net of scholarship allowances	$122,740,797	$109,550,545	$13,190,252	12.04%
Federal, State, Local and Non-governmental grants and contracts	44,115,237	44,421,557	(306,320)	-0.69%
Auxiliary Enterprise, net of scholarship allowances	71,794,030	72,123,193	(329,163)	-0.46%
Other	3,767,856	5,288,181	(1,520,325)	-28.75%
Total Operating Revenues	242,417,920	231,383,476	11,034,444	4.77%
Non-Operating:				
State Appropriations	67,058,280	65,199,453	1,858,827	2.85%
Gifts, Investment Income and other income and expenses	34,854,406	20,392,730	14,461,676	70.92%
Total Non-Operating	101,912,686	85,592,183	16,320,503	19.07%
Capital Revenues, Gains and (Losses):				
Capital Appropriations	29,139,531	61,739,195	(32,599,664)	-52.80%
Capital Grants and Gifts	13,092,111	8,309,923	4,782,188	57.55%
Total Capital Revenues, Gains and (Losses)	42,231,642	70,049,118	(27,817,476)	-39.71%
Total Revenues	$386,562,248	$387,024,777	($462,529)	-0.12%

Within the operating revenue category, student tuition and fees increased $13.2 million, net of scholarship allowances, reflecting the increase approved by the Board of Visitors in the Spring of 2010. The increase in Federal grants was offset by reductions in non-governmental funding for research for a slight decrease overall.

The significant increase in Gifts, Investment Income etc. were attributable to increases in investment income and the increase of American Reinvestment and Recovery Act fiscal stabilization funds.

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 2011	FY 2010	Dollar Change	Percent Change
Operating Expenses:				
Instruction	$94,581,663	$87,750,852	$6,830,811	7.78%
Research	47,796,508	49,614,313	-1,817,805	-3.66%
Public Service	52,740	37,343	15,397	41.23%
Academic Services	27,596,836	24,249,035	3,347,801	13.81%
Student Services	11,017,209	9,838,049	1,179,160	11.99%
Institutional Support	26,503,476	24,690,454	1,813,022	7.34%
Operation and Maintenance of Plant	27,551,256	20,462,323	7,088,933	34.64%
Student Aid	14,875,398	16,228,868	-1,353,470	-8.34%
Auxiliary Enterprise	63,901,228	63,878,264	22,964	0.04%
Depreciation	22,951,758	21,946,305	1,005,453	4.58%
Other Operating Expenses	598,778	1,113,612	-514,834	-46.23%
Total Operating Expenses	$337,426,850	$319,809,418	$17,617,432	5.51%

For fiscal year 2011, operating expenses increased notably in the five programs; Operation and Maintenance of Plant, Instruction, Academic Support, Institutional 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

	FY2011	FY 2010	Dollar Change	Percent Change
Cash Flows from:				
Operating Activities	($72,253,252)	($67,429,309)	($4,823,943)	-7.15%
Non-capital Financing	99,232,682	85,976,152	13,256,530	15.42%
Capital Financing	(15,332,663)	(15,397,669)	65,006	0.42%
Investing Activities	10,492,973	(7,214,692)	17,707,665	245.44%
Net Increase in Cash	$22,139,740	($4,065,518)	$26,205,258	644.57%

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 2011 were tuition and fees ($116.2 million), state appropriations ($67.1 million), auxiliary enterprise revenues ($71.8 million) and research grants and contracts ($45.8 million).

The primary uses of operating cash in fiscal year 2011 were payments to employees ($189.7 million) representing salaries, wages and fringe benefits and payments to suppliers of goods and services ($89.9 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 2011 were proceeds from capital appropriations ($33.2 million), bond sales ($22.9 million) and capital grants and gifts

($12.9 million). The primary use of cash was for capital expenditures ($64.7 million) and debt payments ($19.7 million).

Capital Asset and Debt Administration

The College of William & Mary

General – Four projects entered into service during FY 2011. The value of these projects is $28.0 million which includes two multi-year dorm umbrellas valued at $17.1 million. The projects actually completed during the FY are valued at $11.9 million as listed below:

- Dupont Hall Structural Repairs - (College funded - $ 925,000 - Phase 1 of 3)
- Martin Family Stadium (Donor funded - $2,968,000)
- Sherman and Gloria H. Cohen Career Services Center (Donor funded - $7,878,000)
- Sorority House #5 Fire Alarm Replacement (College funded - $ 206,000 – Dorm Umbrella 17811).

Two of the projects (Dupont Phase 1 and Sorority House #5) constitute major maintenance with a focus on life safety. The remaining two are the Career Services Center, one of three standalone career services facilities in the nation, and Martin Family Stadium which supports men's and women's soccer and women's lacrosse programs. The Career Services Center affords a dedicated facility for students to investigate career fields throughout their time at the College and to actively engage recruiters to gain employment upon graduation. The facility will provide a two story reception area, a resource library, a presentation room, interview rooms for recruiters and office space for career counselors – all in a critical campus location which places career services in the very center of student circulation rather than at the periphery of the daily activities. The facility is designed to showcase the excellence of our graduates in a setting which can compete for and command the attention of employers by virtue of its functionality, efficiency and convenience. Our athletic entry, Martin Family Stadium, represents a quantum leap in the caliber of our competition venues yet is both practical and convenient for players and fans. The common characteristic of all projects is found in funding, not construction characteristics, as all funds were provided either by the College or private donors. For the first time in recent memory, state funding did not support projects delivered during the fiscal year which is symptomatic of the fiscal climate.

Thirteen projects are currently in the design process. Ten projects are in construction. Four projects upgrade residence and dining halls; three renew/augment critical infrastructure; two renew academic centers and one constructs an auxiliary facility at a separate historic site. The residence life projects consist of major building system repairs to dormitories and a dining hall with a focus on structural repairs to building envelopes, fire safety upgrades and/or mechanical replacements. The second category of infrastructure is critical, core program as the College renovates a steam generation plant, constructs a contiguous, centralized chilled water generation facility and installs new distribution from each to twenty-seven buildings in our historic campus. 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. The academic centers feature the addition to and renovation of Small Hall, our Physics and Applied Science facility. A south addition provides vibration free "heavy" labs with sufficient power and associated cooling to dissipate the heat generated by the power in order to support graduate level research featuring cutting edge laser technology in partnership with private industry. A separate west addition provides space for testing apparatus fabrication and assembly which is essential to attracting and securing grant support. It is a significant enhancement which enables competing and winning in the intense competition for limited grants funds. The renovation of the original building will provide additional basement level heavy labs, teaching labs/classrooms for undergraduates and sufficient office space for a staff that has grown from 31 to 156 in the 46 years since original construction. The second academic project is a basic building systems renewal of Andrews Hall, home to Art and Art History, which will repair structural masonry defects and will bring mechanical, electrical, fire sprinkler and associated controls into compliance with current building codes to ensure systems operability and occupant safety. Available funds are insufficient to alter building programming. The final project constructs an educational/presentation facility disguised as a 19th century barn at Ash Lawn Highlands, the home of President James Monroe, which was bequeathed to the College. These projects will be quickly delivered in rapid succession during FY 2012.

Three projects are under design. They are the building systems renovation of the Brafferton, the design of a New Fraternity Complex and the renovation of Tucker Hall. The first, the Brafferton, is 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. The second, the New Fraternity Complex will provide eleven seventeen-bed fraternity houses and a community building in the heart of our student dormitories on West Campus. This will provide 187 beds to house an expanding undergraduate population, and will integrate the Greek Community into the heart of the student residential housing. The final design is the renovation of the 1909 era Tucker Hall which houses the English Department. 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 is at the preliminary stage and has been paused since January, 2010 to await approval of funds to complete construction drawings and execute construction. Funds were appropriated and then withdrawn following the downgrade of the Federal credit rating. The College has applied for restoration of design funds to ensure project momentum, project team continuity and the current favorable bid climate are not put at risk.

Construction projects which will conclude in FY 12 are:

- Andrews Hall Renovation
- Ash Lawn Barn
- Commons Dining Basement Renovation
- Cooling Plant Addition & Utilities Improvements
- Emergency Generators
- Small Hall Additions/Renovations

A new Six Year Plan for the 2012-2018 period was submitted in May. Priorities for the 2012 -2014 biennium are, in order, uninterrupted design and construction of Tucker Hall, the initiation of design of Integrated Science Center 3 and the design of Tyler Hall Renovation. It should be noted that the College is in a significant transition period functionally and fiscally as new construction yields to renovation of existing facilities, and funding support has shifted significantly, of necessity, toward College and donor support during this period of fiscal recession and recovery.

<u>Virginia Institute of Marine Science:</u>

Major Projects as of June 30, 2011:

Project	Total Project Expenditures (in Thousands $)	Project Budget (in Thousands $)
New Construction: Marine Research Building Complex	$31,134	$31,214
Acquisition: Master Plan Properties	603	1,100
Acquisition: Wachapreague Property	733	744
Acquisition: (Va. Est. & Coastal Research Res.)	193	350
Acquisition: Acquire Additional Property CBNERRVA	12	1,491
IMP: Information Technology Infrastructure	1,200	1,200
New Construction: Field Support Center	2,000	2,000
New Construction: Construct Concrete Pier	1,450	1,450
IMP: Electrical Upgrades	196	268
REN: Maury Hall	0	2,000
New Construction: Research Storage Facility	564	641

Shoreline Erosion Control	1,200	1,200
REPL: Eastern Shore Seawater Laboratory	2,857	3,675
	$42,142	$47,333

The Marine Research Building Complex is comprised of two buildings and 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. The construction portion of the project is 100% complete. Installation of a second seawater line is underway. Once completed, the project will be closed.

The Property Acquisitions project has four appropriations for property: at the Gloucester Point and Wachapreague campuses, the Virginia Estuarine & Coastal Research Reserve program and the Chesapeake Bay National Estuarine Research Reserve in Virginia program. VIMS purchased one property adjacent to the Gloucester Point campus in May 2004 and the appropriation "Acquisition: Master Plan Properties" remains open to purchase other properties that are contiguous to the VIMS campus as they become available. VIMS purchased 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 is currently in the process of negotiating the purchase price of the Catlett Islands with the owner, Timberneck, L.L.C.

The Information Technology Infrastructure project involved the modernizing of VIMS' information technology infrastructure to meet increasing demands for information exchange including systems to carry voice, data, and video. The entire existing copper network has been replaced with new high speed fiber optics. Construction to improve the air conditioning and power requirements in the Watermen's Hall network server room was completed. New servers were purchased. Along with networking Andrews Hall and the Seawater Research Laboratory, VIMS extended 24x7 networking capability to existing campus buildings such as Chesapeake Bay Hall and the Fisheries Science Laboratory. Redundant fiber optic cable to complete the loop at Andrews Hall, re-routing the fiber optic cable in the boat basin area, and move remaining equipment and cabling into the new network operations center in Watermen's Hall has been completed. The project was closed in June 2011.

The Field Support Center project involved the construction of a 10,000 square foot field support center on the Gloucester Point Campus. This facility replaced the former vessel operations and field support infrastructure that was severely damaged as a result of Hurricane Isabel. The building was occupied in May 2010. The project was closed in June 2011.

The Concrete Pier project replaced a damaged wooden pier with a new concrete pier on the VIMS Gloucester Point shoreline. This pier contains pumps and intake lines that provide 800 gallons per minute of treated seawater. A concrete pier ensures that VIMS' seawater supply is safe from most hurricane force storms. The elevation of the pier is set at 10.5 feet above mean low water. The project was completed in December 2009.

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 is substantially complete and was inspected by the William & Mary Code Review Team and the state fire marshal in June 2011. The certificate of occupancy was granted in December 2011.

The Shoreline Erosion Control project supported the construction of eight new rip rap breakwaters, extension of two rip rap revetments, construction of a rock spur, construction of a rock groin near the mouth of the channel to the boat basin, the extension of several pipe outfalls further into the York River, replenishment of sand along the entire shoreline, creation of small dunes along the west shoreline and planting of riparian vegetation on both shorelines at the Gloucester Point campus. The project was completed in April 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. The Eastern Shore Lab is used by many VIMS and visiting researchers. The project was substantially completed in February 2012.

Richard Bland College

Major Projects in Progress at June 30, 2011:

	Expenditures To Date
Humanities & Social Science Building Roof	$ 54,507
Student Center Renovation	123,419
Total	$ 177,926

Construction of the Humanities and Social Sciences Building Roof began in June 2011. With the effects of Hurricane Irene, construction on the roof project was delayed. The anticipated date of completion is November 2011. The Student Center Renovation is in its early stages of construction. The anticipated date of completion is during FY 2013.

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, 2011 the College has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of $41.4 million and $160.0 million respectively.

The outstanding balance of 9(c) bonds can be summarized in five major categories as follows: 1) Renovation of Dormitories ($21.5 million), 2) Commons Dining Hall ($7.9 million), 3) Other housing / residence ($5.9 million), 4) New Dormitory ($2.0 million), and 5) University Center ($1.6 million). The majority of the 9(d) balance at June 30, 2011 is related to the new school of business building, Miller Hall, ($44.8 million), the Barksdale dormitories ($22.8 million), Cooling Plant ($22.5 million), Integrated Science Center ($17.5 million) and the Parking Deck ($10.4 million).

The College anticipates issuing $14.4 million in bonds during fiscal year 2012 for a new dormitory. For more information on the College's long-term debt, see Note 10 of the Notes to the Financial Statements.

Economic Outlook

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

Our ability to recruit, admit and retain top-caliber students remains excellent even as we compete against the most selective public and private institutions in the country. Freshman applications to the College reached a new high of 12,825 for Fall 2011. The credentials of our admitted students remain stable, reflecting the highly selective nature of the College. These statistics, coupled with the College's academic reputation, suggest a strong continuing student demand for the future.

The rebound in endowment value that began in FY 2010 continued through FY 2011. By June 30, 2011 the consolidated value of endowments held by all of the various entities supporting the College and its programs totaled $624.7 million, an increase of 15.8% for the year, and a record high for the College. Strong investment performance across a diversified portfolio combined with the College's on-going development efforts supported this result. While the market has retrenched over the past several months, investment performance relative to benchmark is good.

The College continued to improve its facilities in 2011 with the opening of the School of Education and the Sherman and Gloria Cohen Career Center. Construction of the School of Education was primarily funded by the Commonwealth and allowed the College to consolidate the School's activities into a single facility. State-of-the-art classrooms combined with expanded meeting and program space support both the instructional and outreach missions of the School. The privately funded Cohen Career Center provides quality space at its prime location adjacent to the Sadler Center and Zable Stadium. Its impact has been immediate with student contacts increasing 54% in the first year.

As a public institution, the College receives significant financial support from the Commonwealth of Virginia in the form of operating and capital construction appropriations. As such, the College is directly impacted by changes in the State's financial outlook. Since 2008, the Commonwealth has significantly reduced its support for College operations. While Federal stimulus funding allowed the College to partially defer the programmatic impact of reduced state support in FY 2011, the College is feeling the full impact of these reductions in FY 2012, addressing these reductions through a combination of expenditure reductions and revenue offsets. Supplementing State funds with additional tuition and private fund support, the College continues to protect its core academic programs' quality and integrity while providing incremental support for student financial assistance to ensure access for all qualified students.

The College's overall financial and managerial strength was independently verified as it went through the bond rating process with Standard and Poor's in August 2005. This independent evaluation of the College considered all aspects of its operations and resulted in Standard and Poor's assigning the College an "AA" bond rating. In Summer 2008 and again in September 2010, Standard and Poor's reaffirmed the "AA" bond rating for the College citing strong student quality and demand, consistent financial performance and solid fund-raising and endowment.

In the short-term, Fiscal year 2012 operating budgets approved by the Board of Visitors allow the College to address the full impact of base reductions in state funding. At the same time, budgets approved by the Board and the College of William and Mary Foundation continue to make targeted investments to move the institution forward. The College is using all available revenue sources to support its various programs and activities while reducing budgets where appropriate.

Long-term planning is taking center stage as the College updates its strategic plan and responds to new state planning requirements. On July 1 the College submitted to the Commonwealth an initial draft of a Six-Year Plan developed in response to the recently passed Higher Education Opportunity Act of 2011. This initial draft was discussed with a state-wide review committee, and a revised draft was then approved by the Board of Visitors on September 23 and submitted to the Commonwealth.

The Six-Year Plan recognizes William and Mary's unusual place in the Commonwealth's system of higher education as an internationally recognized educational asset of the Commonwealth. As noted previously, Governor McDonnell's Higher Education Commission stated "*the Commonwealth's commitment…to having a distinctive 'public ivy' at William and Mary"*.

The College's Six-Year Plan is rooted in this commitment, the goals set out in William and Mary's own Strategic Plan, and the objectives of the Higher Education Commission. Beginning in 2008, the College embarked on comprehensive strategic planning. The result has been a "living" roadmap, updated annually and endorsed by the Board of Visitors, defining where the College needs to go and how best to get there. The Six-Year Plan brings together our public ivy nature, reflected in our strategic plan, with the State's goals.

The plan acknowledges that the Commonwealth will continue to play an important role in the College's future, providing both operating and facilities support. However, we do not expect that the State will restore those funds lost since 2008. Competing pressures for resources, and a state revenue base that is driven solely by economic factors, will limit the dollars available to higher education. As a result, College-generated revenue, private support, and a focus on cost-effective service delivery must provide the resources necessary to our success.

The College remains committed to its small size and human scale. Enrollment growth over the next six years will be limited while the College maintains its long-standing commitment to the Commonwealth of an undergraduate student body that is at least 65% in-state.

Priority expenditures within the plan reflect the College's commitment to people—students, faculty and staff. Given the lack of salary increases over the past several years and a growing gap from our benchmark institutions, support for faculty and staff salaries is the College's highest priority. Undergraduate student financial aid is our second highest priority followed by support for the increased enrollment, the marine science minor, and graduate financial aid.

As noted above, the College's Six-Year Plan is informed by two factors: 1) W&M's unique characteristics within the Commonwealth's system of higher education, reflected in the College's on-going strategic plan; and 2) objectives included in the Higher Education Opportunity Act of 2011. The College's particular educational qualities, offering a "public ivy" education focused on engaged learning, offers an invaluable source of developing the state's (and country's) future leaders in every walk of life, from business to law, politics to finance, education to medicine. As we look to the future we build on that foundation of excellence while remaining cognizant of the state-wide objectives included in the Higher Education Opportunity Act of 2011.

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, 2011

ASSETS	Colleges	Component Units
Current assets:		
Cash and cash equivalents (Note 3)	$ 23,546,173	$ 21,018,789
Investments (Note 3)	14,866,351	777,423
Appropriation available	250,052	-
Receivables, net of allowance for doubtful accounts (Note 5)	14,635,098	1,118,902
Notes receivable (Note 5)	6,685	-
Due from commonwealth	3,514,226	-
Inventories	477,837	42,284
Pledges receivable	-	6,564,440
Prepaid expenses	1,275,375	631,612
Other assets	126,269	180,367
Total current assets	58,698,066	30,333,817
Non-current assets:		
Restricted cash and cash equivalents (Note 3)	37,701,365	23,472,064
Restricted investments (Note 3)	67,677,398	432,773,164
Investments (Note 3)	1,682,082	12,734,875
Notes receivable, net of allowance for doubtful accounts (Note 5)	3,191,773	-
Pledges receivable	-	11,779,380
Capital assets, nondepreciable (Note 6)	131,492,353	16,838,791
Capital assets, depreciable net of accumulated depreciation of $323,030,981 (Note 6)	569,816,523	32,235,897
Other assets	-	1,359,919
Other restricted assets	-	120,224,846
Total non-current assets	811,561,494	651,418,936
Total assets	870,259,560	681,752,753
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	34,393,464	2,231,581
Deferred revenue	13,214,730	1,561,001
Deposits held in custody for others	2,616,923	-
Obligations under securities lending program	17,467	-
Long-term liabilities-current portion (Note 9)	21,195,867	9,702,949
Short term debt	-	2,635,000
Other liabilities	867,850	125,904
Total current liabilities	72,306,301	16,256,435
Long-term liabilities-non-current portion (Note 9)	222,179,900	47,079,735
Total liabilities	294,486,201	63,336,170
NET ASSETS		
Invested in capital assets, net of related debt	485,065,444	13,091,887
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	17,398,703	84,011,413
Research	-	4,073,838
Loans	-	24,230
Departmental uses	28,872,714	115,078,616
Other	-	164,317,559
Expendable:		
Scholarships and fellowships	7,500,312	68,455,192
Research	-	2,651,777
Debt service	490,608	-
Capital projects	2,117,580	11,211,170
Loans	715,430	50,530
Departmental uses	13,535,515	107,038,109
Other	-	17,364,281
Unrestricted	20,077,053	31,047,981
Total net assets	$ 575,773,359	$ 618,416,583

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, 2011

	Colleges	**Component Units**
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $26,116,396	$ 122,740,797	$ -
Gifts and contributions	-	11,450,493
Federal grants and contracts	36,219,589	-
State grants and contracts	2,182,455	-
Local grants and contracts	242,609	-
Nongovernmental grants and contracts	5,470,584	-
Auxiliary enterprises, net of scholarship allowances of $12,193,101	71,794,030	-
Other	3,767,856	13,747,960
Total operating revenues	242,417,920	25,198,453
Operating expenses: (Note 11)		
Instruction	94,581,663	4,108,977
Research	47,796,508	575,031
Public service	52,740	727,282
Academic support	27,596,836	5,022,099
Student services	11,017,209	1,041,695
Institutional support	26,503,476	11,552,315
Operation and maintenance of plant	27,551,256	843,716
Student aid	14,875,398	6,553,103
Auxiliary enterprises	63,901,228	626,313
Depreciation	22,951,758	1,480,448
Other	598,778	17,305,971
Total operating expenses	337,426,850	49,836,950
Operating loss	(95,008,930)	(24,638,497)
Non-operating revenues/(expenses):		
State appropriations (Note 12)	67,058,280	-
Gifts	16,658,442	-
Net investment revenue	11,264,072	55,749,485
Pell grant revenue	5,236,416	-
ARRA State Fiscal Stabilization Funds	9,848,216	-
Interest on capital asset related debt	(8,266,767)	(76,660)
Other non-operating revenue	584,079	30,173,107
Other non-operating expense	(470,052)	(962,229)
Net non-operating revenues	101,912,686	84,883,703
Income/(loss) before other revenues, expenses, gains or losses	6,903,756	60,245,206
Capital appropriations	29,139,531	-
Capital grants and contributions	13,204,155	4,413,912
Loss due to fire (Note 6)	(112,044)	-
Additions to permanent endowments	-	8,347,754
Net other revenues, expenses, gains or losses	42,231,642	12,761,666
Increase in net assets	49,135,398	73,006,872
Net assets - beginning of year, restated (Note 2)	526,637,961	545,409,711
Net assets - end of year	$ 575,773,359	$ 618,416,583

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, 2011

Cash flows from operating activities:	
Tuition and fees	$ 116,218,077
Scholarships	(11,956,082)
Research grants and contracts	45,814,448
Auxiliary enterprise charges	71,845,891
Payments to suppliers	(89,944,033)
Payments to employees	(189,678,246)
Payments for operation and maintenance of facilities	(15,454,875)
Loans issued to students and employees	(648,071)
Collection of loans to students	430,220
Other receipts	1,119,419
Net cash used by operating activities	(72,253,252)
Cash flows from noncapital financing activities:	
State appropriations	67,058,280
Gifts	16,658,442
Agency receipts	4,523,970
Agency payments	(4,397,039)
PLUS loans receipts	45,237,157
PLUS loans disbursements	(45,237,157)
Other nonoperating revenue	15,859,081
Other nonoperating expenses	(470,052)
Net cash provided by noncapital financing activities	99,232,682
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	22,891,629
Capital appropriations	33,179,575
Capital grants and contributions	12,877,271
Insurance payments	102,375
Capital expenditures	(64,670,246)
Principal paid on capital-related debt	(10,851,754)
Interest paid on capital-related debt	(8,903,052)
Proceeds from sale of capital assets	41,539
Net cash used by capital and related financing activities	(15,332,663)
Cash flows from investing activities:	
Investment income	11,464,334
Investments	(971,361)
Net cash provided by investing activities	10,492,973
Net increase/(decrease) in cash	22,139,740
Cash-beginning of year*	39,094,430
Cash-end of year	$ 61,234,170

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2011

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	$	23,546,173
Restricted cash and cash equivalents		37,701,365
Less: Securities lending -Treasurer of Virginia		(13,368)
Net cash and cash equivalents	$	61,234,170

Reconciliation of net operating expenses to net cash used by operating activities:		
Net operating loss	$	(95,008,930)
Adjustments to reconcile net operating expenses to cash used by operating activities:		
Depreciation expense		22,951,758
Changes in assets and liabilities:		
Receivables-net		(3,358,546)
Inventories		(47,814)
Prepaid expense		65,913
Accounts payable		1,154,015
Deferred revenue		1,048,670
Deposit held for others		(118,378)
Compensated absences		339,507
Other liability		720,553
Net cash used in operating activities	$	(72,253,252)

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

Amortization of a deferred loss	$	97,729
Donated capital assets	$	326,885
Reduction/amortization of bond premium and debt issuance costs	$	734,013

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

Notes to
Financial Statements

Year Ended June 30, 2011

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, 2011:

Assets	$ 712,644
Liabilities	194,960
Net Assets	517,684
Liabilities and Net Assets	$ 712,644

The total unaudited receipts and disbursements of the OIEAHC were $2,097,963 and $2,128,456 respectively, for the year ended June 30, 2011. 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, 2011, the Colleges' prepaid expenses included items such as insurance premiums, membership dues, conference registrations for fiscal year 2012 that were paid in advance, and publications subscriptions which include initial and renewal annual subscriptions for technical and professional publications.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Construction expenses for capital assets and improvements are capitalized when expended. The College's capitalization policy on equipment includes all items with an estimated useful life of two years or more. The Williamsburg and York River campuses capitalize all items with a unit price greater than or equal to $2,000 and Richard Bland College capitalizes all items with a unit price greater than or equal to $5,000. Library materials for the academic or research libraries are capitalized as a collection and are valued at cost. 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 and Richard Bland College 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.

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, 2011. 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, 2010 have been restated to reflect further evaluation of assets and liabilities.

Net assets as previously reported June 30, 2010	$	527,808,408
Record assets and capital lease for Richard Bland College dormitory		(1,796,860)
Restatement due to implementation of capitalization of construction period interest		125,400
Restatement due to change in reporting of loans funds from deposits held in custody for others to institutional funds		414,842
Adjustment to fund balance for Grant transactions		86,171
Net asset balance at July 1, 2010	$	526,637,961

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 2009 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, 2011, the College had more than 5 percent of its total investments in the Federal National Mortgage Association, the Federal Home Loan Bank and the Federal Home Loan Mortgage Corporation. These investments are 5.01%, 5.22% and 21.57%, respectively, of the College's total investments.

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 $385,229 as of June 30, 2011.

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 National Mortgage Association	$ 7,248,413	$ 7,248,413	$ -	$ -	$ -
Federal Home Loan Bank	7,542,931	7,542,931	-	-	-
Federal Home Loan Mortgage Corporation	31,197,025	28,695,370	2,501,655	-	-
Ridgeworth Fund - U.S. Government Sec	9,046,887	9,046,887	-	-	-
Mutual and money market funds:					
Money market	7,616,424	7,616,424	-	-	-
Mutual funds - Investment Funds	5,348,558	-	-	2,636,121	2,712,437
Mutual funds - PIMCO Funds	7,137,863	-	-	7,137,863	-
Mutual funds - PIONEER Strategic Income	7,145,769	-	-	-	7,145,769
Mutual funds - Wells Fargo	169,365	169,365	-	-	-
State non-arbitrage program	21,638,220	21,638,220	-	-	-
Securities lending	13,368	13,368	-	-	-
	$ 104,104,823	$ 81,970,978	$ 2,501,655	$ 9,773,984	$ 9,858,206

Credit & Concentration of Credit Risks

	Fair Value	S&P Credit Quality Rating AAA	Unrated
Cash Equivalents			
Certificate of deposit	$ 170,000	$ -	$ 170,000
Money market	7,616,424	-	7,616,424
State non-arbitrage program	21,638,220	-	21,638,220
Securities lending	13,368	-	13,368
Total cash equivalents	29,438,012	-	29,438,012
Investments			
Agency unsecured bonds and notes:			
Federal National Mortgage Association	$ 7,248,413	$ -	$ 7,248,413
Federal Home Loan Bank	7,542,931	1,753,215	5,789,716
Federal Home Loan Mortgage Corporation	31,197,025	2,501,655	28,695,370
Ridgeworth Fund - U.S. Government Securities	9,046,887	-	9,046,887
Mutual funds:			
Investment Funds	5,348,558	-	5,348,558
PIMCO Funds	7,137,863	-	7,137,863
PIONEER Strategic Income Fund	7,145,769	-	7,145,769
Wells Fargo	169,365	-	169,365
Total investments	74,836,811	$ 4,254,870	$ 70,581,941
Other Investments			
Other	39,875,642		
Securities lending	4,099		
Rare coins	280		
Property held as investment for endowments	445,600		
Total other investments	40,325,621		
Total cash equivalents and investments	$ 144,600,444		

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 2011, had a net appreciation of $10,997,462 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 - $5,619,368, Restricted for Expendable Research - $28,130, Restricted for Expendable Capital Projects - $168,044, Restricted for Expendable Departmental Uses - $4,058,580 and Unrestricted - $1,123,340.

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, 2011 as follows:

Accounts receivable consisted of the following at June 30, 2011:

Student Tuition and Fees	$	2,191,117
Auxiliary Enterprises		926,661
Federal, State and Non-Governemental Grants & Contracts		7,096,376
Other Activities		4,422,467
Gross Receivables		14,636,621
Less: allowance for doubtful accounts		(1,523)
Net Receivables	$	14,635,098

Notes receivable consisted of the following at June 30, 2011:

Current portion:		
Federal student loans	$	6,685
Non-current portion:		
Federal student loans	$	3,236,528
Less: allowance for doubtful accounts		(44,755)
Net non-current notes receivable	$	3,191,773

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2011 consists of the following:

	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance
Non-depreciable capital assets:					
Land	$ 14,241,811	$ -	$ 275,000	$ 259,041	$ 14,257,770
Inexhaustible artwork and Historical treasures	72,272,172	-	206,720	-	72,478,892
Construction in Progress	63,709,915	125,400	46,679,994	65,759,618	44,755,691
Total non-depreciable capital assets	150,223,898	125,400	47,161,714	66,018,659	131,492,353
Depreciable capital assets:					
Buildings	576,422,564	24,704,522	67,200,502	636,569	667,691,019
Equipment	79,929,482	121,979	7,836,074	2,091,027	85,796,508
Infrastructure	41,169,001	-	1,363,129	-	42,532,130
Other improvements	5,717,025	-	181,188	3,157	5,895,056
Library Materials	84,804,510	-	1,366,769	359,746	85,811,533
Computer software	5,091,758	29,500	-	-	5,121,258
Total depreciable capital assets	793,134,340	24,856,001	77,947,662	3,090,499	892,847,504
Less accumulated depreciation for:					
Buildings	141,822,551	1,572,388	13,933,978	394,055	156,934,862
Equipment	50,298,703	46,759	5,676,532	1,773,496	54,248,498
Infrastructure	24,109,301	-	1,384,831	-	25,494,132
Other improvements	3,586,144	-	293,109	-	3,879,253
Library Materials	76,700,056	-	1,537,323	359,745	77,877,634
Computer software	4,459,309	11,308	125,985	-	4,596,602
Total accumulated depreciation	300,976,064	1,630,455	22,951,758	2,527,296	323,030,981
Depreciable capital assets, net	492,158,276	23,225,546	54,995,904	563,203	569,816,523
Total capital assets, net	$ 642,382,174	$ 23,350,946	$ 102,157,618	$ 66,581,862	$ 701,308,876

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 $49.66 for fiscal year 2011. The average cost of the Law Library purchases of books was $89.83 for fiscal year 2011. 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 $72.30 for fiscal year 2011. The average cost of library books purchased for Richard Bland College was $29.63 for fiscal year 2011. The effects of the net change in the value of the collections of the libraries have been included as additions to current year operations. The changes reflected in the valuation are due to the recognition of depreciation in accordance with GASB Statements No. 34 and 35.

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 loss has been determined to be $100,977 for the laboratory and $11,067 in capitalized equipment and furnishings. No insurance recoveries have been received to date. 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, $102,375 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, 2011 there were several vacant or unused buildings on the main William and Mary campus and the Dillard Complex. The carrying value of these unused buildings at year-end was $269,612.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2011:

Current Liabilities:	
Employee salaries, wages, and fringe benefits payable	$18,391,239
Vendors and supplies accounts payable	6,738,135
Capital projects accounts and retainage payable	9,264,090
Total current liabilities-accounts payable and accrued liabilities	$34,393,464

8. COMMITMENTS

At June 30, 2011, outstanding construction commitments totaled approximately $48,228,937.

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, 2011, was $4,231,289.

As of June 30, 2011, the following total future minimum rental payments are due under the above leases:

Year Ending June 30, 2011	Amount
2012	$ 4,258,703
2013	3,742,162
2014	1,170,821
2015	1,138,368
2016	1,153,441
2017-2021	650,232
2022-2026	-
Total	$ 12,113,727

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, 2011 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Installment Purchases	$ 4,003,496	$ 2,384,537	$ 408,718	$ 5,979,315	$ 519,488
Capital Lease Payable	25,022,406	-	428,811	24,593,595	449,360
Notes Payable	153,046,097	15,380,750	8,471,446	159,955,401	9,855,000
Bonds Payable	38,910,273	6,634,885	4,107,779	41,437,379	3,666,711
Total long-term debt	220,982,272	24,400,172	13,416,754	231,965,690	14,490,559
Perkins Loan Fund Balance	2,498,565	-	-	2,498,565	-
Accrued compensated absences	8,572,005	7,971,092	7,631,585	8,911,512	6,705,308
Total long-term liabilities	$232,052,842	$32,371,264	$21,048,339	$243,375,767	$21,195,867

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, 2011
Section 9(c) bonds payable:			
Dormitory, Series 2002A1	2.500 - 5.000	2022	480,000
Dormitory, Series 2002R4	2.500 - 5.000	2013	90,000
Dormitory, Series 2002R9	2.500 - 4.000	2016	595,053
Dormitory, Series 2004B2	3.000 - 5.000	2017	300,582
Dormitory, Series 2004B3	3.000 - 5.000	2017	1,342,922
Dormitory, Series 2004B4	3.000 - 5.000	2018	2,786,845
Dormitory, Series 2004B5	3.000 - 5.000	2020	2,559,311
Dormitory, Series 2005A1	3.500 - 5.000	2026	2,875,000
Dormitory, Series 2006A1	4.000 - 5.000	2014	60,000
Dormitory, Series 2006A2	4.000 - 5.000	2015	990,000
Dormitory, Series 2008B	3.000 - 5.000	2013	208,909
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	4,335,000
Renovation of Dormitories			21,529,819
Graduate Housing, Series 2006B	4.000 - 5.000	2026	2,410,000
Graduate Housing, Series 2008B	3.000 - 5.000	2028	2,230,000
Graduate Housing, Series 2009D	2.500 - 5.000	2022	1,270,000
Graduate Housing			5,910,000
Construct New Dormitory, Series 2010A2	2.000 - 5.000	2030	1,965,000
University Center, Series 2002R5	2.500 - 5.000	2013	30,000
University Center, Series 2008B	3.000 - 5.000	2013	1,578,802
University Center			1,608,802
Underground Utility, Series 2002R8	3.500 - 5.600	2016	538,099
Underground Utility, Series 2004B1	3.000 - 5.000	2017	785,391
Underground Utility			1,323,490
Renovate Commons Dining Hall, Series 2005A2	3.500 - 5.000	2026	4,735,000
Renovate Commons Dining Hall, Series 2009D	2.500 - 5.000	2022	3,200,000
Commons Dining Hall			7,935,000
Total bonds payable			40,272,111
Deferred Gain/(Loss) on Advance Refundings			(864,278)
Unamortized premiums (discounts)			2,029,546
Net bonds payable			$ 41,437,379

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, 2011
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2003A	2.000 - 5.000	2024	$ 965,000
Barksdale Dormitory, Series 2004A	3.000 - 5.000	2025	8,645,000
Barksdale Dormitory, Series 2005A	3.500 - 5.000	2026	11,060,000
Barksdale Dormitory, Series 2006A	3.000 - 5.000	2027	1,690,000
Barksdale Dormitory, Series 2010B	2.000 - 5.000	2021	450,000
William and Mary Hall, Series 2004B	3.000 - 5.000	2016	800,000
William and Mary Hall, Series 2007B	4.000- 4.250	2018	165,000
Parking Deck, Series 2003A	2.000 - 5.000	2024	2,040,000
Parking Deck, Series 2004A	3.000 - 5.000	2025	1,880,000
Parking Deck, Series 2005A	3.500 - 5.000	2026	5,485,000
Parking Deck, Series 2010B	2.000 - 5.000	2021	950,000
Recreation Sports Center, Series 2003A	2.000 - 5.000	2024	485,000
Recreation Sports Center, Series 2004A	3.500 - 5.000	2025	6,120,000
Recreation Sports Center, Series 2005A	3.500 - 5.000	2026	2,145,000
Recreation Sports Center, Series 2010B	2.000 - 5.000	2021	220,000
Improve Athletics Facilities, Series 2005A	3.500 - 5.000	2026	2,930,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	680,000
Marshall-Wythe Library, Series 2004B	3.000 - 5.000	2019	1,110,000
Law School Library, Series 2003A	2.000 - 5.000	2024	585,000
Law School Library, Series 2007A	4.500 - 5.000	2027	3,310,000
Law School Library, Series 2010B	2.000 - 5.000	2021	260,000
Magnet Facility, Series 2003A	2.000 - 5.000	2024	1,215,000
Magnet Facility, Series 2010B	2.000 - 5.000	2021	570,000
Williamsburg Hospital/School of Education, 2006A	3.000 - 5.000	2027	2,120,000
J. Laycock Football Facility, Series 2006A	3.000 - 5.000	2027	4,880,000
Residence Hall Fire Safety Systems, Series 2006A	3.000 - 5.000	2027	1,710,000
School of Business, Series 2007A	4.500 - 5.000	2027	21,405,000
School of Business, Series 2009A	2.750 - 4.000	2016	23,350,000
Integrated Science Center, Series 2007A	4.500 - 5.000	2027	11,225,000
Integrated Science Center, Series 2009A	2.750 - 5.000	2029	6,295,000
Power Plant Renovations, Series 2007A	4.500 - 5.000	2027	4,395,000
Busch Field Astroturf Replacement, Series 2009B	2.000 - 5.000	2029	1,380,000
Cooling Plant & Utilities, Series 2009B	2.000 - 5.000	2029	11,370,000
Cooling Plant & Utilities, Series 2010A1&A2	2.000 - 5.500	2031	11,135,000
AshLawn Barn, Series 2010A1&A2	2.000 - 5.500	2031	775,000
Total 9 (d) bonds			153,800,000

Deferred Gain/(Loss) on Advance Refundings	(324,513)
Unamortized premiums (discounts)	6,479,914
Net notes payable	$159,955,401

Installment Purchases

At June 30, 2011, 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.

Description	Maturity	Balance as of June 30, 2011
Installment purchases	2012-2026	$5,979,315

Long-term debt matures as follows:

Fiscal Year	Principal	Interest	BAB Interest Subsidy	Net Interest
2012	$ 14,041,199	$ 9,114,616	$ (204,644)	$ 8,909,972
2013	14,731,462	8,429,811	(204,644)	8,225,167
2014	14,119,330	7,738,332	(204,644)	7,533,688
2015	14,905,939	7,092,156	(204,644)	6,887,512
2016	15,283,222	6,409,421	(204,644)	6,204,777
2017-2021	52,896,403	24,017,541	(967,827)	23,049,714
2022-2026	55,513,871	10,958,804	(693,143)	10,265,661
2027-2031	18,560,000	1,547,955	(250,674)	1,297,281
Refunding gains/(losses)	(1,188,791)	-	-	-
Unamortized premiums	8,509,460	-	-	-
Total	$ 207,372,095	$ 75,308,636	$ (2,934,864)	$ 72,373,772

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 as of June 30, 2011.

As of June 30, 2011, RBCF on its separate audited financial statements has not accounted for the capital lease and therefore has also recorded the facility and furnishings as property and equipment on its Consolidated Statement of Financial Position. RBCF is also reflected in the College of William and Mary's financial statements in the Component Unit column and in Note 13.

The result of these different accounting treatments is that the same dormitory complex is recorded as depreciable capital assets by both RBC and RBCF, and both entities recorded depreciation expense on the same depreciable assets. RBCF intends to adopt capital lease accounting for these assets in fiscal year 2012. If RBCF had followed capital lease accounting for fiscal year 2011, its property and equipment would have been reduced by approximately $23.3 million and it would have recorded a lease receivable for the same amount. In addition, depreciation expense would have been lower and $1.6 million on lease revenue would have been recorded as received. A net reduction of $1,796,860 has been made to the College's beginning net assets as a result of accounting for the capital assets leased and the capital lease payable.

Defeasance of Debt

In October 2010, the Treasury Board issued $101,040,000 in Educational Facilities Revenue Refunding Bonds, Series 2010B with a true interest cost (TIC) of 2.543473 percent. The sale of these bonds enabled the College to advance refund certain 9(d) bonds issued in 2003 with interest rates ranging from 4.0 percent to 5.0 percent used to finance the construction of a dormitory, parking deck and nuclear magnet facility and renovation of the student recreation center and law library. 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	Debt Outstanding	Amount Defeased	Percentage Defeased
2003	$ 7,855,000	$ 2,565,000	33%

The College's portion of the accounting loss recognized in the financial statements was $332,597. The net economic gain attributable to the College was $121,667 and will result in a decreased cash flow requirement of $147,327 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, 2011, $14,710,000 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	$ 85,681,418	$ 6,895,699	$ 718,957	$ 1,285,589	$ -	$ 94,581,663
Research	31,388,284	11,878,192	1,183,106	3,346,926	-	47,796,508
Public service	17,416	35,274	-	50	-	52,740
Academic support	20,987,430	3,183,241	123,461	3,302,704	-	27,596,836
Student services	8,567,020	2,326,818	59,091	64,280	-	11,017,209
Institutional support	22,384,970	3,781,965	135,833	200,708	-	26,503,476
Operation and maintenance of plant	7,592,641	17,204,824	(638)	2,754,429	-	27,551,256
Depreciation	-	-	-	-	22,951,758	22,951,758
Scholarships and related expenses	1,603,185	68,688	13,186,032	17,493	-	14,875,398
Auxiliary enterprises	18,341,414	44,496,966	(3,435,143)	4,497,991	-	63,901,228
Other	42,788	555,990	-	-	-	598,778
Total	$ 196,606,566	$ 90,427,657	$ 11,970,699	$ 15,470,170	$ 22,951,758	$ 337,426,850

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 874 - 2010 Acts of Assembly (Educational and General Programs)		$ 62,477,450
Student financial assistance		3,950,982
Supplemental appropriations:		
Prior year reappropriations	24,799	
VIVA libraries	34,282	
VRS retirement contribution changes	69,751	
Health insurance premium	207,914	
Salary bonuses - state employees	468,283	
Salary bonuses - faculty	1,095,001	
Marine research graduate assistantships	238,527	
Other benefits rate changes	23,766	
Interest earnings and credit card rebates	(1,094)	
Eminent Scholars/Biomedical research	435,865	2,597,094
Appropriation reductions:		
State employee workers compensation	7,841	
Deferred compensation cash match suspension	116,628	
VRS 4th quarter delay	87,732	
eVA rate reduction	4,376	
Defined benefit retirement plan changes	56,592	
Optional retirement plan changes	18,906	
VITA savings	2,453	
Central non-general fund cash transfers	14,239	
HEETF debt payments	261,334	
Out of state building fee	1,219,612	(1,789,713)
Reversions to the General Fund of the Commonwealth		(177,533)
Appropriations as adjusted		$ 67,058,280

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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 2011; 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	$ 3,280,399	$ 3,676,955	$ 3,946,663	$ 718,577
Investments	777,423	-	-	-
Pledges receivable, net - current portion	1,895,330	867,304	2,998,574	-
Receivables, net	349,836	52,589	605,142	43,699
Inventories	-	-	-	42,284
Prepaids	338,334	105,134	141,702	46,442
Due from the College	121,375	-	-	-
Other assets	4,845	-	-	-
Total Current Assets	6,767,542	4,701,982	7,692,081	851,002
Non-current Assets				
Restricted cash and cash equivalents	3,796,434	3,751,851	15,446,553	-
Restricted investments	381,521,986	22,415,527	18,260,173	-
Restricted other assets	119,596,262	317,511	311,073	-
Investments	685,235	3,761,952	-	5,440,314
Pledges receivable, net	3,904,693	1,004,523	5,729,113	-
Capital assets, nondepreciable	8,999,770	321,627	-	31,800
Capital assets, net of accumulated depreciation	8,343,118	42,240	19,799	231,033
Other assets	1,315,581	-	-	-
Total non-current assets	528,163,079	31,615,231	39,766,711	5,703,147
Total Assets	534,930,621	36,317,213	47,458,792	6,554,149
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	281,147	87,313	273,406	294,594
Deferred revenue	60,296	247,918	120,725	1,130,562
Long-term liabilities - current portion	9,168,389	-	-	-
Due to the College	-	-	-	103,398
Short-term debt	2,145,000	-	-	-
Other liabilities	-	-	-	-
Total Current Liabilities	11,654,832	335,231	394,131	1,528,554
Non-current Liabilities				
Long-term liabilities	21,665,023	410,881	-	-
Total Liabilities	33,319,855	746,112	394,131	1,528,554
NET ASSETS				
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	74,003,671	5,382,808	379,046	-
Research	3,942,002	-	-	-
Loans	-	-	24,230	-
Departmental Uses	73,792,367	6,834,456	33,456,793	-
Other	161,889,250	-	147,697	-
Expendable:				
Scholarships and Fellowships	61,954,485	5,016,029	485,182	-
Research	2,118,013	-	112,042	-
Capital Projects	1,946,627	2,205,160	7,059,383	-
Loans	-	-	50,530	-
Departmental Uses	86,136,894	8,363,091	3,893,024	1,181,447
Other	14,956,514	618,630	54,867	-
Invested in Capital Assets, net of related debt	7,388,478	363,867	19,799	262,833
Unrestricted	13,482,465	6,787,060	1,382,068	3,581,315
Total Net Assets	$ 501,610,766	$ 35,571,101	$ 47,064,661	$ 5,025,595

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 5,038,940	$ 261,741	$ 515,059	$ 3,580,455	$ 21,018,789
-	-	-	-	777,423
528,547	216,738	57,947	-	6,564,440
67,636	-	-	-	1,118,902
-	-	-	-	42,284
-	-	-	-	631,612
-	-	-	16,726	138,101
-	-	37,421	-	42,266
5,635,123	478,479	610,427	3,597,181	30,333,817
-	323,905	153,321	-	23,472,064
-	6,655,576	3,919,902	-	432,773,164
-	-	-	-	120,224,846
2,161,168	686,206	-	-	12,734,875
645,582	478,751	16,718	-	11,779,380
-	-	-	7,485,594	16,838,791
67,071	-	23,289,427	243,209	32,235,897
-	-	-	44,338	1,359,919
2,873,821	8,144,438	27,379,368	7,773,141	651,418,936
8,508,944	8,622,917	27,989,795	11,370,322	681,752,753
-	-	498,243	796,878	2,231,581
1,500	-	-	-	1,561,001
-	-	534,560	-	9,702,949
-	-	-	-	103,398
-	-	-	490,000	2,635,000
-	-	22,506	-	22,506
1,500	-	1,055,309	1,286,878	16,256,435
-	-	24,995,022	8,809	47,079,735
1,500	-	26,050,331	1,295,687	63,336,170
-	1,411,003	2,834,885	-	84,011,413
-	131,836	-	-	4,073,838
-	-	-	-	24,230
-	995,000	-	-	115,078,616
-	2,280,612	-	-	164,317,559
609,249	390,247	-	-	68,455,192
-	421,722	-	-	2,651,777
-	-	-	-	11,211,170
-	-	-	-	50,530
5,900,403	1,563,250	-	-	107,038,109
-	481,300	1,252,970	-	17,364,281
67,071	-	(2,240,155)	7,229,994	13,091,887
1,930,721	947,947	91,764	2,844,641	31,047,981
$ 8,507,444	$ 8,622,917	$ 1,939,464	$ 10,074,635	$ 618,416,583

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	$ 1,843,878	$ 2,120,705	$ 1,328,989	$ 1,575,632
Other	4,819,023	1,074,016	4,137,850	1,075,609
Total operating revenues	6,662,901	3,194,721	5,466,839	2,651,241
Operating expenses:				
Instruction	3,379,551	494,948	140,289	-
Research	180,637	-	57,829	-
Public service	75,688	118,746	532,848	-
Academic support	1,610,662	1,155,061	2,244,410	-
Student services	85,313	13,191	943,191	-
Institutional support	4,546,279	636,205	1,831,315	113,638
Operation and maintenance of plant	560,441	283,275	-	-
Scholarships & fellowships	6,218,844	57,249	20,342	-
Auxiliary enterprises	590,869	-	35,444	-
Depreciation	528,189	24,732	9,638	61,125
Other	12,526,814	-	-	2,825,006
Total operating expenses	30,303,287	2,783,407	5,815,306	2,999,769
Operating gain/(loss)	(23,640,386)	411,314	(348,467)	(348,528)
Non-operating revenues and expenses:				
Net investment revenue (expense)	46,924,532	3,350,829	2,565,439	1,180,434
Interest on capital asset related debt	(61,309)	-	-	-
Other non-operating revenue	30,173,107	-	-	-
Other non-operating expense	-	-	(962,229)	-
Net non-operating revenues	77,036,330	3,350,829	1,603,210	1,180,434
Income before other revenues	53,395,944	3,762,143	1,254,743	831,906
Other revenues:				
Capital grants and contributions	4,010,728	-	278,184	-
Additions to permanent endowments	6,487,129	1,332,429	(21,704)	-
Net other revenues	10,497,857	1,332,429	256,480	-
Change in net assets, before transfers	63,893,801	5,094,572	1,511,223	831,906
Contribution between Foundations	(250,666)	-	-	142,366
Transfers	(250,666)	-	-	142,366
Change in net assets	63,643,135	5,094,572	1,511,223	974,272
Net assets - beginning of year	437,967,631	30,476,529	45,553,438	4,051,323
Net assets - end of year	$ 501,610,766	$ 35,571,101	$ 47,064,661	$ 5,025,595

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 3,563,999	$ 691,612	$ 325,678	$ -	$ 11,450,493
744,660	-	1,615,675	281,127	13,747,960
4,308,659	691,612	1,941,353	281,127	25,198,453
-	94,189	-	-	4,108,977
-	336,565	-	-	575,031
-	-	-	-	727,282
-	11,966	-	-	5,022,099
-	-	-	-	1,041,695
4,076,437	102,610	43,733	202,098	11,552,315
-	-	-	-	843,716
-	50,477	206,191	-	6,553,103
-	-	-	-	626,313
18,840	-	829,773	8,151	1,480,448
-	3,384	1,950,767	-	17,305,971
4,095,277	599,191	3,030,464	210,249	49,836,950
213,382	92,421	(1,089,111)	70,878	(24,638,497)
70,322	931,382	708,692	17,855	55,749,485
-	-	(15,351)	-	(76,660)
-	-	-	-	30,173,107
-	-	-	-	(962,229)
70,322	931,382	693,341	17,855	84,883,703
283,704	1,023,803	(395,770)	88,733	60,245,206
-	-	-	125,000	4,413,912
-	384,183	165,717	-	8,347,754
-	384,183	165,717	125,000	12,761,666
283,704	1,407,986	(230,053)	213,733	73,006,872
(16,700)	-	-	125,000	-
(16,700)	-	-	125,000	-
267,004	1,407,986	(230,053)	338,733	73,006,872
8,240,440	7,214,931	2,169,517	9,735,902	545,409,711
$ 8,507,444	$ 8,622,917	$ 1,939,464	$ 10,074,635	$ 618,416,583

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	$ 4,855,541	$ 531,884	$ -	$ 4,886,196	$ 83,192	$ -	$ 2,877,961	$ 13,234,774
U.S. treasury and agency securities	5,467,110	-	-	-	-	-	-	5,467,110
Common and preferred stocks	187,794	-	659,352	554,118	5,565	-	1,041,941	2,448,770
Notes receivable	1,432,860	-	-	-	-	-	-	1,432,860
Pooled investments	369,249,762	25,645,595	17,522,925	-	-	7,341,782	-	419,760,064
Real estate	1,742,405	-	-	-	146,200	-	-	1,888,605
Other	49,172	-	77,896	-	1,926,211	-	-	2,053,279
Total Investments	$ 382,984,644	$ 26,177,479	$ 18,260,173	$ 5,440,314	$ 2,161,168	$ 7,341,782	$ 3,919,902	$ 446,285,462

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	$ 6,777,570	$ 2,130,695	$ 10,413,825	$ 1,451,133	$ 709,738	$ 79,550	$ 21,562,511
Less:							
Allowance for uncollectibles	(717,948)	(180,552)	(82,481)	(210,264)	-	(2,309)	(1,193,554)
Discounting to present value	(259,599)	(78,316)	(1,603,657)	(66,740)	(14,249)	(2,576)	(2,025,137)
Net pledges receivable	5,800,023	1,871,827	8,727,687	1,174,129	695,489	74,665	18,343,820
Less:							
Current pledges receivable	(1,895,330)	(867,304)	(2,998,574)	(528,547)	(216,738)	(57,947)	(6,564,440)
Total non-current pledges receivable	$ 3,904,693	$ 1,004,523	$ 5,729,113	$ 645,582	$ 478,751	$ 16,718	$ 11,779,380

Capital Assets

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Nondepreciable:								
Land	$ 3,403,427	$ 262,916	$ -	$ -	$ -	$ -	$ 2,302,138	$ 5,968,481
Construction in progress	-	-	-	-	-	-	5,183,456	5,183,456
Historical treasures and inexhaustable works of art	5,596,343	58,711	-	31,800	-	-	-	5,686,854
Total nondepreciable capital assets	$ 8,999,770	$ 321,627	$ -	$ 31,800	$ -	$ -	$ 7,485,594	$ 16,838,791
Depreciable:								
Building	$ 7,534,093	$ -	$ -	$ -	$ -	$ 24,148,380	$ 249,046	$ 31,931,519
Equipment, vehicles and furniture	10,527,823	133,724	95,279	476,016	100,707	924,614	19,249	12,277,412
Improvements, other than building	338,138	-	-	384,914	-	556,142	-	1,279,194
	18,400,054	133,724	95,279	860,930	100,707	25,629,136	268,295	45,488,125
Less accumulated depreciation	(10,056,936)	(91,484)	(75,480)	(629,897)	(33,636)	(2,339,709)	(25,086)	(13,252,228)
Total depreciable capital assets	$ 8,343,118	$ 42,240	$ 19,799	$ 231,033	$ 67,071	$ 23,289,427	$ 243,209	$ 32,235,897

Long-term Liabilities

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Compensated absences	$ 122,373	$ -	$ -	$ -	$ 122,373
Notes payable	3,636,098	-	-	-	3,636,098
Bonds payable	8,055,650	-	25,529,582	-	33,585,232
Other liabilities	19,019,291	410,881	-	8,809	19,438,981
Total long-term liabilities	30,833,412	410,881	25,529,582	8,809	56,782,684
Less current portion	(9,168,389)	-	(534,560)	-	(9,702,949)
Non-current long-term liabilities	$ 21,665,023	$ 410,881	$ 24,995,022	$ 8,809	$ 47,079,735

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 extended to $3,000,000 with all principal and accrued interest due and payable on June 29, 2012. 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, 2011 and 2010. Interest paid during the years ended June 30, 2011 and 2010, was $34,846 and $35,311, respectively.

During the fiscal year ended June 30, 2009, the Foundation entered into a borrowing agreement with SunTrust Bank in the amount of $2,636,140. Interest is payable monthly at a fixed rate of 4.43%. Principal is payable in two equal annual installments on February 28, 2011 and 2012. During the year ended June 30, 2011 the terms of the loan were revised. Under the new 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 at June 30, 2011 and 2010 was $2,636,098. Interest paid during the fiscal years ending June 30, 2011 and 2010, was $113,628 and $118,401, 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. The amount outstanding at June 30, 2011 was $1,000,000. Subsequent to June 30, 2011, the remaining balance available under the loan of $450,000 was drawn. Interest paid during the year ended June 30, 2011 was $6,948.

Bonds Payable

In December 2006, the Economic Development Authority of James City County, Virginia issued 2006 series revenue bonds in the amount of $9,070,000 (Bonds) and lent the proceeds from the sale of the Bonds to the Foundation and CWMF Ventures. The purpose of the Bonds is to finance the cost of 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. In their current mode, interest on the Bonds is calculated weekly at a rate equal to the interest rate per annum that, in the sole judgment of the remarketing agent, SunTrust Capital Markets, Inc., taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds at a price of par on such date. The Foundation and CWMF Ventures have the option to direct a change in the type of interest period by delivering written notice to the trustee and remarketing agent.

The Bonds mature, subject to prior redemption or demand purchase, on December 1, 2036. Bonds bearing interest at the daily or weekly rate must be purchased from the owners on any tender date upon delivery of written notice to the trustee and remarketing agent. If not successfully remarketed, funds for the purchase of tendered Bonds will be drawn on the credit facility described below. During the year ending June 30, 2009, the Foundation redeemed $980,000 of the Bonds. In addition, as described below, $2,745,000 of the Bonds had been tendered but not remarketed as of June 30, 2009. While these Bonds are issued, they were not outstanding at June 30, 2009. These bonds were successfully remarketed during the year ended June 30, 2010. The recorded amount of the Bonds outstanding at June 30, 2011 and 2010, was $8,088,650 and $8,054,303, respectively, based on their original purchase price to the underwriter of the Bonds. The face value of Bonds outstanding at June 30, 2011 and 2010, was

$8,090,000. As interest on the Bonds is a floating rate which is reset weekly, fair value of the Bonds approximates face value. Interest paid to bondholders for the years ended June 30, 2011 and 2010, was $57,561 and $65,525, respectively.

In addition to payments under the loan agreement in respect of the Bonds, the Bonds are further secured by an irrevocable letter of credit issued by SunTrust Bank. The initial expiration date of the letter of credit 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 provide for automatic one-year extensions through December 31, 2036 unless SunTrust provides at least two years notice of its intent to terminate. SunTrust has provided such notice, and the current date of expiration is December 31, 2011. The terms of the letter of credit also require the Foundation at all times to maintain unrestricted and temporarily restricted net assets equal to at least 200% of the Foundation's total indebtedness, or such lesser amount as may be agreed by SunTrust Bank. Draws on the letter of credit for the purpose of purchasing any of the Bonds will be secured by the pledge of all right, title and interest in those Bonds. Unreimbursed draws under the letter of credit bear interest at the rate of LIBOR plus 1.50% per annum. During the years ended June 30, 2011 and 2010, draws were made, in the normal course, on the letter of credit per the bond and letter of credit documents in order to pay interest to bondholders. In addition, during the years ended June 30, 2011 and 2010, respectively, draws were made in the amount of $0 and $100,000 for tendered Bonds not successfully remarketed within the time stipulated in the bond agreement. Proceeds from subsequent successful remarketing of the tendered bonds were used to pay down the draws on the letter of credit. The total interest paid on the letter of credit during the years ended June 30, 2011 and 2010, was $0 and $2,012, respectively. As of June 30, 2011 and 2010, there was no amount outstanding under the letter of credit. The total available under the letter of credit is based on the amount of Bonds outstanding, plus 40 days interest at 10%. The total amount of the letter credit was $8,179,889 as of June 30, 2011 and 2010, and the entire amount was available to draw.

During the year ended June 30, 2009, the Foundation executed an interest rate swap on a $7,000,000 notional amount in order to create a synthetic fixed rate on a portion of the Bonds. The Foundation makes monthly payments at a fixed annual rate of 2.05%, and receives monthly payments at a floating rate based on 67% of LIBOR. The interest rate swap agreement terminates December 1, 2036, unless terminated early under the provisions of the agreement. The fair value of the interest rate swap is $671,976 and $429,657 at June 30, 2011 and 2010, 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. The total currently available is $5,000,000, which may be used for borrowing or for letters of credit, and bears interest at the rate of the 30 day LIBOR plus 2.50%, with a minimum of 3%. The Foundation guarantees up to $2,500,000, and members of the C.C. Casey Limited Company guarantee up to $2,500,000. Outstanding loan balances of $2,300,000 and $2,400,000 existed as of June 30, 2011 and 2010, respectively. Letters of credit outstanding under this facility at June 30, 2011 and 2010, were $1,623,750 and $1,476,750, respectively. The due date for the loans, originally September 30, 2010, has been extended through September 30, 2011. The letters of credit are issued to guarantee the completion of site improvements as required by James City County. Upon completion of those improvements, these letters of credit are to be terminated, with no residual liability. No draws had been made on the letters of credit as of June 30, 2011 and 2010.

WILLIAM AND MARY BUSINESS SCHOOL FOUNDATION

Commitments and Contingencies

On January 31, 2007, the Foundation entered into a Development Agreement and a Reimbursement Agreement (Agreements) with the College of William and Mary (College), in connection with the construction and equipping of a new academic building, Alan B. Miller Hall, for the College's Mason School of Business (Project). The College received appropriation authority from the Commonwealth of Virginia to initiate the Project. Total expected cost of the Project is $75 million. Financing the cost of construction and equipping the building is projected to be as follows: (a) $25 million in private funds (donor gifts) raised by the Foundation; (b) $25 million in Series A bonds with debt service payable to the College; and (c) $25 million in Series B bonds with debt service to be reimbursed to the College from the Foundation. The bonds will be secured by the general revenue pledge of the College. No security interest in the Project or deed of trust on the Property will be granted to secure the bonds.

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

On January 21, 2009, the Virginia College Building Authority authorized the issuance and sale of$23,350,000 (par value) of 2009 Series A bonds. By the terms of the Reimbursement Agreement with the College, the Foundation must reimburse the College for all debt service due on the 2009 Series A bonds and all periodic fees due and payable with respect to the 2009 Series A bonds after their issuance, including fees and expenses of the bond trustee, fees of the remarketing agent with respect to the 2009 Series A bonds and fees of any financial institution providing credit support with respect to the 2009 Series A bonds. In addition, the Foundation has pledged as security for the payments all of its assets that are not subject to donor or other legal restrictions, as defined in the Reimbursement Agreement.

The 2009 Series A bonds have a seven-year term, with principal payments due annually beginning in 2012 and interest payments due biannually. The interest paid to the College for the years ended June 30, 2011 and 2010, was $962,229 and $962,658, respectively.

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 will consist of one floor retail space and two floors student housing. The Foundation will continue to own and manage this property once the construction is complete. 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 two lease agreements for tenants in the first floor retail area. Subsequent to year-end, the Foundation executed one additional lease for a tenant in the first floor retail area. These leases become effective upon completion of the project. The student housing space will be leased to the College. Subsequent to year-end, the Foundation executed a lease with the College for the rental of the student housing.

The Foundation is in the process of closing a financing arrangement that includes tax exempt bonds in the amount of $5 million, which will be collateralized by the Tribe Square project. It is expected to close in September 2011.

The Foundation has signed commitments related to this project with a contractor for $5,556,350. At June 30, 2011, unpaid amounts on this contract total $1,209,789. The project is expected to be completed in September 2011.

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 $33,944,991 for the year ended June 30, 2011. Total payroll costs were $142,004,063 for the year ended June 30, 2011.

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 $3,542,074 for the year ended June 30, 2011, which included a 5 percent employee contribution assumed by the employer for employees hired prior to July 1, 2010. Employees who were hired on or after July 1, 2010 began paying the 5 percent employee contribution previously paid by the employer. These contributions represent approximately 10.43 percent of covered payroll for the period July 2010 to June 2011.

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, 2011. 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 8.05 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. Employees who were hired on or after July 1, 2010 began paying the 5 percent employee contribution previously paid by the employer.

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 $7,795,704 for the year ended June 30, 2011. Contributions to the optional retirement plans were calculated using the base salary amount of $84,062,536 for fiscal year 2011. The College of William and Mary and Richard Bland College's total payroll for fiscal year 2011 was $142,004,063.

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 $10 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 $429,583 for fiscal year 2011.

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, 2011, 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 2011, the College of William and Mary issued Series 2011A-1 & 2011A-2, 9(c) General Obligation Bonds through the Treasurer of Virginia in the amount of $14,400,000. Proceeds from these bonds will be used to construct a new dormitory. The bonds were issued with interest rates varying from 3 percent to 5 percent and will mature in 20 years.

In March of 2012 the Treasury Board completed the sale of Series 2012A General Obligation Refunding Bonds. A portion of the bonds were issued to refinance various 9(c) projects at the College. The aggregate debt service savings for these projects was $367,258.

Also in March of 2012, the VCBA Sold Educational Facilities Revenue Refunding Bonds Series 2012A to refund various maturities of 9(d) revenue bonds. The aggregate debt service savings for the College’s 9(d) projects was $2,446,162.

Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 3, 2012

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
The College of William and Mary in Virginia

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of **the College of William and Mary in Virginia**, including the Virginia Institute of Marine Science and Richard Bland College (the College), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the College, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the College is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the College that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the College as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2012 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

The College of William and Mary in Virginia
Richard Bland College

June 30, 2011

The Board of Visitors

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John W. Gerdelman - Vice Rector
Janet M. Brashear - Secretary

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Dennis H. Liberson
Anita O. Poston
L. Clifford Schroeder, Sr.
Robert E. Scott
Michael Tang
John C. Thomas
Jeffrey B. Trammell

Student Representatives

Christina E. Scott - College of William and Mary
Johnathan R. Malbon - 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