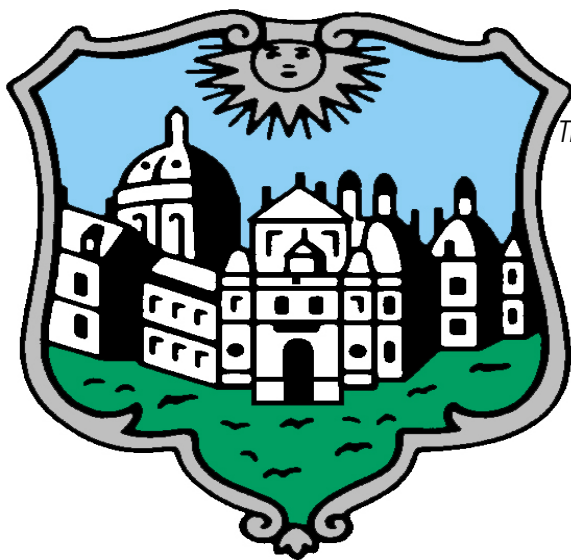




The College of _____

**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, 2008**

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

ANNUAL FINANCIAL REPORT 2007 - 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

The College of William and Mary is the second oldest institution of higher education in North America, its royal charter dating to 1693. Today, William and Mary ranks as one of the premier universities in the nation. The College, beginning with its designation as a "Public Ivy" over twenty years ago, has witnessed remarkable growth in its national reputation such that it is now routinely considered among the top national universities in surveys of every kind. Whether seen as the sixth best public university or the 32nd best university, public or private (U.S. News and World Report), the "Hottest Small Public University" (Newsweek), the "3rd best value in higher education" (Kiplinger's), or being known for having the 2nd highest percentage of students who go on to serve in the Peace Corps (Washington Monthly), the College has national status as a highly selective public university. Faculty and students routinely are selected for prestigious national recognition including the Fulbright and Marshall Awards. That reputation reflects our size, our commitment to high quality undergraduate and selected graduate and professional education, and a dedication to teaching seldom seen in a public research university. This commitment to quality education has generated steadily increasing numbers of applications for undergraduate enrollment, topping out with 11,635 applications for 1,380 slots for the class of 2012.

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

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

MD&A Overview:

This Management's Discussion and Analysis (MD&A) is a required supplement to the College's financial statements. MD&A is designed to assist readers in understanding the financial statement information presented for fiscal year 2008. The following information includes a comparative analysis between the current fiscal year ending June 30, 2008 and the prior year, ending June 30, 2007. 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, including the associated footnotes, and other supplementary information in order for the reader to have a comprehensive understanding of the College's financial status and results of operations for fiscal year 2008. 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 (balance sheet), the

Statement of Revenues, Expenses, and Changes in Net Assets (operation / income statement), and the Statement of Cash Flows. The aforementioned statements are summarized and analyzed in the pages that follow.

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

The College’s affiliated foundations are also included in these statements consistent with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* – an amendment of GASB Statement No. 14. The College has a total of nine foundations, of which the financial information for eight of the foundations is presented in the statements under the column titled "Component Units". The ninth foundation, Intellectual Properties, was established in fiscal year 2008 but was not operational and did not have any significant financial activity during the year. While affiliated foundations are not under the direct control of College’s Board of Visitors, this presentation provides a more holistic view of all resources available to support the College and its mission. Additional information and detail related to the foundations can be found in the Component Unit Financial Information footnote.

Financial Summary: Statement of Net Assets

The Statement of Net Assets provides a snapshot of the College’s financial position, specifically the assets, liabilities and resulting net assets as of June 30, 2008. 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, fellowships, 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

	For the year ended June 30 FY 2008	FY 2007 *	Dollar Change	Percent Change
Assets:				
Current	\$62,775,561	\$43,195,789	\$19,579,772	45.33%
Capital, net of accumulated depreciation	515,640,797	458,169,729	57,471,068	12.54%
Other non-current	95,933,359	82,397,026	13,536,333	16.43%
Total assets	<u>674,349,717</u>	<u>583,762,544</u>	<u>90,587,173</u>	15.52%
Liabilities:				
Current	60,657,076	49,308,186	11,348,890	23.02%
Non-current	159,946,078	91,120,573	68,825,505	75.53%
Total liabilities	<u>220,603,154</u>	<u>140,428,759</u>	<u>80,174,395</u>	57.09%
Net Assets:				
Invested in capital assets, net of related debt	378,490,373	349,334,614	29,155,759	8.35%
Restricted	62,895,939	72,516,383	(9,620,444)	-13.27%
Unrestricted	12,360,251	21,482,788	(9,122,537)	-42.46%
Total net assets	<u>\$453,746,563</u>	<u>\$443,333,785</u>	<u>\$10,412,778</u>	2.35%

* Some FY 2007 amounts have been restated. See footnote 2 for details.

The overall result of the College's fiscal year 2008 operations was an increase in net assets of approximately \$10.4 million or 2.35 percent to \$453.7 million. The increase in net assets occurred in the categories of unrestricted, restricted and capital net assets. Both the increase in net assets and resulting net asset balances are an overall indicator of the College's positive growth and financial health. In addition to the College's net assets as shown above, net assets for the College's affiliated foundations totaled \$587.6 million.

The \$29.2 million increase in capital net assets, net of related debt, reflects the continuing significant capital construction activity at the College. In general, the increase reflects the completion and continuing construction of major capital projects including the Integrated Science Center, Laycock Football Practice Facility, Mason School of Business building and the VIMS Marine Research Building complex. The specifics of the College's extensive capital construction and renovation activity are detailed in the Capital Asset and Debt Administration section of the MD&A. The increase in non-current (long-term) liabilities primarily reflects the use of bonds to finance capital construction.

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 distinct categories: operating and non-operating. Operating revenues include the significant categories of tuition and fees, grants and contracts and the sales of auxiliary enterprises. Non-operating revenues include the significant categories of state appropriations, gifts, and investment income. Net other revenues include capital appropriations, grants, and contributions.

Summary Statement of Revenues, Expenses and Changes in Net Assets

	For the year ended June 30 FY 2008	FY 2007 *	Dollar Change	Percent Change
Operating revenues	\$191,682,916	\$187,024,931	\$4,657,985	2.49%
Operating expenses	341,455,071	290,327,463	51,127,608	17.61%
Operating gain/(loss)	(149,772,155)	(103,302,532)	(46,469,623)	44.98%
Net Non-operating revenues	113,167,306	113,170,259	(2,953)	0.00%
Income/(Loss) before other revenues	(36,604,849)	9,867,727	(46,472,576)	-470.96%
Net other revenues	47,017,627	95,320,938	(48,303,311)	-50.67%
Increase in net assets	\$10,412,778	\$105,188,665	(\$94,775,887)	-90.10%

* Some FY 2007 amounts have been restated (see footnote 2 for details) and a reclassification of Pell Grants from Operating Revenue to Non-Operating Revenue.

Overall, the result from operations was an increase in net assets of \$10.4 million was attributable to the capital grants and gifts. Increased revenues from Tuition and fees as well as Auxiliary Enterprise operations accounted for the other significant increases in revenue for the year as further detailed in the revenue summary table that follows.

Operating expenses also increased during the year primarily in the areas of instruction, operations of plant and auxiliary enterprise operations. These changes are reflected in the summary of operating expenses table below.

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

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

Summary of Revenues

	For the year ended June 30		Dollar	Percent
	<u>FY 2008</u>	<u>FY 2007 *</u>	<u>Change</u>	<u>Change</u>
Operating revenues:				
Student tuition and fees, net of scholarship allowances	\$82,872,728	\$80,037,813	\$2,834,915	3.54%
Federal, state, local and non-governmental grants and contracts	41,789,703	45,867,330	(4,077,627)	-8.89%
Auxiliary enterprise, net of scholarship allowances	59,493,440	56,881,892	2,611,548	4.59%
Other	7,527,045	4,237,896	3,289,149	77.61%
Total operating revenues	<u>191,682,916</u>	<u>187,024,931</u>	<u>4,657,985</u>	2.49%
Non-operating revenues:				
State appropriations	79,380,542	75,374,540	4,006,002	5.31%
Gifts, investment income and other income and expenses	<u>33,786,764</u>	<u>37,795,719</u>	<u>(4,008,955)</u>	-10.61%
Total non-operating revenues	<u>113,167,306</u>	<u>113,170,259</u>	<u>(2,953)</u>	0.00%
Other revenues, gains and losses:				
Capital appropriations	23,133,507	74,857,867	(51,724,360)	-69.10%
Capital grants and gifts	<u>23,884,120</u>	<u>20,463,071</u>	<u>3,421,049</u>	16.72%
Net other revenues	<u>47,017,627</u>	<u>95,320,938</u>	<u>(48,303,311)</u>	-50.67%
Total revenues	<u>\$351,867,849</u>	<u>\$395,516,128</u>	<u>(\$43,648,279)</u>	-11.04%

* Some FY 2007 amounts have been restated (see footnote 2 for details) and a reclassification of Pell Grants from Operating Revenue to Non-Operating Revenue.

Within the operating revenue category, student tuition and fees increased \$2.8 million, net of scholarship allowances, reflecting the increase approved by the Board of Visitors in the Spring of 2007. The increase in auxiliary enterprise revenues reflects both the increase in the student comprehensive fee, as part of the overall increase in tuition and fees. The reduction in grant and contract revenues occurred primarily in the federal and non-governmental categories. All three agencies experienced a decline in federally funded grants and contracts (W&M - \$560 thousand, VIMS - \$1.3 million and RBC - \$39 thousand). In the non-governmental funding, W&M experienced a \$2.6 million reduction. All three agencies experienced slight increases in state funded grant and contract revenues.

Within the non-operating revenue category, the state appropriation increase was primarily attributable to the increase in the overall operating appropriation for the year by the General Assembly (\$4.0 million).

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

Summary of Operating Expenses

	For the year ended June 30 FY 2008	FY 2007 *	Dollar Change	Percent Change
Operating expenses:				
Instruction	\$98,768,113	\$84,436,271	\$14,331,842	17.0%
Research	52,007,331	51,239,892	767,439	1.5%
Public service	42,774	17,845	24,929	139.7%
Academic services	30,546,920	24,497,933	6,048,987	24.7%
Student services	9,109,045	8,025,545	1,083,500	13.5%
Institutional support	25,695,530	24,827,168	868,362	3.5%
Operation and maintenance of plant	26,769,402	19,653,814	7,115,588	36.2%
Student aid	9,766,411	9,311,819	454,592	4.9%
Auxiliary enterprise	71,213,368	52,105,418	19,107,950	36.7%
Depreciation	17,351,524	15,940,114	1,411,410	8.9%
Other	184,653	271,644	(86,991)	-32.0%
Total operating expenses	<u>\$341,455,071</u>	<u>\$290,327,463</u>	<u>\$51,127,608</u>	17.6%

* Some FY 2007 amounts have been restated. See footnote 2 for details.

For fiscal year 2008, operating expenses increased in response to various factors including state-approved salary increases for faculty and staff, and increased operational costs most notably in the operation and maintenance of plant. The plant increases primarily relate to the cost associated with petroleum products along with contractual services for repair and maintenance. The increase in depreciation expense is primarily attributable to new buildings.

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: operations, 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

	For the year ended June 30 FY 2008	FY 2007 *	Dollar Change	Percent Change
Cash Flows from:				
Operating activities	(\$132,377,546)	(\$84,008,797)	(\$48,368,749)	57.58%
Non-capital financing	118,740,330	94,350,120	24,390,210	25.85%
Capital financing	(11,669,727)	(769,452)	(10,900,275)	1416.63%
Investing activities	20,940,518	8,723,802	12,216,716	140.04%
Net increase/(decrease) in cash	<u>(\$4,366,425)</u>	<u>\$18,295,673</u>	<u>(\$22,662,098)</u>	-123.87%

* Some FY 2007 amounts have been restated. See footnote 2 for details.

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 2008 were tuition and fees (\$80.2 million), state appropriations (\$79.4 million), auxiliary enterprise revenues (\$60.2 million) and research grants and contracts (\$41.8 million).

The primary uses of operating cash in fiscal year 2008 were payments to employees (\$199.9 million) representing salaries, wages and fringe benefits and payments to suppliers of goods and services (\$82.2 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 2008 were proceeds from bond sales (\$49.2 million), capital appropriations (\$17.2 million), grants and gifts for capital construction (\$11.9 million). The primary use of cash was for capital expenditures (\$75.7 million) and debt payments (\$14.3 million).

Capital Asset and Debt Administration

The College of William and Mary

The projects placed into service include:

- Integrated Science Center, Phase I
- High Temperature Conversion
- Emergency Generators
- Residence Hall Safety System, Phase 2
- Laycock Football Practice Facility
- Graduate Housing Recladding, Phase III

Significant among these was the occupancy of phase 1 of the Integrated Science Center, which provides 39 new laboratory facilities and a vivarium for biology, chemistry and psychology instruction and research. This project is supported by associated infrastructure upgrades which include the conversion of high temperature steam lines to chilled water circulation for building support, and installation of sufficient emergency power to support cold storage of critical research material and emergency environmental support of laboratory animals. Outside the classroom, student safety has been the focus as fire alarms have been installed in residence halls as part of a continuing program, and graduate housing re-cladding continues on the sixth of nine buildings to ensure structural safety and the prevention of moisture intrusion through the exterior envelope. Finally, a new football practice facility has been brought on line to allow movement from the existing space under the bleachers of the 1935 era Zable Stadium. The new facility provides new locker room space, coach's offices, and a shared training room for the football and track squads.

Six projects are currently under construction. Of these six, two provide new academic centers, three renew supporting infrastructure and one continues the re-cladding of the Graduate Housing Complex. The academic centers are Phase 2 of the Integrated Science Center project which will provide 23 state of the art teaching/research laboratories for Biology and Psychology, and a new Mason School of Business which will consolidate the entire business program for undergraduate and graduate programs under a single roof. These projects will be delivered in quick succession in the spring and summer, 2009, respectively.

In order to enable the new space, campus infrastructure is being simultaneously upgraded to include renovation of the North Campus Power Plant (really a steam plant) which supports the historic North Campus, completion of hot and chilled water distribution on the South Campus from the Swem District Plant, and emergency power for critical computing nodes in response to shortfalls identified during Hurricane Katrina. Dormitory work consists of the fourth of seven phases (nine total buildings) to re-clad the Graduate Housing Complex.

Four major projects are in design. Construction drawings are being prepared for an addition to and renovation of Small Hall, home to the Physics Department and elements of the rapidly emerging, interdisciplinary Applied Science Department. Design is on track to enable a fall 2008 start of construction and phased delivery of the additions in 2009 and the renovation in 2010. Fast track design is in place to deliver the School of Education construction documents by September 2008. The project will provide the requisite space with computing/audio-visual resources to support modern pedagogy for undergraduate and graduate programs.

Expected delivery of the project is spring 2010. Designs to upgrade campus infrastructure proceed apace with a focus on North Campus. A design for a cooling plant addition to the steam plant currently being renovated is underway. The project will provide the building shell and an initial 1800 tons of cooling to support the North Campus (out of 4000 tons to be provided at end state). This initial increment of cooling capacity will be augmented in 2010-2012 with installation of an additional 1800 tons within the shell, and follow-on installation of a 400 ton ice plant in 2012-2104 for emergency cooling in the event of power failure. The total capacity of the plant at final build out will be 4000 tons which will provide a single, district plant for North campus to replace over thirty existing building plants which are antiquated and energy inefficient. This cooling addition will be complemented by a design to provide packaged heating and, if possible, cooling support for a cluster of administrative offices separated from North Campus by Richmond Road – a major Williamsburg connector route.

Construction projects expected in FY 2009 include the School of Education, and Renovation/Addition to Small Hall. Funds were provided by the 2008 General Assembly to preplan phase 3 of the Integrated Science Center Complex and enable detailed planning for renovation of Tucker Hall. Finally, design of new Career Services Center is pending funding by private donation.

The Virginia Institute of Marine Science

	Total Project Expenditures (In Thousands)	Project Budget (In Thousands)
Major projects in progress at June 30, 2008:		
New Construction: Marine Research Building Complex	\$30,247	\$31,214
Acquisition: Master Plan Properties	602	1,100
Acquisition: Wachapreague Property	398	399
Acquisition: (Va. Est. & Coastal Research Res.)	195	348
Acquisition: Acquire Additional Property CBNERRVA	0	250
IMP: Information Technology Infrastructure	1,111	1,200
New Construction: Field Support Center	123	2,000
New Construction: Construct Concrete Pier	52	1,450
IMP: Electrical Upgrades	1	268
REN: Maury Hall	0	2,000
New Construction: Research Storage Facility	0	641
Total	<u>\$32,729</u>	<u>\$40,870</u>

The Marine Research Building Complex construction started in August 2005. A final certificate of use and occupancy was issued for the Seawater Research Laboratory on April 2, 2007. VIMS began occupying Andrews Hall in December 2007. The contractor continues to complete the punch-list deficiencies on Andrews Hall so that VIMS can apply for the final certificate of occupancy which will give VIMS unrestricted use of the building.

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

in the event other property becomes available. As of August 2006 an authorization to purchase additional property was granted under capital project entitled "Acquire Additional Property for the CBNERRVA Program".

The information technology infrastructure project involves the modernizing of VIMS' aging information technology infrastructure to meet increasing demands for information exchange including systems to carry voice, data, and video. Currently, approximately 100.00% of the existing copper network has been replaced with the new high speed fiber optics. Construction to improve the air conditioning and power requirements in the Watermen's Hall network server room was completed. New servers were purchased. Along with networking Andrews Hall and the Seawater Research Laboratory, VIMS will extend 24x7 networking capability to existing campus buildings such as Chesapeake Bay Hall and the Fisheries Science Laboratory. New redundant fiber installations will result in a highly available modern campus ITNS infrastructure.

The Field Support Center project involves the construction of a 10,000 square foot field support center on the Gloucester Point Campus. This building will replace vessel operation's facilities and field support infrastructure that was severely damaged as a result of Hurricane Isabel. A construction firm has been contracted to provide pre-construction services. The project is scheduled for completion in early 2009.

The Concrete Pier project replaces a damaged wooden pier with a new concrete pier on the VIMS Gloucester Point shoreline. This pier will contain pumps and intake lines to provide 800 gallons per minute of treated seawater. A concrete pier will ensure that VIMS' seawater supply is safe from most hurricane force storms. The elevation of the pier will be set at 10.5 feet above mean lower low water. A location for the pier has been chosen based on a report from the architect/engineer. Geotechnical work is complete. A Design-Build Team has been selected. Construction is planned to start in July 2008 and be completed in March 2009.

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

The Research Storage Facility project involves the construction of a 4,600 square foot facility that is needed to secure research equipment and instruments that are currently stored outdoors. VIMS is developing an RFP and will advertise for A/E services in the very near future.

Improvements:

Electrical Upgrades - this project involves upgrading the electrical 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, the neutrals, branch circuit balancing, power quality monitoring and installation of a central UPS system for critical emergency power loads. The A/E is under contract and is currently working on the design.

Richard Bland College

Major Projects in Progress at June 30, 2008:

	Expenditures <u>To Date</u>
Pecan Grove Hall (President's House)	\$ 267,856
Elevated Water Storage Tank	1,979,887
Renovation of The Library	<u>3,177,794</u>
Total	<u>\$ 5,425,537</u>

Pecan Grove Hall (President's House): The College received an appropriation for renovation/expansion of the President's House. This project included the addition of a room to be used for official College functions scheduled at the President's house. Bids were received in December, 2007. Construction began in early 2008 and is 98.00% complete as of June 30, 2008.

Elevated Water Storage Tank: The College is currently constructing a 500,000 gallon elevated water storage tank to provide fire protection and additional water pressure for the entire campus. Current water pressure and volume is not sufficient to operate sprinkler systems or to suppress a major fire. This tank will initially provide additional water pressure campus-wide and sprinkler protection to the renovated and expanded Library and student housing.

Initial plans for this project were for a 250,000 gallon tank. The County of Prince George requested to participate in the project in order to provide fire protection to the local county residents. The County has paid the cost differential of increasing the tank to 500,000 gallons, has waived connection fees for the student housing project and will assume responsibility for operation and maintenance of the tank. Construction has proceeded on schedule and the tank was brought online in June, 2008. Final completion, including site work and fencing, is projected for October 2008.

Renovation of the Library: The Library was located on the first floor of the Student Center. The building is forty years old and does not contain sufficient electrical service to provide for the technology services needed by a modern library. The Library is being expanded into the second floor of the building, using space once occupied by Admissions, Financial Aid, and Counseling offices which have been relocated to the newly renovated Center for Student Affairs (Art Building Renovation and Expansion project).

The renovated Library, which was substantially complete in May, 2008, has double the space of the previous facility and includes office space for staff, computer access areas, special study rooms, a community meeting room, and expanded shelving for library collections. The space has updated HVAC, electrical, lighting, plumbing, and security systems. The Library also has wired access to the College's local area network and wireless access for use by both students and staff. An additional entrance/exit will provide access to the facility from both ends of the building. Due to the necessity of additional HVAC work, this project, while 99.00% complete, will not be closed out until October, 2008.

Debt Activity

The College's long-term debt is comprised of bonds payable, notes payable, and installment purchases & capital leases. 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 upon their completion. The College's notes payable consist 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, 2008 the College has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of \$43.8 million and \$112.0 million, respectively.

The outstanding balance of 9(c) bonds can be broken down into five major categories as follows: 1) Renovation of Dormitories (\$26.3 million), 2) Other housing / residence (\$1.8 million), 3) University Center (\$3.9 million), 4) Underground Utility (\$1.9 million), and 5) Commons Dining Hall (\$8.9 million). A majority of the 9(d) balance at June 30, 2008 is related to the Barksdale dormitories (\$25.9 million), new school of business building (\$23.6 million), integrated science center (\$12.4 million), the new parking deck (\$11.8 million), and renovations of the recreation sports center (\$10.2 million). For more information on the College's long-term debt, see Note 10 of the Notes to the Financial Statements.

The Virginia Institute of Marine Science and Richard Bland College do not have capital related long-term debt.

Economic Outlook

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

Our ability to recruit, admit, and retain top-caliber students remains excellent, even as we compete against the most selective public and private institutions in the country. Undergraduate applications to the College reached a new high of 11,635 for Fall 2008. The credentials of our admitted students including SAT scores and the number of students within the top 10.00 percent of their graduating class remain stable reflecting the highly selective nature of the College. These statistics, coupled with the College's academic reputation and projected increases in the number of high school graduates, suggest a strong continuing student demand for the future.

As a public institution, the College receives significant financial support from the Commonwealth of Virginia in the form of operating and capital construction appropriations. As such, the College is directly impacted by changes in the State's financial outlook. The Commonwealth's FY 2008 operating budget initially included incremental support for faculty and staff salaries, base operations, faculty research, and undergraduate and graduate student financial aid. Due to slower than anticipated revenue growth, the Commonwealth subsequently reduced FY 2008 appropriations for the main campus by 6.25 percent or \$3.0 million, of which \$2.7 million continued as a base reduction in FY 2009. The main campus has been notified that it will have to absorb an additional \$3.4 million reduction in FY 2009 with the potential for additional reductions in FY 2010. The College will address this reduction through a combination of expenditure reductions and revenue offsets. Supplementing state funds with additional tuition and private fund support, the College continues to protect its core academic programs' quality and integrity while providing incremental support for student financial assistance to ensure access for all qualified students. In this regard, implementation of Gateway William and Mary, a financial aid program that guarantees that in-state undergraduate students whose families have income of less than \$40,000 will be able to graduate from the College without taking out loans, expands access to the College for this socio-economic group.

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

Long-term planning continues to ensure that the College not only protects its core programs but also invests strategically for the future. With passage of the Restructured Higher Education and Administrative Operation Act of 2005 and the Management Agreement by and Between the Commonwealth of Virginia and the College of William and Mary (Chapter 943, 2006 Acts of Assembly), the College continues to move forward with the restructuring of its financial, administrative, and managerial relationship with the Commonwealth. This renewed partnership between the College and the Commonwealth confirms a stable, long-term funding relationship with the Commonwealth, allowing the College to strengthen its long-term planning efforts while meeting the most critical needs of the Commonwealth in a variety of areas. At the same time, the College has just initiated a strategic planning effort intended to identify 6 or 8 grand challenges or opportunities for the next five years, and to develop goals and strategies to address the grand challenges.

Incremental capital construction support from the Commonwealth continues to be strong. Significant projects include construction of a 120,000 square foot Integrated Science Center, 175,000 square foot School of Business and an 110,000 square foot School of Education on the site of the recently vacated Williamsburg Community Hospital. State funding continues to be supplemented by additional College and private investment in other academic and student support facilities.

Through the efforts of its faculty, grant and contract activity at the College continues to be strong, supporting faculty research while providing educational and research opportunities for our students. At the same time, the College recently completed the Campaign for William and Mary raising in excess of \$500.0 million in

the process. Overall, endowments held for the benefit of the College now total \$580.0 million as of June 30, 2008. Planning in support of the College's next major fund raising effort is in its initial stage, even as the College focuses in the short-term on increased annual giving and other selected fund raising priorities.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

February 12, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

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

Board of Visitors
The College of William and Mary in Virginia

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

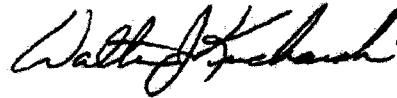
We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of **The College of William and Mary in Virginia**, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2008, which collectively 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 of William and Mary in Virginia as of June 30, 2008, 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 February 12, 2009, 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

JHS:clj

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, 2008**

	ASSETS	Colleges	Component Units
Current assets:			
Cash and cash equivalents (Note 3)	\$ 19,950,487	\$ 9,207,477	
Investments (Note 3)	13,745,013	4,937,641	
Appropriation available	16,324,293	-	
Receivables, net of allowance for doubtful accounts (Note 5)	9,170,360	12,755,047	
Notes receivable (Note 5)	13,059	-	
Due from commonwealth	539,241	-	
Inventories	524,257	29,904	
Pledges receivable	-	6,887,225	
Prepaid expenses	2,090,899	234,558	
Other assets	417,952	6,391,014	
Total current assets	62,775,561	40,442,866	
Non-current assets:			
Restricted cash and cash equivalents (Note 3)	15,072,199	27,682,375	
Restricted investments (Note 3)	78,211,974	406,566,205	
Investments	-	10,714,516	
Notes receivable, net of allowance for doubtful accounts (Note 5)	2,649,186	-	
Pledges receivable	-	18,779,031	
Receivable from remainder trusts	-	7,279,445	
Capital assets, nondepreciable (Note 6)	142,288,227	33,189,493	
Capital assets, depreciable net of accumulated depreciation of \$271,072,402 (Note 6)	373,352,570	8,985,953	
Other assets	-	96,271,468	
Total non-current assets	611,574,156	609,468,486	
Total assets	674,349,717	649,911,352	
	LIABILITIES		
Current liabilities:			
Accounts payable and accrued expenses (Note 7)	34,961,944	3,495,992	
Deferred revenue	10,449,426	613,464	
Deposits held in custody for others	1,137,230	382,376	
Obligations under securities lending program	121,855	-	
Long-term liabilities-current portion (Note 9)	13,972,281	5,085,354	
Other liabilities	-	691,582	
Total current liabilities	60,642,736	10,268,768	
Long-term liabilities-non-current portion (Note 9)	159,960,418	53,246,132	
Total liabilities	220,603,154	63,514,900	
	NET ASSETS		
Invested in capital assets, net of related debt	378,490,373	10,993,632	
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	8,294,337	71,788,739	
Research	-	174,336	
Loans	-	24,230	
Departmental uses	29,144,916	107,130,130	
Other	-	142,135,256	
Expendable:			
Scholarships and fellowships	5,393,626	73,401,642	
Research	(933,337)	2,442,125	
Debt service	460,191	-	
Capital projects	10,040,322	14,873,433	
Loans	399,179	45,391	
Departmental uses	10,096,705	104,189,439	
Other	-	16,392,060	
Unrestricted	12,360,251	42,806,039	
Total net assets	\$ 453,746,563	\$ 586,396,452	

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, 2008**

	Colleges	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$12,830,675	\$ 82,872,728	\$ -
Gifts and contributions	-	13,523,534
Endowment income	-	15,422,839
Federal grants and contracts	33,134,795	-
State grants and contracts	3,952,974	-
Local grants and contracts	447,194	-
Nongovernmental grants and contracts	4,254,740	-
Auxiliary enterprises, net of scholarship allowances of \$6,836,419	59,493,440	-
Other	7,527,045	12,102,422
Total operating revenues	191,682,916	41,048,795
Operating expenses: (Note 11)		
Instruction	98,768,113	5,834,037
Research	52,007,331	180,465
Public service	42,774	419,352
Academic support	30,546,920	3,425,294
Student services	9,109,045	1,669,325
Institutional support	25,695,530	3,995,243
Operation and maintenance of plant	26,769,402	2,558,215
Student aid	9,766,411	9,639,104
Fundraising	-	3,389,991
Management and general	-	3,260,559
Auxiliary enterprises	71,213,368	427,314
Depreciation	17,351,524	490,794
Other	184,653	12,022,852
Total operating expenses	341,455,071	47,312,545
Operating loss	(149,772,155)	(6,263,750)
Non-operating revenues/(expenses):		
State appropriations (Note 12)	79,380,542	-
Gifts	24,709,133	-
Net investment revenue	8,663,336	(21,766,824)
Pell grant revenue	2,071,825	-
Interest on capital asset related debt	(6,201,576)	(263,350)
Other non-operating revenue	9,137,022	1,950,299
Other non-operating expense	(4,592,976)	(11,057,313)
Net non-operating revenues	113,167,306	(31,137,188)
Income/(loss) before other revenues, expenses, gains or losses	(36,604,849)	(37,400,938)
Other revenues:		
Capital appropriations	20,307,871	-
Capital grants and contributions	26,709,756	4,090,290
Additions to permanent endowments	-	10,693,385
Net other revenues	47,017,627	14,783,675
Increase in net assets	10,412,778	(22,617,263)
Net assets - beginning of year *	443,333,785	609,013,715
Net assets - end of year	\$ 453,746,563	\$ 586,396,452

*Certain 2007 amounts have been restated to conform to 2008 classifications (Note 2).
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, 2008**

Cash flows from operating activities:	
Tuition and fees	\$ 80,159,054
Scholarships	(1,651,922)
Research grants and contracts	41,843,095
Auxiliary enterprise charges	60,162,320
Payments to suppliers	(82,180,075)
Payments to employees	(199,905,514)
Payments for operation and maintenance of facilities	(34,166,468)
Loans issued to students and employees	(415,027)
Collection of loans to students	481,403
Other receipts	<u>3,295,588</u>
Net cash used by operating activities	<u>(132,377,546)</u>
Cash flows from noncapital financing activities:	
State appropriations	79,380,542
Gifts	24,709,133
Agency receipts	12,053,689
Agency payments	(12,896,694)
PLUS loans receipts	9,980,150
PLUS loans disbursements	(9,980,150)
Other nonoperating revenue	20,171,328
Other nonoperating expenses	<u>(4,677,668)</u>
Net cash provided by noncapital financing activities	<u>118,740,330</u>
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	49,174,805
Capital appropriations	17,236,110
Capital grants and contributions	11,881,647
Insurance payments	45,757
Capital expenditures	(75,712,185)
Principal paid on capital-related debt	(8,128,443)
Interest paid on capital-related debt	(6,201,576)
Proceeds from sale of capital assets	<u>34,158</u>
Net cash used by capital and related financing activities	<u>(11,669,727)</u>
Cash flows from investing activities:	
Investment income	1,652,234
Investments	19,289,057
Interest escrow	<u>(773)</u>
Net cash provided by investing activities	<u>20,940,518</u>
Net increase/(decrease) in cash	(4,366,425)
Cash-beginning of year*	<u>39,363,549</u>
Cash-end of year	<u><u>\$ 34,997,124</u></u>

**The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2008**

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	\$	19,950,487
Restricted cash and cash equivalents		15,072,199
Less: Securities lending -Treasurer of Virginia		<u>(25,562)</u>

Net cash and cash equivalents	\$	<u><u>34,997,124</u></u>
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Reconciliation of net operating expenses to net cash used by operating activities:

Net operating loss	\$	(149,772,155)
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Adjustments to reconcile net operating expenses to cash used by operating activities:

Depreciation expense		17,351,524
Changes in assets and liabilities:		
Receivables-net		(2,319,446)
Inventories		60,328
Prepaid expense		(307,627)
Accounts payable		722,322
Deferred revenue		1,355,601
Deposit held for others		534,998
Compensated absences		<u>(3,091)</u>

Net cash used in operating activities	\$	<u><u>(132,377,546)</u></u>
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**NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL
AND RELATED FINANCING TRANSACTIONS**

Amortization of a deferred loss	\$	53,537
Donated capital assets	\$	8,454,177
Reduction/amortization of bond premium and debt issuance costs	\$	246,286

* Certain 2007 amounts have been restated to conform to 2008 classifications (Note 2 and 3).
The accompanying Notes to Financial Statements are an integral part of this statement.

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**Notes to
Financial Statements
Year Ended June 30, 2008**

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The accompanying financial statements present all funds for which the College's Board of Visitors is financially accountable. Related foundations and similar non-profit corporations for which the College is not financially accountable are also a part of the accompanying financial statements under Governmental Accounting Standards Board (GASB) issued Statement No. 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 thereon that the Foundations hold and invest are restricted to the activities of the College by the donors. Because these restricted resources are held by the Foundations and can only be used by or for the benefit of the College, the Foundations are considered component units of the College and are discretely presented in the financial statements.

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

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

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

The William and Mary Athletic Educational Foundation is a not-for-profit corporation organized under the

laws of the Commonwealth of Virginia. The purpose of the Foundation is to promote, foster, encourage and further education, in all enterprises of all kinds at the College of William and Mary Virginia, but it principally supports the Athletic Department of the College. For additional information on the Athletic Educational Foundation, contact the Foundation Office at 751 Ukrop Drive, Williamsburg, Virginia 23187.

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

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

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

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

The Intellectual Property Foundation is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia in September 2007. Its purpose is to handle all aspects of the intellectual property of the College of William and Mary in Virginia in support of the educational goals of the College. As of June 30, 2008 the Intellectual Property Foundation was not yet operational and 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, 2008:

Assets	<u>\$ 1,295,143</u>
Liabilities	111,633
Net Assets	<u>1,183,510</u>
Liabilities and Net Assets	<u>\$ 1,295,143</u>

The total unaudited receipts and disbursements of the OIEAHC were \$1,952,769 and \$2,090,800, respectively, for the year ended June 30, 2008. 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.

The Commonwealth of Virginia has a requirement for the year ended June 30, 2008 that appropriations available be reported as a separate line on the Statement of Net Assets. Previously, appropriations available were reported as restricted cash and cash equivalents. A restatement of restricted cash and cash equivalents for the year ended June 30, 2007 is included in note 3.

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, 2008, the Colleges' prepaid expenses included items such as insurance premiums, membership dues, conference registrations for fiscal year 2009 that were paid in advance, and publications subscriptions which include initial and renewal annual subscriptions for technical and professional publications.

Capital Assets

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

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

Buildings	40-50 years
Infrastructure	10-50 years
Equipment	2-30 years
Library Books	10 years

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

Deferred Revenue

Deferred revenue represents revenue collected but not earned as of June 30, 2008. This is primarily comprised of revenue for student tuition accrued in advance of the semester, amounts received from grant and contract sponsors that have not yet been earned and advance ticket sales for athletic events.

Compensated Absences

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

Noncurrent Liabilities

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

Net Assets

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

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

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

Restricted Net Assets – Expendable – represent funds that have been received for specific purposes and the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – represent resources derived from student tuition and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense toward restricted resources, and then toward unrestricted.

Scholarship Allowances

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

Federal Financial Assistance Programs

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

Classification of Revenues and Expenses

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

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

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

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

2. RESTATEMENT OF NET ASSETS

Certain net assets originally reported in the College's financial statements as of June 30, 2007, have been restated to reflect further evaluation of assets and liabilities.

Net assets as previously reported June 30, 2007	\$ 430,331,601
Previously unrecorded property and other	93,238
Prior years accrual reversal corrections	19,471,714
Endowment assets duplication	<u>(6,562,768)</u>
Net asset balance at July 1, 2007	<u>\$ 443,333,785</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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

As reported on the June 30, 2007 Statement of Net Assets:

Non-current assets

Restricted cash and cash equivalents \$ 36,333,374

Restatement of restricted cash and cash equivalents for the year ended June 30, 2007:

Current assets

Appropriation available \$ 22,698,225

Non-current assets

Restricted cash and cash equivalents 13,635,149

Investments

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

Concentration of Credit Risk

Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents five percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2008, none of the investments in stocks or bonds represents five percent or more of the total investments; therefore, the College does not have concentration of credit risk.

Custodial Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The College does not have investments in foreign currency.

Security Lending Transactions

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

Credit & Concentration of Credit Risks

	Fair	<u>S&P Credit</u>	
	<u>Value</u>	<u>Quality Rating</u>	
<u>Cash Equivalents:</u>		<u>AAA</u>	<u>Unrated</u>
Certificate of deposit	\$ 10,000	-	\$ 10,000
Money market	32,053,346	-	32,053,346
U.S. treasury and agency securities:			
Federal Home Loan Bank	3,046,302	-	3,046,302
Securities lending	<u>25,562</u>	<u>-</u>	<u>25,562</u>
Total cash equivalents	<u>35,135,210</u>	<u>-</u>	<u>35,135,210</u>
 <u>Investments:</u>			
U.S. treasury and agency securities:			
Federal National Mortgage Association	1,981,380	-	1,981,380
Federal Farm Credit Bank	238,032	238,032	
Federal Home Loan Bank	4,951,833	2,743,438	2,208,395
Federal Home Loan Mortgage Corporation	5,794,733	1,248,162	4,546,571
Mutual funds:			
Investment Funds	12,058,650	-	12,058,650
Delaware Investments	73,613	-	73,613
Commercial paper	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total investments	<u>25,258,241</u>	<u>\$ 4,229,632</u>	<u>\$ 21,028,609</u>
 <u>Other Investments</u>			
Common and preferred stocks	37,452,217		
State non-arbitrage program investments	29,072,756		
Securities lending	96,293		
Rare coins	280		
Property held as investment for endowments	<u>77,200</u>		
Total other investments	<u>66,698,746</u>		
Total cash equivalents and investments	<u>\$ 127,092,197</u>		

Interest Rate Risk: Maturities

<u>Type of Investment</u>	<u>Fair Value</u>	<u>0-3 months</u>	<u>4-12 months</u>	<u>1-5 years</u>	<u>6-10 years</u>
U.S. treasury and agency securities:					
Federal National Mortgage Association	\$ 1,981,380	\$ -	\$ 1,981,380	\$ -	\$ -
Federal Farm Credit Bank	238,032	-	238,032	-	-
Federal Home Loan Bank	7,998,135	3,046,302	4,951,833	-	-
Federal Home Loan Mortgage Corporation	5,794,733	-	5,794,733	-	-
Commercial paper	160,000	-	-	160,000	-
Mutual and money market funds:					
Certificate of deposit	10,000	10,000	-	-	-
Money market	32,053,346	32,053,346	-	-	-
Mutual funds-Investment Funds	12,058,650	-	126,323	4,137,317	7,795,010
Mutual funds-Delaware Investments	73,613	-	2,774	44,362	26,477
Securities lending	25,562	25,562	-	-	-
	<u>60,393,451</u>	<u>\$ 35,135,210</u>	<u>\$ 13,095,075</u>	<u>\$ 4,341,679</u>	<u>\$ 7,821,487</u>
<u>Other Investments</u>					
Common and preferred stocks	37,452,217				
State non-arbitrage program investments	29,072,756				
Securities lending	96,293				
Rare coins	280				
Property held as investment for endowments	<u>77,200</u>				
Total other investments	<u>66,698,746</u>				
Total cash equivalents and investments	<u>\$ 127,092,197</u>				

4. DONOR RESTRICTED ENDOWMENTS

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

The College, during fiscal year 2008, had a net appreciation of \$11,942,755 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 - \$5,958,398, Restricted for Expendable Research - \$27,111, Restricted for Expendable Capital Projects - \$176,429, Restricted for Expendable Departmental Uses - \$4,568,210 and Unrestricted - \$1,212,607.

Investments of Endowment and Similar Funds:

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

	Balance at <u>June 30, 2008</u>
<u>College of William and Mary:</u>	
Equity Investments	\$ 37,012,151
Bond Investments	11,396,892
Cash Equivalents/Money Market	<u>(13,004)</u>
Total	<u>\$ 48,396,039</u>
 <u>Richard Bland College:</u>	
Equity Investments	\$ 413,757
Bond Investments	<u>73,613</u>
Total	<u>\$ 487,370</u>

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, 2008 as follows:

Student Tuition and Fees	\$ 1,366,700
Auxiliary Enterprises	708,963
Federal, State and Non-Governmental Grants & Contracts	4,988,809
Other Activities	<u>2,106,269</u>
Gross Receivables	9,170,741
Less: allowance for doubtful accounts	<u>(381)</u>
Net Receivables	<u>\$ 9,170,360</u>

Notes receivable consisted of the following at June 30, 2008:

Current portion:	
Federal student loans	\$ <u>13,059</u>
Non-current portion:	
Federal student loans	\$ 2,675,882
Less: allowance for doubtful accounts	<u>(26,696)</u>
Net non-current notes receivable	<u>\$ 2,649,186</u>

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2008 consists of the following:

	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance
Non-depreciable capital assets:					
Land	\$ 13,975,426	\$ (2,099)	\$ -	\$ -	\$ 13,973,327
Inexhaustible artwork and historical treasures	70,074,026	-	292,131	-	70,366,157
Construction in Progress	<u>68,157,323</u>	<u>-</u>	<u>75,699,581</u>	<u>85,908,161</u>	<u>57,948,743</u>
Total non-depreciable capital assets	<u>152,206,775</u>	<u>(2,099)</u>	<u>75,991,712</u>	<u>85,908,161</u>	<u>142,288,227</u>
Depreciable capital assets:					
Buildings	359,762,815	(61,600)	83,955,290	7,475,164	436,181,341
Equipment	82,799,363	-	7,679,691	5,697,149	84,781,905
Infrastructure	35,182,035	-	127,074	-	35,309,109
Other improvements	5,117,367	-	194,569	194,461	5,117,475
Library Materials	<u>82,511,782</u>	<u>-</u>	<u>1,640,318</u>	<u>1,116,958</u>	<u>83,035,142</u>
Total depreciable capital assets	<u>565,373,362</u>	<u>(61,600)</u>	<u>93,596,942</u>	<u>14,483,732</u>	<u>644,424,972</u>
Less accumulated depreciation for:					
Buildings	111,642,904	(27,720)	7,512,094	138,426	118,988,852
Equipment	53,104,027	-	5,624,347	4,435,497	54,292,877
Infrastructure	19,099,628	-	1,266,081	-	20,365,709
Other improvements	4,013,139	-	122,438	-	4,135,577
Library Materials	<u>71,607,969</u>	<u>-</u>	<u>2,826,564</u>	<u>1,145,146</u>	<u>73,289,387</u>
Total accumulated depreciation	<u>259,467,667</u>	<u>(27,720)</u>	<u>17,351,524</u>	<u>5,719,069</u>	<u>271,072,402</u>
Depreciable capital assets, net	<u>305,905,695</u>	<u>(33,880)</u>	<u>76,245,418</u>	<u>8,764,663</u>	<u>373,352,570</u>
Total capital assets, net	<u>\$ 458,112,470</u>	<u>\$ (35,979)</u>	<u>\$ 152,237,130</u>	<u>\$ 94,672,824</u>	<u>\$ 515,640,797</u>

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 \$31.33 for fiscal year 2008. The average cost of the Law Library purchases of books was \$71.15 for fiscal year 2008. 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 \$118.60 for fiscal year 2008. The average cost of library books purchased

for Richard Bland College was \$52.20 for fiscal year 2008. 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 were no impairment losses for fiscal year 2008. Proceeds from insurance recoveries attributable to capital assets are reported as a capital related financing activity in the Statement of Cash Flows. Accordingly, \$48,620 of proceeds from insurance recoveries are classified as a capital related financing activity.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2008:

Current Liabilities:

Employee salaries, wages, and fringe benefits payable	\$ 18,142,390
Vendors and supplies accounts payable	6,050,095
Capital projects accounts and retainage payable	<u>10,769,459</u>
Total current liabilities-accounts payable and accrued expenses	<u><u>\$ 34,961,944</u></u>

8. COMMITMENTS

At June 30, 2008, outstanding construction commitments totaled approximately \$145,655,606.

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, 2008, was \$3,393,554.

As of June 30, 2008, the following total future minimum rental payments are due under the above leases:

<u>Year Ending June 30, 2008</u>	<u>Amount</u>
2009	\$ 4,417,315
2010	3,946,099
2011	3,373,540
2012	3,221,495
2013	3,303,130
2014-2018	4,409,727
2019-2023	<u>550,826</u>
Total	<u>\$ 23,222,132</u>

9. LONG-TERM LIABILITIES

The College's long-term liabilities consist of long-term debt (further described in Note 10), and other long-term liabilities. A summary of changes in long-term liabilities for the year ending June 30, 2008 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital leases	\$ 16,875	\$ -	\$ 16,875	\$ -	\$ -
Installment purchases	2,439,674	452,968	256,715	2,635,927	265,097
Notes payable	73,857,361	46,806,488	4,486,925	116,176,924	4,244,200
Bonds payable	<u>47,426,856</u>	<u>-</u>	<u>3,638,019</u>	<u>43,788,837</u>	<u>3,490,113</u>
Total long-term debt	<u>123,740,766</u>	<u>47,259,456</u>	<u>8,398,534</u>	<u>162,601,688</u>	<u>7,999,410</u>
Perkins loan fund balance	2,571,555	-	-	2,571,555	-
Accrued compensated absences	<u>8,762,550</u>	<u>8,491,739</u>	<u>8,494,833</u>	<u>8,759,456</u>	<u>5,972,871</u>
Total long-term liabilities	<u>\$ 135,074,871</u>	<u>\$ 55,751,195</u>	<u>\$ 16,893,367</u>	<u>\$ 173,932,699</u>	<u>\$ 13,972,281</u>

10. LONG-TERM DEBT

Bonds Payable

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

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Balance as of June 30, 2008</u>
Section 9(c) bonds payable:			
Dormitory, Series 1998R2	3.500 - 5.000	2013	492,211
Dormitory, Series 2001A1	3.500 - 5.000	2021	1,020,000
Dormitory, Series 2002A1	2.500 - 5.000	2022	3,885,000
Dormitory, Series 2002R4	2.500 - 5.000	2013	210,003
Dormitory, Series 2002R9	2.500 - 4.000	2016	890,727
Dormitory, Series 2004B2	3.000 - 5.000	2017	419,804
Dormitory, Series 2004B3	3.000 - 5.000	2017	1,872,269
Dormitory, Series 2004B4	3.000 - 5.000	2018	3,705,414
Dormitory, Series 2004B5	3.000 - 5.000	2020	2,575,816
Dormitory, Series 2005A1	3.500 - 5.000	2026	5,430,000
Dormitory, Series 2006A1	4.000 - 5.000	2014	100,000
Dormitory, Series 2006A2	4.000 - 5.000	2015	1,525,000
Dormitory, Series 2006B1	4.000 - 5.000	2026	4,150,000
Renovation of Dormitories			26,276,244
Graduate Housing, Series 2003R5	3.500 - 5.000	2011	1,601,045
Randolph Residence, Series 2003R3	3.500 - 5.000	2009	163,927
University Center, Series 1998R1	3.500 - 5.000	2013	3,800,511
University Center, Series 2002R5	2.500 - 5.000	2013	75,002
University Center			3,875,513
Underground Utility, Series 2002R8	3.500 - 5.600	2016	804,729
Underground Utility, Series 2004B1	3.000 - 5.000	2017	1,100,154
Underground Utility			1,904,883
Renovate Commons Dining Hall, Series 2005A2	3.500 - 5.000	2026	8,945,000
Total bonds payable			42,766,612
Deferred Gain/(Loss) on Advance Refundings			51,178
Unamortized premiums (discounts)			971,047
Net bonds payable			<u>\$ 43,788,837</u>

Notes Payable

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

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

<u>Description</u>	<u>Interest Rated (%)</u>	<u>Maturity</u>	<u>Outstanding Balance as of June 30, 2008</u>
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2003A	2.000 - 5.000	2024	\$ 1,665,000
Barksdale Dormitory, Series 2004A	3.000 - 5.000	2025	9,880,000
Barksdale Dormitory, Series 2005A	3.500 - 5.000	2026	12,470,000
Barksdale Dormitory, Series 2006A	3.000 - 5.000	2027	1,890,000
William and Mary Hall, Series 2004B	3.000 - 5.000	2016	1,020,000
William and Mary Hall, Series 2007B	4.000 - 4.250	2018	275,000
Parking Deck, Series 2003A	2.000 - 5.000	2024	3,500,000
Parking Deck, Series 2004A	3.000 - 5.000	2025	2,150,000
Parking Deck, Series 2005A	3.500 - 5.000	2026	6,190,000
Recreation Sports Center, Series 2003A	2.000 - 5.000	2024	830,000
Recreation Sports Center, Series 2004A	3.500 - 5.000	2025	6,995,000
Recreation Sports Center, Series 2005A	3.500 - 5.000	2026	2,415,000
Improve Athletics Facilities, Series 2005A	3.500 - 5.000	2026	3,305,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	755,000
Marshall-Wythe Library, Series 1999A	5.000 - 6.000	2010	165,000
Marshall-Wythe Library, Series 2004B	3.000 - 5.000	2019	1,215,000
Law School Library, Series 2003A	2.000 - 5.000	2024	1,000,000
Law School Library, Series 2007A	4.500 - 5.000	2027	3,655,000
Magnet Facility, Series 2003A	2.000 - 5.000	2024	2,090,000
Williamsburg Hospital/School of Education	3.000 - 5.000	2027	2,360,000
J. Laycock Football Facility	3.000 - 5.000	2027	5,440,000
Residence Hall Fire Safety Systems	3.000 - 5.000	2027	1,910,000
School of Business 2007A	4.500 - 5.000	2027	23,635,000
Integrated Science Center 2007A	4.500 - 5.000	2027	12,395,000
Power Plant Renovations 2007A	4.500 - 5.000	2027	4,855,000
Total 9 (d) bonds			112,060,000
Commercial Notes:			
Enterprise Resource Planning System	3.75	2010	583,068
Total notes payable			112,643,068
Deferred Gain/(Loss) on Advance Refundings			(27,572)
Unamortized premiums (discounts)			3,561,428
Net notes payable			<u>\$ 116,176,924</u>

Installment Purchases and Capital Leases

At June 30, 2008, installment purchases and capital leases consist of the current and long-term portions of obligations resulting from various contracts used to finance the acquisition of equipment. The lengths of purchase agreements range from two to fifteen years, and the interest rate charges are from 1.3 to 4.7 percent.

Description	Maturity	Balance as of June 30, 2008
Installment purchases	2008-2020	\$2,635,927

Long-term debt matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 7,999,410	\$ 7,445,303
2010	8,270,422	7,088,391
2011	8,351,416	6,707,547
2012	8,132,270	6,302,366
2013	8,540,966	5,895,216
2014-2018	41,216,683	23,259,495
2019-2023	42,614,440	12,934,236
2024-2028	32,920,000	3,022,331
Refunding gain	23,606	-
Unamortized premiums	<u>4,532,475</u>	<u>-</u>
	<u>\$ 162,601,688</u>	<u>\$ 72,654,885</u>

Defeasance of Debt

In October 2007, the VCBA (Virginia College Building Authority) issued \$100,765,000 of Educational Facilities Revenue Refunding Bonds, Series 2007B with a true interest cost (TIC) of 4.0 percent. The sale of these bonds enabled the College to advance refund certain 1997A 9D bonds with interest rates ranging from 4.7 percent to 5.0 percent used to finance the renovation of William & Mary Hall. The net proceeds from the sale of the Refunding Bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the College's portion of the liability has been removed from the financial statements.

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

<u>Series</u>	<u>Debt Outstanding</u>	<u>Amount Defeased</u>	<u>Percentage Defeased</u>
1997A	\$ 270,000	\$ 270,000	100%

The College's portion of the accounting loss recognized in the financial statements was \$5,143. The net economic gain attributable to the College was \$10,242 and will result in a decreased cash flow requirement of \$9,780 over the remaining life of the debt.

Prior Year Defeasance of Debt

During fiscal years 1993, 1994, 1996, 2003, 2004, 2006 and 2008 the College defeased certain General Obligation Revenue Bonds. The proceeds from these refunding bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the College's financial statements. At June 30, 2008, \$3,780,000 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	\$ 88,068,736	\$ 7,231,778	\$ 112,467	\$ 3,355,132	\$ -	\$ 98,768,113
Research	34,616,962	11,705,349	1,264,865	4,420,155	-	52,007,331
Public service	14,412	28,212	25	125	-	42,774
Academic support	21,037,518	2,262,542	103,203	7,143,657	-	30,546,920
Student services	6,554,980	2,397,775	68,867	87,423	-	9,109,045
Institutional support	19,810,332	5,277,880	77,113	530,205	-	25,695,530
Operation and maintenance of plant	6,689,239	13,182,911	1,013	6,896,239	-	26,769,402
Depreciation	-	-	-	-	17,351,524	17,351,524
Scholarships and related expenses	3,518,214	17,954	6,219,219	11,024	-	9,766,411
Auxiliary enterprises	19,926,847	40,829,084	(467,215)	10,924,652	-	71,213,368
Other	63,972	98,062	1	22,618	-	184,653
Total	<u>\$ 200,301,212</u>	<u>\$ 83,031,547</u>	<u>\$ 7,379,558</u>	<u>\$ 33,391,230</u>	<u>\$ 17,351,524</u>	<u>\$ 341,455,071</u>

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 847 - 2007 Appropriation Act (Educational & General Programs)		\$ 74,796,504
Student financial assistance		3,872,769
Supplemental appropriation:		
VIVA libraries	35,471	
Prior year reappropriations	187,808	
National science foundation grant	8,188	
Rapa Whelk research grant	40,000	
VRS retirement rate increase	476,500	
VSDP rate increase	145,588	
Group life contribution rate increase	83,196	
Health insurance premium	1,075,968	
One-half percent pay practices funding	110,624	
Retiree health credit contribution rate increase	66,554	
Eminent Scholars	1,324,930	
HE tuition incentive transfer	235,255	
Biomedical research	201,531	
Increased employee mileage reimbursement	14,059	
Transfer of interest earnings and credit card rebates	114,298	
Salary increases - faculty	180,924	
Salary increases - state employees	<u>1,356,492</u>	5,657,386
Appropriation reductions:		
VA law officers (VALORS) retirement rate decrease	2,854	
Governor's budget reduction Plan	4,336,842	
HEETF debt payments	261,334	
Out of state building fees	<u>243,044</u>	(4,844,074)
Reversions to the General Fund of the Commonwealth		<u>(102,043)</u>
Appropriations as adjusted		<u><u>\$ 79,380,542</u></u>

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 Intellectual Property Foundation was not operational in fiscal year 2008 and had no significant financial activity to report; therefore, it is not included in the presentation of component unit financial information.

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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	\$ 1,076,027	\$ 1,939,551	\$ 1,316,174	\$ 574,524
Investments	1,057,977	3,879,335	329	-
Pledges receivable, net	1,164,938	755,659	3,582,604	-
Receivables, net of allowance	11,317,647	361,800	897,947	50,153
Inventories	-	-	-	29,904
Prepays	113,249	58,055	12,531	46,624
Other assets	49,865	-	-	-
Total current assets	14,779,703	6,994,400	5,809,585	701,205
Non-current assets:				
Restricted cash and cash equivalents	7,508,386	1,378,901	13,269,318	-
Restricted investments	355,322,040	21,341,399	25,728,590	-
Investments	-	-	-	3,938,761
Pledges receivable, net	2,502,118	1,069,525	13,755,131	-
Receivable from remainder trusts	7,279,445	-	-	-
Capital assets, nondepreciable	8,763,038	302,671	-	31,800
Capital assets, net of accumulated depreciation	8,287,108	70,572	35,693	290,873
Other assets	90,877,666	279,373	-	3,446,028
Total non-current assets	480,539,801	24,442,441	52,788,732	7,707,462
Total assets	495,319,504	31,436,841	58,598,317	8,408,667
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	263,033	112,750	919,842	163,491
Deferred revenue	69,145	287,567	10,000	228,290
Deposits held in custody for others	310,659	-	71,717	-
Long-term liabilities - current portion	5,077,895	-	-	-
Other liabilities	7,226	466,717	-	52,686
Total current liabilities	5,727,958	867,034	1,001,559	444,467
Non-current liabilities:				
Long-term liabilities	26,217,852	-	-	-
Total liabilities	31,945,810	867,034	1,001,559	444,467
NET ASSETS				
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	62,926,469	4,674,865	328,022	-
Research	-	-	-	-
Loans	-	-	24,230	-
Departmental uses	67,341,832	5,250,283	33,598,804	-
Other	136,913,009	-	460,530	2,565,658
Expendable:				
Scholarships and fellowships	64,799,347	4,280,105	249,827	-
Research	2,216,386	-	14,767	-
Capital projects	(3,995,060)	2,349,473	15,667,650	-
Loans	-	-	45,391	-
Departmental uses	88,514,208	7,851,189	6,330,806	-
Other	13,828,963	416,442	131,151	1,384,690
Invested in capital assets, net of related debt	8,280,443	373,243	35,693	322,673
Unrestricted	22,548,097	5,374,207	709,887	3,691,179
Total net assets	\$ 463,373,694	\$ 30,569,807	\$ 57,596,758	\$ 7,964,200

William & Mary		Virginia Institute of		William & Mary	
Athletic		Marine Science	Richard Bland	Real Estate	Total Component
Educational		Foundation	College Foundation	Foundation	Units
Foundation					
\$ 2,653,488	\$ 417,002	\$ 1,002,305	\$ 228,406	\$ 9,207,477	
-	-	-	-	4,937,641	
809,006	243,402	331,616	-	6,887,225	
-	-	127,500	-	12,755,047	
-	-	-	-	29,904	
-	-	-	4,099	234,558	
45,953	25,000	-	6,270,196	6,391,014	
3,508,447	685,404	1,461,421	6,502,701	40,442,866	
-	402,142	5,123,628	-	27,682,375	
1,717,589	-	2,456,587	-	406,566,205	
-	6,379,340	396,415	-	10,714,516	
821,956	291,326	338,975	-	18,779,031	
-	-	-	-	7,279,445	
-	-	23,752,437	339,547	33,189,493	
55,006	-	1,414	245,287	8,985,953	
-	-	-	1,668,401	96,271,468	
2,594,551	7,072,808	32,069,456	2,253,235	609,468,486	
6,102,998	7,758,212	33,530,877	8,755,936	649,911,352	
99,051	1,173	1,894,661	41,991	3,495,992	
18,462	-	-	-	613,464	
-	-	-	-	382,376	
7,459	-	-	-	5,085,354	
-	-	-	164,953	691,582	
124,972	1,173	1,894,661	206,944	10,268,768	
28,280	-	27,000,000	-	53,246,132	
153,252	1,173	28,894,661	206,944	63,514,900	
-	938,184	2,921,199	-	71,788,739	
-	174,336	-	-	174,336	
-	-	-	-	24,230	
-	939,211	-	-	107,130,130	
-	2,196,059	-	-	142,135,256	
3,751,582	320,781	-	-	73,401,642	
-	210,972	-	-	2,442,125	
-	717,033	-	134,337	14,873,433	
-	-	-	-	45,391	
-	1,493,236	-	-	104,189,439	
-	326,398	304,416	-	16,392,060	
19,267	-	1,377,479	584,834	10,993,632	
2,178,897	440,829	33,122	7,829,821	42,806,039	
\$ 5,949,746	\$ 7,757,039	\$ 4,636,216	\$ 8,548,992	\$ 586,396,452	

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	\$ 3,680,381	\$ 1,498,339	\$ 982,598	\$ 2,049,652
Endowment income	14,154,118	-	1,268,721	-
Other	5,355,161	1,531,049	3,300,325	1,193,957
Total operating revenues	23,189,660	3,029,388	5,551,644	3,243,609
Operating expenses:				
Instruction	4,012,270	606,837	1,214,930	-
Research	172,884	-	7,581	-
Public service	178,572	54,519	186,261	-
Academic support	1,224,115	1,103,883	879,863	-
Student services	128,164	20,548	1,520,613	-
Institutional support	1,119,195	-	2,678,477	-
Operation and maintenance of plant	682,893	1,850,201	25,121	-
Student aid	5,124,615	300,839	76,061	-
Fundraising	2,471,044	557,054	206,223	-
Management and general	1,032,236	245,617	961,366	415,706
Auxiliary enterprises	427,314	-	-	-
Depreciation	404,903	16,083	13,801	44,592
Other	8,879,138	-	-	2,905,673
Total operating expenses	25,857,343	4,755,581	7,770,297	3,365,971
Operating gain/(loss)	(2,667,683)	(1,726,193)	(2,218,653)	(122,362)
Non-operating revenues and expenses:				
Net investment revenue (expense)	(20,316,755)	(321,857)	(608,120)	(254,282)
Interest on capital asset related debt	(263,350)	-	-	-
Other non-operating revenue	(777,781)	2,713,920	-	-
Other non-operating expense	(2,005,619)	-	(9,051,694)	-
Net non-operating revenues	(23,363,505)	2,392,063	(9,659,814)	(254,282)
Income before other revenues	(26,031,188)	665,870	(11,878,467)	(376,644)
Other revenues:				
Capital grants and contributions	1,033,767	-	1,407,740	-
Additions to permanent endowments	9,515,012	583,593	192,819	1,461
Net other revenues	10,548,779	583,593	1,600,559	1,461
Change in net assets, before transfers	(15,482,409)	1,249,463	(10,277,908)	(375,183)
Land transfer (CWMF to WMREF)	(4,351,217)	-	-	-
LOC (CWMF to WMREF)	(389,318)	-	-	-
Contributions (CWMF to VIMSF)	(3,358,294)	-	-	-
Contributions (CWMF to MWSLF, WMBSF and WMAA)	(326,388)	75,000	132,016	119,372
Transfers	(8,425,217)	75,000	132,016	119,372
Change in net assets	(23,907,626)	1,324,463	(10,145,892)	(255,811)
Net assets - beginning of year *	487,281,320	29,245,344	67,742,650	8,220,011
Net assets - end of year	\$ 463,373,694	\$ 30,569,807	\$ 57,596,758	\$ 7,964,200

William & Mary					
Athletic	Virginia Institute	Richard Bland	William & Mary	Total	
Educational	of Marine Science	College	Real Estate	Component Units	
Foundation	Foundation	Foundation	Foundation		
\$ 4,177,072	\$ 529,226	\$ 606,266	\$ -	\$	13,523,534
-	-	-	-		15,422,839
709,738	-	-	12,192		12,102,422
4,886,810	529,226	606,266	12,192		41,048,795
-	-	-	-		5,834,037
-	-	-	-		180,465
-	-	-	-		419,352
-	217,433	-	-		3,425,294
-	-	-	-		1,669,325
-	50,423	-	147,148		3,995,243
-	-	-	-		2,558,215
3,991,299	10,000	136,290	-		9,639,104
49,450	-	106,220	-		3,389,991
512,220	23,372	27,653	42,389		3,260,559
-	-	-	-		427,314
8,309	-	998	2,108		490,794
93,331	-	144,710	-		12,022,852
4,654,609	301,228	415,871	191,645		47,312,545
232,201	227,998	190,395	(179,453)		(6,263,750)
223,549	(194,699)	(367,686)	73,026		(21,766,824)
-	-	-	-		(263,350)
14,160	-	-	-		1,950,299
-	-	-	-		(11,057,313)
237,709	(194,699)	(367,686)	73,026		(31,137,188)
469,910	33,299	(177,291)	(106,427)		(37,400,938)
-	-	-	1,648,783		4,090,290
-	171,718	228,782	-		10,693,385
-	171,718	228,782	1,648,783		14,783,675
469,910	205,017	51,491	1,542,356		(22,617,263)
-	-	-	4,351,217		-
-	-	-	389,318		-
-	3,358,294	-	-		-
-	-	-	-		-
-	3,358,294	-	4,740,535		-
469,910	3,563,311	51,491	6,282,891		(22,617,263)
5,479,836	4,193,728	4,584,725	2,266,101		609,013,715
\$ 5,949,746	\$ 7,757,039	\$ 4,636,216	\$ 8,548,992	\$	586,396,452

*In the prior year, Richard Bland College Foundation recognized income from investments related to restricted cash received from bond issuance. This method was not in accordance with generally accepted accounting principles. During the year ended June 30, 2008, the Foundation changed its method of accounting for interest capitalization in accordance with generally accepted accounting principles. This change had the effect of reducing the total unrestricted support and unrestricted net assets by \$632,835, as compared to the amounts previously reported.

Investments

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

	The College of William & Mary Foundation	Marshall- Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	\$ 1,575,509	\$ -	\$ -	\$ 1,575,509
Mutual and money market funds	5,325,280	489,106	-	3,938,761	5,117	-	-	9,758,264
U.S. treasury and agency securities	3,973,115	-	-	-	-	-	-	3,973,115
Common and preferred stocks	202,399	-	465,055	-	30,826	-	-	698,280
Investment in grantor trust	344,187,283	-	-	-	-	-	-	344,187,283
Notes receivable	1,432,860	-	-	-	-	-	-	1,432,860
Auction instruments	-	-	7,600,000	-	-	-	-	7,600,000
Pooled investments	-	24,731,628	17,663,864	-	-	6,379,340	2,838,087	51,612,919
Real estate	1,202,157	-	-	-	71,200	-	-	1,273,357
Other	56,923	-	-	-	34,937	-	14,915	106,775
Total								
Investments	<u>\$ 356,380,017</u>	<u>\$ 25,220,734</u>	<u>\$ 25,728,919</u>	<u>\$ 3,938,761</u>	<u>\$ 1,717,589</u>	<u>\$ 6,379,340</u>	<u>\$ 2,853,002</u>	<u>\$ 422,218,362</u>

Pledges Receivable

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

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Total pledges receivable	\$ 4,877,544	\$ 2,171,195	\$ 19,309,317	\$ 2,122,612	\$ 554,652	\$ 731,545	\$ 29,766,865
Less:							
Allowance for uncollectibles	(761,775)	(235,702)	-	(272,160)	-	(19,788)	(1,289,425)
Discounting to present value	(448,714)	(110,309)	(197,1582)	(219,489)	(19,924)	(41,166)	(2,811,184)
Net pledges receivable	3,667,055	1,825,184	17,337,735	1,630,963	534,728	670,591	25,666,256
Less:							
Current pledges receivable	(1,164,938)	(755,659)	(3,582,604)	(809,006)	(243,402)	(331,616)	(6,887,225)
Total non-current pledges receivable	<u>\$ 2,502,117</u>	<u>\$ 1,069,525</u>	<u>\$ 13,755,131</u>	<u>\$ 821,957</u>	<u>\$ 291,326</u>	<u>\$ 338,975</u>	<u>\$ 18,779,031</u>

Capital Assets

	The College of William & Mary Foundation	Marshall- Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Nondepreciable:								
Land	\$ 3,403,427	\$ 262,915	\$ -	\$ -	\$ -	\$ -	\$ 339,547	\$ 4,005,889
Construction in progress	-	-	-	-	-	23,752,437	-	23,752,437
Historical treasures and inexhaustible works of art	5,359,611	39,756	-	31,800	-	-	-	5,431,167
Total nondepreciable capital assets	<u>\$ 8,763,038</u>	<u>\$ 302,671</u>	<u>\$ -</u>	<u>\$ 31,800</u>	<u>\$ -</u>	<u>\$ 23,752,437</u>	<u>\$ 339,547</u>	<u>\$ 33,189,493</u>
Depreciable:								
Building	\$ 7,328,372	\$ -	\$ -	\$ 386,779	\$ -	\$ -	\$ 236,215	\$ 7,951,366
Equipment, vehicles and furniture	9,129,180	154,554	114,902	14,250	59,992	2,995	11,180	9,487,053
Improvements, other than building	338,137	-	-	397,131	-	-	-	735,268
	16,795,689	154,554	114,902	798,160	59,992	2,995	247,395	18,173,687
Less accumulated depreciation	(8,508,581)	(83,982)	(79,209)	(507,287)	(4,986)	(1,581)	(2,108)	(9,187,734)
Total depreciable capital assets	<u>\$ 8,287,108</u>	<u>\$ 70,572</u>	<u>\$ 35,693</u>	<u>\$ 290,873</u>	<u>\$ 55,006</u>	<u>\$ 1,414</u>	<u>\$ 245,287</u>	<u>\$ 8,985,953</u>

Long-term Liabilities

	The College of William & Mary Foundation	William & Mary Athletic Educational Foundation	Richard Bland College Foundation	Total
Line of credit	\$ 4,781,140	\$ -	\$ -	\$ 4,781,140
Notes payable	-	35,739	-	35,739
Bonds payable	9,026,957	-	27,000,000	36,026,957
Other liabilities	17,487,650	-	-	17,487,650
Total long-term liabilities	31,295,747	35,739	27,000,000	58,331,486
Less current portion	(5,077,895)	(7,459)	-	(5,085,354)
Total long-term liabilities	<u>\$ 26,217,852</u>	<u>\$ 28,280</u>	<u>\$ 27,000,000</u>	<u>\$ 53,246,132</u>

THE COLLEGE OF WILLIAM AND MARY FOUNDATION

Long-term Liabilities

On June 25, 2001, Reliance Holdings, LLC entered into a revolving line of credit agreement with First Union National Bank (now Wachovia Bank) in the amount of \$2,000,000, which the Foundation guaranteed. The purpose of the line of credit was to fund the initial purchase of the real estate sold to New Town, and to provide working capital to Reliance. As such, most of the loan proceeds have in turn been advanced to the Real Estate Foundation, and the majority of the interest on the note is reflected as expenses of the Real Estate Foundation. Interest only, which accrues daily at the LIBOR Market Index Rate plus 0.60 percent, is payable quarterly. This line of credit has been extended to \$3,000,000 with all principal and accrued interest due and payable on June 30, 2009. The amount outstanding was \$2,145,000 at June 30, 2008. Interest paid during the year ended June 30, 2008 was \$180,355.

During the fiscal year ended June 30, 2007, the Foundation entered into a revolving line of credit agreement with SunTrust Bank in the amount of \$2,800,000. Interest accrues at a rate of the one month LIBOR plus 0.50 percent. SunTrust is granted a security interest in and lien upon all deposits and investments maintained with SunTrust. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200 percent of the Foundation's total funded debt. The note matures on December 12, 2008. The balance outstanding at June 30, 2008 was \$2,636,140. Interest paid during the fiscal year ending June 30, 2008 was \$106,907.

Bonds Payable

In December 2006, the Economic Development Authority of James City County, Virginia issued 2006 series revenue bonds in the amount of \$9,070,000 (Bonds) and lent the proceeds from the sale of the Bonds to the Foundation and CWMF Ventures. The purpose of the Bonds is to finance the cost of land acquisition, construction, furnishing and equipping of a three-story building in New Town in James City County, Virginia, for use by the Foundation, CWMF Ventures or the College of William and Mary. In their current mode, interest on the Bonds is calculated weekly at a rate equal to the interest rate *per annum* that, in the sole judgment of the remarketing agent, SunTrust Capital Markets, Inc., taking into account prevailing financial market conditions, would be the minimum interest rate required to sell the Bonds at a price of par on such date. The Bonds mature, subject to prior redemption, on December 1, 2036. The discounted value of the Bonds outstanding at June 30, 2008 was \$9,026,957, based on their original purchase price to the underwriter of the Bonds. Face value of Bonds outstanding at June 30, 2008 was \$9,070,000. Interest paid to bondholders for the year ended June 30, 2008 was \$275,878.

In addition to payments under the loan agreement in respect to the Bonds, the Bonds are further secured by an irrevocable letter of credit issued by SunTrust Bank, which expires in December 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 require the Foundation at all times to maintain unrestricted and temporarily restricted net assets equal to at least 200 percent of the Foundation's total indebtedness, or such lesser amount as may be agreed by Sun Trust Bank. Draws on the letter of credit for the purpose of purchasing any of the Bonds will be secured by the pledge of all right, title and interest in those Bonds. Unreimbursed draws under the letter of credit bear interest at the rate of LIBOR plus 1.50 percent per annum. During the year, draws were made on the letter of credit per the bond and letter of credit documents in order to pay interest to bondholders. Since the Foundation immediately reimbursed the bank under the letter of credit documents for such draws, the total interest paid on the letter of credit during the year ended June 30, 2008 was \$0. As of June 30, 2008 there were no unreimbursed draws under the letter of credit.

Commitments and Contingencies

On August 21, 2002, New Town entered into a borrowing agreement with SunTrust Bank with a limit of \$5,000,000 and bearing interest at the rate of the 30 day LIBOR plus 0.60 percent. The facility was revised in September 2004 and December 2006. The total currently available is \$5,000,000, which may be used for borrowing or for letters of credit. The Foundation guarantees up to \$2,500,000, and members of the C.C. Casey Limited Company guarantee up to \$2,500,000. Outstanding loan balance of \$685,000 existed as of June 30, 2008. Letters of

credit outstanding under this facility at June 30, 2008 was \$1,731,050. The balance is due on demand, with a next review date of December 1, 2008. 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.

On February 17, 2003, New Town entered into a borrowing agreement with SunTrust Bank to provide a loan not to exceed \$2,500,000 and a letter of credit facility not to exceed \$1,500,000. The loan was for specific purposes and was terminated when paid in full. In December 2006, the terms were revised to eliminate the separate facility for the letters of credit. Any letters of credit for the year ended June 30, 2008 are now included in the facility described above.

WILLIAM AND MARY ATHLETIC EDUCATIONAL FOUNDATION

Long-term Liabilities

Long-term liabilities and related current maturities at June 30, 2008 consist of the following:

Chrysler Financial, installment note, collateralized by automotive equipment, due monthly at \$398 including interest at 7.90%, maturing 2012	\$ 16,029
Bank of Southside Virginia, installment note, collateralized by automotive equipment, due monthly at \$398 including interest at 5.30%, maturing 2013	\$ 19,710
	35,739
Less current portion	7,459
Total long-term liabilities	\$ 28,280

RICHARD BLAND COLLEGE FOUNDATION, INC.

Bonds Payable

During December 2006, the Foundation entered into loan agreements with the Industrial Development Authorities of Dinwiddie County, Virginia; Isle of Wight, Virginia; Prince George, Virginia; and Sussex County, Virginia to borrow the proceeds of the Authorities' \$27,000,000 Series 2006 Revenue Bonds (Richard Bland College Foundation Student Housing Facilities). The loan agreement provides for rates of interest of 4.23 percent with adjustments beginning in 2016 and every 5 years thereafter at 70 percent of the 5-year U.S. Treasury Note, and 60 equal semi-annual principal and interest payments commencing on February 5, 2009. The bonds are due August 5, 2038. The primary purpose of this loan is to refund and redeem in full the outstanding principal amount of the Authorities' \$27,000,000 Series 2006 Revenue Bonds (Richard Bland College Foundation Student Housing Facilities), the proceeds of which were used to finance the costs of construction and equipping of a student housing facility located in Prince George, Virginia.

WILLIAM AND MARY REAL ESTATE FOUNDATION

Commitments and Contingencies

During 2008, the William and Mary Real Estate Foundation received a piece of property previously held by The College of William and Mary Foundation. At the date of transfer, the property was valued at \$6,000,000 based on its current zoning classification. Carrying costs have been added to the property for a book value of \$6,094,196 and is included in real estate held for sale on the statement of financial position. The Foundation has been actively soliciting developers interested in purchasing the property and exploring rezoning options.

At June 30, 2008, the Foundation has a signed contract to sell this real estate at a price of \$18,500,000. The contract allows for a 120-day due diligence period and a 120-day approval period as defined in the contract. The contract has been amended to allow for a 90-day extension on both the due diligence period and the approval period.

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 \$61,883,922 for the year ended June 30, 2008. Total payroll costs were \$149,170,094 for the year ended June 30, 2008.

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 \$6,956,022 for the year ended June 30, 2008, which included a 5 percent employee contribution assumed by the employer. These contributions represent approximately 11.24 percent of covered payroll for the period July 2007 to June 2008.

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, 2008. The same report contains historical trend information showing VRS progress in accumulating sufficient assets to pay benefits when due.

Optional Retirement Plan

Full-time faculty and certain administrative staff may participate in a retirement annuity program through various optional retirement plans other than the VRS. This is a fixed-contribution program where the retirement benefits received are based upon the employer's contributions of approximately 10.4 percent, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of contributions of the College of William and Mary and Richard Bland College and their employees. Total pension costs under this plan were \$6,892,349 for the year ended June 30, 2008. Contributions to the optional retirement plans were calculated using the base salary amount of \$66,272,590 for fiscal year 2008. The College of William and Mary and Richard Bland College's total payroll for fiscal year 2008 was \$149,170,094.

Deferred Compensation

Employees of the College are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount of the match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately \$488,000 for fiscal year 2008.

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, 2008, 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

Subsequent to June 30, 2008, the financial markets experienced some of the greatest turbulence in history resulting in significant reductions in equity values. The College has reviewed the market value of its investments as of December 31, 2008 noting a market decline of approximately 25 percent or \$16 million. The College's affiliated foundations, collectively represented as "Component Units" in the College's statements, have experienced a similar decline in market value of their investments. In total, the foundations market value of investments have experienced market declines of approximately 20 percent or \$83 million.

The College participated in the VCBA 9(d) bond sale which closed on January 21, 2009. Projects and issues are as follows: Construct Integrated Science Center - \$6,750,000; and New Construction School of Business Building - \$23,350,000. The bonds were issued with a true interest cost of 4.2 percent and will mature in 20 years and 7 years, respectively.

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

June 30, 2008

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Yvonne M. Rosa - Richard Bland College

Faculty Representatives

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