



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, 2010**

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

ANNUAL FINANCIAL REPORT 2009 - 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

Dating to 1693, the College of William and Mary is the second oldest institution of higher education in North America. Today, William and Mary ranks as one of the premier universities in the nation. Beginning with its designation as a "Public Ivy" in 1986, the College 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 6th best public university or the 31st best university, public or private (U.S. News and World Report), the "Hottest Small Public University" (Newsweek), the "4th best value in higher education" (Kiplinger's), or being ranked 5th in our commitment to teaching, the College has national status as a highly selective public university. Faculty and students routinely are selected for prestigious national recognition including the Fulbright and Marshall Awards. That reputation reflects our size, our commitment to high quality undergraduate and select graduate and professional education, and a dedication to teaching seldom seen in a public research university. This commitment to quality education has generated steadily increasing numbers of applications for undergraduate enrollment, topping out with 12,539 applications for 1,400 slots for the class of 2014.

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

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

MD&A Overview:

This Management's Discussion and Analysis (MD&A) is a supplement to the College's financial statement designed to assist readers in understanding the financial statement information presented. The following information includes a comparative analysis between the current fiscal year ending June 30, 2010 and the prior year, ending June 30, 2009. Significant changes between the two fiscal years and important management decisions are highlighted. The summarized information presented in the MD&A should be reviewed in conjunction with both the financial statements and associated footnotes in order for the reader to have a comprehensive understanding of the College's financial status and results of operations for fiscal year 2010. College management has prepared the MD&A, along with the financial statements and footnotes, and is responsible for all of the information presented.

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

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

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

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, 2010. The information allows the reader to determine the College’s assets available for future operations, amounts owed by the College and the categorization of net assets as follows:

- (1) Invested in Capital Assets – reflects the College’s capital assets net of accumulated depreciation and any debt attributable to their acquisition, construction or improvements.
- (2) Restricted – reflects the College’s endowment and similar funds whereby the donor has stipulated that the gift or the income from the principal, where the principal is to be preserved, is to be used to support specific programs of the College. Donor restricted funds are grouped into generally descriptive categories of scholarships, research, departmental uses, etc.
- (3) Unrestricted – reflects a broad range of assets available to the College that may be used at the discretion of the Board of Visitors for any lawful purpose in support of the College’s primary mission of education, research and public service. These assets are derived from student tuition and fees, state appropriations, indirect cost recoveries from grants and contracts, auxiliary services sales and gifts.

Summary Statement of Net Assets

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>Assets:</u>				
Current	53,927,961	46,598,024	\$7,329,937	15.73%
Capital, net of accumulated depreciation	642,382,174	584,888,709	57,493,465	9.83%
Other non-current	93,265,295	88,709,315	4,555,980	5.14%
Total assets	<u>789,575,430</u>	<u>720,196,048</u>	<u>69,379,382</u>	<u>9.63%</u>
<u>Liabilities:</u>				
Current	70,086,536	72,948,751	(2,862,215)	-3.92%
Non-current	191,680,486	187,824,695	3,855,791	2.05%
Total liabilities	<u>261,767,022</u>	<u>260,773,446</u>	<u>993,576</u>	<u>0.38%</u>
<u>Net Assets:</u>				
Invested in capital assets, net of related debt	463,758,108	406,854,926	56,903,182	13.99%
Restricted	55,715,986	42,800,418	12,915,568	30.18%

Unrestricted	<u>8,334,314</u>	<u>9,767,258</u>	<u>(1,432,944)</u>	<u>-14.67%</u>
Total net assets	<u>\$527,808,408</u>	<u>\$459,422,602</u>	<u>\$68,385,806</u>	<u>14.89%</u>

The overall result of the College's fiscal year 2010 operations was an increase in net assets of approximately \$68.4 million or 14.89 percent to \$527.8 million. The increase in net assets occurred primarily in the categories of capital net assets (\$56.9 million) and restricted net assets (\$12.9 million). These increases were offset by the decrease in unrestricted net assets (\$1.4 million). In addition to the College's net assets as shown above, net assets for the College's affiliated foundations totaled \$545.4 million.

The \$56.9 million increase in capital net assets, net of related debt, reflects the extensive and continuing capital construction activity at the College. In general, the increase reflects the completion and continuing construction of major capital projects including the School of Education building, Small Hall Renovation, Career Center, dormitory renovations, Cooling Plant and the Science and Technology building at Richard Bland College. The specifics of the College's capital construction and renovation activity are detailed in the Capital Asset and Debt Administration section of the MD&A.

Current Assets increased by \$7.3 million primarily as a result of an overall increase in investments from the down-turn of the previous year and amounts due from the Commonwealth. The amounts due from the Commonwealth reflect routine and recurring requests for bond proceeds for capital construction. The increase in Capital Assets reflects both the construction in progress and capitalization of facilities upon completion. The increase in Other Non-Current Assets reflects the net increase in investments.

Total liabilities increased slightly given decreases in accounts payable and accrued expenses offset by an increase in long-term debt for capital construction. See footnote 7 for the details of the accounts payable and accrued expenses and footnote 10 for the long-term debt details.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the results from College operations for the fiscal year. Revenues for the daily operation of the College are presented in two categories: operating and non-operating. Operating revenues include the significant categories of tuition and fees, grants and contracts and the sales of auxiliary enterprises representing exchange transactions. Non-operating revenues include the significant categories of state appropriations, gifts, and investment income representing non-exchange transactions. Net other revenues include capital appropriations, grants, and contributions.

Summary Statement of Revenues, Expenses and Changes in Net Assets

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenues	231,383,476	218,620,611	\$12,762,865	5.84%
Operating expenses	<u>319,212,227</u>	<u>332,641,291</u>	<u>(13,429,064)</u>	-4.04%
Operating gain/(loss)	(87,828,751)	(114,020,680)	26,191,929	-22.97%
Net Non-operating revenues	<u>86,165,439</u>	<u>83,864,265</u>	<u>2,301,174</u>	2.74%
Income/(Loss) before other revenues	(1,663,312)	(30,156,415)	28,493,103	-94.48%
Net other revenues	<u>70,049,118</u>	<u>39,573,113</u>	<u>30,476,005</u>	77.01%

Increase in net assets	<u>\$68,385,806</u>	<u>\$9,416,698</u>	<u>\$58,969,108</u>	626.22%
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Overall, the result from operations was an increase in net assets of \$68.4 million. This increase was primarily attributable to the Net Other Revenues and a reduction in the operating loss. The reduction in the operating loss of \$26.2 million was the combination of increased revenues and reduced operating expenses. The Net Other Revenues was for a net increase in capital construction funding.

The increase in operating revenues was driven by an increase in tuition, sponsored research awards and auxiliary enterprise revenues. See the following section of Summary of Revenues for further details.

Operating expenses decreased in all programs except for public service, financial aid and depreciation attributable to continuing budget reductions initiated by the Commonwealth and the overall economic climate. See the following section of Summary of Expenses for further details.

With the inclusion of state appropriations for the College in the non-operating category, the College will 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

	<u>FY2010</u>	<u>Audited FY2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>Operating Revenues:</u>				
Student Tuition and Fees, net of scholarship allowances	109,550,545	100,508,481	9,042,064	9.00%
Federal, State, Local and Non-governmental grants and contracts	44,421,557	43,096,309	1,325,248	3.08%
Auxiliary Enterprise, net of scholarship allowances	72,123,193	68,582,461	3,540,732	5.16%
Other	5,288,181	6,433,360	(1,145,179)	-17.80%
Total Operating Revenues	<u>231,383,476</u>	<u>218,620,611</u>	<u>12,762,865</u>	<u>5.84%</u>
<u>Non-Operating:</u>				
State Appropriations	65,199,453	75,328,909	(10,129,456)	-13.45%
Gifts, Investment Income and other income and expenses	20,965,986	8,535,356	12,430,630	145.64%
Total Non-Operating	<u>86,165,439</u>	<u>83,864,265</u>	<u>2,301,174</u>	<u>2.74%</u>

Capital Revenues, Gains and (Losses):

Capital Appropriations	61,739,195	23,160,997	38,578,198	166.57%
Capital Grants and Gifts	8,309,923	16,412,116	(8,102,193)	-49.37%
Total Capital Revenues, Gains and (Losses)	<u>70,049,118</u>	<u>39,573,113</u>	<u>30,476,005</u>	<u>77.01%</u>
Total Revenues	<u>387,598,033</u>	<u>342,057,989</u>	<u>45,540,044</u>	<u>13.31%</u>

Within the operating revenue category, student tuition and fees increased \$9.0 million, net of scholarship allowances, reflecting the increase approved by the Board of Visitors in the Spring of 2009. The increase in auxiliary enterprise revenues largely reflects the increase in the student comprehensive fee, as part of the overall increase in tuition and fees along with specific fees, such as dormitory and meal plan fees. The increase in non-governmental grants was attributable to shift in submitting proposals given reductions in federal and state funding for research.

The state appropriation reduction in non-operating revenues was attributable to continuing state budget reductions enacted by the Governor and General Assembly. The significant increase in Gifts, Investment Income etc. were attributable to increases in investment income and the receipt of American Reinvestment and Recovery Act fiscal stabilization funds.

The Capital Revenues increase reflects the net of an increase in capital appropriations offset by a reduction in capital grants and gifts.

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

Summary of Operating Expenses

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Expenses:				
Instruction	\$87,750,852	\$95,019,851	(\$7,268,999)	-7.65%
Research	49,614,313	52,179,748	(2,565,435)	-4.92%
Public Service	37,343	32,438	4,905	15.12%
Academic Services	24,249,035	28,024,807	(3,775,772)	-13.47%
Student Services	9,838,049	10,019,661	(181,612)	-1.81%
Institutional Support	24,690,454	25,902,045	(1,211,591)	-4.68%
Operation and Maintenance of Plant	20,462,323	23,092,340	(2,630,017)	-11.39%
Student Aid	16,228,868	10,271,795	5,957,073	57.99%
Auxiliary Enterprise	64,134,853	66,581,809	(2,446,956)	-3.68%
Depreciation	21,092,525	19,717,342	1,375,183	6.97%
Other Operating Expenses	1,113,612	1,799,455	(685,843)	-38.11%
Total Operating Expenses	<u>\$319,212,227</u>	<u>\$332,641,291</u>	<u>\$13,429,064</u>	<u>-4.04%</u>

For fiscal year 2010, operating expenses decreased in all programs with the exception of public service, student aid and depreciation as a result of continuing budget reductions enacted by the Governor and General Assembly. Financial aid increased as part of the increase in tuition approved by the Board of Visitors. Depreciation expense increased with the new building being placed in service.

Statement of Cash Flows

The Statement of Cash Flows provides detailed information about the College's sources and uses of cash during the fiscal year. Cash flow information is presented in four distinct categories: operating, non-capital financing, capital financing, and investing activities. This statement aids in the assessment of the College's ability to generate cash to meet current and future obligations.

	<u>Summary Statement of Cash Flows</u>			
	<u>FY2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>Cash Flows from:</u>				
Operating Activities	(\$67,429,309)	(\$94,097,033)	\$26,667,724	-28.34%
Non-capital Financing	85,976,152	110,674,502	(24,698,350)	-22.32%
Capital Financing	(15,397,669)	(23,560,336)	8,162,667	34.65%
Investing Activities	(7,214,692)	15,145,691	(22,360,383)	-147.64%
Net Increase in Cash	<u>(4,065,518)</u>	<u>8,162,824</u>	<u>(12,228,342)</u>	<u>149.81%</u>

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 2010 were tuition and fees (\$103.7 million), state appropriations (\$65.2 million), auxiliary enterprise revenues (\$72.1 million) and research grants and contracts (\$43.0 million).

The primary uses of operating cash in fiscal year 2010 were payments to employees (\$183.7 million) representing salaries, wages and fringe benefits and payments to suppliers of goods and services (\$88.0 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 2010 were proceeds from capital appropriations (\$60.0 million), bond sales (\$17.2 million) and capital grants and gifts (\$7.2 million). The primary use of cash was for capital expenditures (\$78.6 million) and debt payments (\$21.3 million).

Capital Asset and Debt Administration

The College of William & Mary

General – The College occupied or placed into service projects valued at \$58 million in capital projects during FY 2010. An additional \$85 million of projects are in the planning, design and construction phases.

Projects placed into service include:

- New School of Education
- Laycock Football Practice Facility
- Graduate Student Housing Complex Building 3 (Re-cladding only)

Significant among these projects is the New School of Education which consolidates undergraduate instruction, graduate programs and educational outreach centers into a single facility. The 114,000 square foot facility includes 13 new classrooms, space for seven outreach centers, a Resource Learning Center and offices for the 90 faculty and staff. The classrooms include tiered and flexible flat floor configurations and boast state of the art audio/visual technology. The facility also features a Professional Development Center that can accommodate 280 for lecture and food service. An intercollegiate athletic project, the Laycock Football Practice Facility, was simultaneously delivered in 2009. Phase 1 (reorienting, regrading, resodding and irrigation of natural turf practice fields) was delivered in the fall of 2008. Phase 2 (new construction of the training facility) was completed in 2009. The renovated facility houses a football hall of fame, the team locker room, coaches offices, position break out rooms supported by a linear editing suite for game film, a main training room (for all teams using Zable Stadium), recruiting reception space and equipment/laundry space. The final delivery, Graduate Housing Building 3, is the fifth phase of a seven phase project to strip and re-clad the exterior brick on nine graduate buildings to prevent structural and water infiltration issues.

Fourteen projects are currently in the planning, design and construction process. Numerical totals for each are shown below:

- Planning – 1
- Design - 2
- Construction - 11

Eleven projects are in construction. Two focus on academic centers; one on a career services center to market our graduates, five renew critical infrastructure and three upgrade residence halls. The academic center projects feature the addition to and renovation of Small Hall, our Physics and Applied Science facility. A south addition provides vibration free, “heavy” labs with sufficient power and associated cooling to dissipate the heat generated by the power to support graduate level research featuring cutting edge laser technology in partnership with private industry. A separate west addition provides space for testing apparatus fabrication and assembly which is essential to attracting and securing grant support. It is a significant enhancement which enables competing and winning in the intense competition for limited grants funds. The renovation of the original building will provide additional basement level heavy labs, teaching labs/classrooms for undergraduates and sufficient office space for a staff that has grown from 31 to 156 in the 46 years since original construction. The second academic project is a basic building systems renewal of Andrews Hall, home to Art and Art History, which will repair structural masonry defects and will bring mechanical, electrical, fire sprinkler and associated controls into compliance with current building codes to ensure systems operability and occupant safety. Available funds are insufficient to alter building programming in order to keep pace with emerging pedagogy. Any programmatic changes will have to be addressed downstream.

The Career Services Center affords a dedicated facility for students to investigate career fields throughout their time at the College and to actively engage recruiters to gain employment upon graduation. The facility will provide a two story reception area, a resource library, a presentation room, interview rooms for recruiters and office space for career counselors – all in a critical campus location which places career services at the very center of student circulation rather than at the periphery of the daily activities.

The remaining projects address utility upgrades (four = steam, hot water and chilled water projects, one = emergency power) and dormitory upgrades (one = structural repair, one = re-cladding, and one = HVAC/fire alarms). These projects will be quickly delivered in rapid succession during 2010.

Two major projects under design have been paused in FY 2011 while awaiting the next increment of design funds. The first is the renovation of the 1909 era Tucker Hall which houses the English Department. The project will re-program interior space to house the current staff, reconfigure instructional space to support seminar size classes and equip all instructional space with state of the art audio/visual equipment and data connectivity to support modern pedagogy. The building systems in this century old hall will be simultaneously replaced to meet current code standards and to ensure full accessibility, LEED Silver sustainability and state of the art life safety provisions. Design is at the preliminary stage and, as stated above, has been paused since January to await approval of funds to complete contraction drawings and execute construction. The second project, in priority order, is the remaining procurement of emergency generators for the Historic Campus Sewage Lift Station and portable generators for an emergency in facilities lacking permanent emergency units.

One project, Phase 3 of the Integrated Science Center, is in Pre-Planning. This facility will house the remnants of Biology (which remain in the deteriorated Millington Hall), provide a home for the newly created Applied Science Department which is scattered in “found” space across the campus, and, for the first time, create interdisciplinary space which will be sufficiently robust and flexible to accommodate any funded research by any interdisciplinary research teams who gain grant support. Space for associated academic computing will also be provided. Preliminary planning is complete and detailed design awaits funding to advance the project. One additional project, Cooling Plant and Utility Improvements Ph 2 (sub-project 4) will begin in FY 11 and feature the design and construction of steam and chilled water distribution lines to the remaining sixteen buildings on the Historic Campus not already authorized in Ph 2 (sub-project 2). Authorization to start design has been requested.

Construction projects expected to conclude in FY 11 are:

- Small Hall Additions/Renovations
- Power Plant Renovation & Utility Improvements (Sub-Projects 5 (of 5))
- Cooling Plant Addition & Utilities Improvements (Sub-Projects 1 – 4 (of 5))
- Career Services Center
- Andrews Hall Renovation
- Emergency Generators
- Dupont Hall Structural Repairs (Phase 1 (of 3))
- Graduate Student Housing Repairs (Phase 6 (of 7))
- Yates HVAC/Fire Alarm Repair

The 2010 – 2016 Capital Outlay Six Year Plan remains in effect until the new 2012 – 2018 Plan can be submitted in spring, 2011. Priorities for the 2010-2012 biennium remain, in order, the Cooling Plant Addition & Utilities Improvements, Ph 2, Tucker Hall Renovation, Integrated Science Center 3 and the design of Tyler Hall Renovation.

Virginia Institute of Marine Science:

Major Projects as of June 30, 2010:

	Total Project Expenditures (In Thousands)	Project Budget (In Thousands)
New Construction: Marine Research Building Complex	30,964	31,214
Acquisition: Master Plan Properties	603	1,100
Acquisition: Wachapreague Property	398	400
Acquisition: (Va. Est. & Coastal Research Res.)	193	350
Acquisition: Acquire Additional Property CBNERRVA	12	250
IMP: Information Technology Infrastructure	1,138	1,200
New Construction: Field Support Center	1,886	2,000
New Construction: Construct Concrete Pier	1,450	1,450
IMP: Electrical Upgrades	189	268
REN: Maury Hall	0	2,000
New Construction: Research Storage Facility	66	641
Shoreline Erosion Control	79	1,200
REPL: Eastern Shore Seawater Laboratory	918	3,675
	<u>\$37,896</u>	<u>\$ 45,748</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 and for Andrews Hall on July 17, 2009. The contractor is still repairing leaks in Andrews Hall and has one punch list item to complete at the Seawater Research Laboratory.

The Property Acquisitions have four appropriations for property at the Gloucester Point and Wachapreague campuses, the Virginia Estuarine & Coastal Research Reserve program and the Chesapeake Bay National Estuarine Research Reserve in Virginia program. VIMS purchased one property adjacent to the Gloucester Point campus in May 2004 and the appropriation “Acquisition: Master Plan Properties” remains open to purchase other properties that are contiguous to the VIMS campus as they become available. VIMS purchased two properties for its Wachapreague campus in April 2003 and January 2007 respectively. The “Acquisition: Wachapreague Property” appropriation remains open in the event other property becomes available. Two parcels of land were purchased for the Virginia Estuarine & Coastal Research Reserve program in 2002-03 and that appropriation remains open in the event other property becomes available. As of August 2006 an authorization to purchase additional property was granted under capital project entitled “Acquire Additional Property for the CBNERRVA Program”. VIMS is currently in the process of negotiating the purchase price of the Catlett Islands with the owner, Timberneck, L.L.C.

The Information Technology Infrastructure project involves the modernizing of VIMS’ information technology infrastructure to meet increasing demands for information exchange including systems to carry voice, data, and video. Approximately 100% of the existing copper network has been replaced with the new high speed fiber optics. Construction to improve the air conditioning and power requirements in the Watermen’s Hall network server room was completed. New servers were purchased. Along with networking Andrews Hall and the Seawater Research Laboratory, VIMS extended 24x7 networking capability to existing campus buildings such as Chesapeake Bay Hall and the Fisheries Science Laboratory. Remaining projects include the installation of the redundant fiber optic cable to complete the loop at Andrews Hall, re-routing the fiber optic cable in the boat basin area, and move remaining equipment and cabling into the new network operations center in Watermens’ Hall.

The Field Support Center project involves the construction of a 10,000 square foot field support center on the Gloucester Point Campus. This building will replace vessel operation’s facilities and field support infrastructure that was severely damaged as a result of Hurricane Isabel. The project was substantially complete in May 2010 and VIMS has a Temporary Certificate to Occupy dated May 27, 2010.

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

The Improvement Project of Electrical Upgrades involves upgrading the electrical system in Chesapeake Bay Hall. A construction contract was awarded on June 26, 2009 and is scheduled for completion by August 2010. VIMS will purchase and install uninterrupted power supply systems (UPS) in several critical labs to finish the project.

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

The Research Storage Facility project involves the construction of a 4,900 square foot facility that is needed to secure research equipment and instruments that are currently stored outdoors. Construction is scheduled to begin on July 12, 2010 with substantial completion scheduled for February 2011.

The Shoreline Erosion Control project supports erosion control of the entire shoreline of the Gloucester Point campus to protect the shoreline and surrounding structures. The project includes construction of eight new rip rap breakwaters, extension of two riprap revetments, construction of a rock spur, construction of a rock groin near the mouth of the channel to the boat basin, the extension of several pipe outfalls further into the York River, replenishment of sand along both shorelines, creation of small dunes along the west shoreline and planting of riparian vegetation on the east shoreline. This is a design/build project. Construction began on June 1, 2010 and is scheduled for completion in October 2010.

Eastern Shore Seawater Laboratory Replacement project involves construction of a new laboratory building with running seawater for research on coastal marine ecology and aquaculture in a high salinity environment. The research had been conducted in former oyster shucking houses from the late 1800's. The Eastern Shore Lab is used by many VIMS and visiting researchers. Construction commenced in April 2010 and is expected to be completed in the Spring of 2011.

Richard Bland College

Major Projects as of June 30, 2010:

	Expenditures <u>To Date</u>
Construct Science and Technology Building	\$ 15,963,070
Total	<u>\$ 15,963,070</u>

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

Debt Activity

The College's long-term debt is comprised of bonds payable, notes payable and installment purchases. The bonds payable are Section 9(c) bonds which are general obligation bonds issued and backed by the Commonwealth of Virginia on behalf of the College. These bonds are used to finance capital projects which will produce revenue to repay the debt. The College's notes payable consists of Section 9(d) bonds, which are issued by the Virginia College Building Authority's (VCBA) Pooled Bond Program. These bonds are backed by pledges against the College's general revenues. As of June 30, 2010 the College has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of \$38.9 million and \$153.0 million, respectively.

The outstanding balance of 9(c) bonds can be summarized in five major categories as follows: 1) Renovation of Dormitories (\$18.9 million), 2) Other housing / residence (\$6.7 million), 3) University Center (\$2.4 million), 4) Underground Utility (\$1.5 million), and 5) Commons Dining Hall (\$8.3 million). The majority of the 9(d) balance at June 30, 2010 is related to the new school of business building, Miller Hall, (\$45.5 million), the Barksdale dormitories (\$23.9 million), Integrated Science Center (\$18.2 million) and the Cooling Plant (\$11.7 million). During the year, new 9(d) bonds were issued for the Cooling Plant (\$12.8 million) and Athletic Facilities (\$1.5 million). Neither the Virginia Institute of Marine Science nor Richard Bland College has capital related long-term debt.

The College anticipates issuing \$18.4 million in bonds during fiscal year 2011. Of these bonds, \$11.9 will be 9(d) bonds for the Cooling Plant (\$11.1 million) and Ash Lawn Barn (\$.8 million) and \$6.5 million in 9(c) bonds for dormitory renovations (\$4.5 million) and planning for a new dormitory (\$2.0 million). For more information on the College's long-term debt, see Note 10 of the Notes to the Financial Statements.

Economic Outlook

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

Our ability to recruit, admit, and retain top-caliber students remains excellent, even as we compete against the most selective public and private institutions in the country. Undergraduate applications to the College reached a new high of 12,539 for Fall 2010. The credentials of our admitted students remain stable reflecting the highly selective nature of the College. These statistics, coupled with the College's academic reputation, suggest a strong continuing student demand for the future.

As a public institution, the College receives significant financial support from the Commonwealth of Virginia in the form of operating and capital construction appropriations. As such, the College is directly impacted by changes in the State's financial outlook. Since 2008, the Commonwealth has reduced State support for College operations by \$16.7 million. While Federal stimulus funding has allowed the College to partially defer the programmatic impact of reduced state support, State reductions will be fully implemented in Fiscal year 2012. The College is addressing these reductions through a combination of expenditure reductions and revenue offsets. Supplementing State funds with additional tuition and private fund support, the College continues to protect its core academic programs' quality and integrity while providing incremental support for student financial assistance to ensure access for all qualified students. In this regard, the College's Gateway initiative, a financial aid program that guarantees that in-state undergraduate students whose families have income of less than \$40,000 will be able to graduate from the College without taking out loans, supports access to the College for this socio-economic group.

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

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

Incremental capital construction support from the Commonwealth, supplemented with College and private sources, continues to be strong. Recently completed 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. Privately funded projects include the Sherman and Gloria H. Cohen Career Center and the Jimmy Laycock Football Practice Facility.

Through the efforts of its faculty, grant and contract activity at the College continues to be strong, supporting faculty research while providing educational and research opportunities for our students. The College also just completed its fifth most successful fund raising year in its history, raising just over \$43.2 million in private funds. Overall, endowments held for the benefit of the College now total \$539.5 million as of June 30, 2010, an increase of 9% over 2009. Planning in support of the College's next major fund raising effort continues even as the College focuses in the short-term on increased annual giving and other selected fund raising priorities.

Consolidated Financial Statements

**The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Net Assets
As of June 30, 2010**

	ASSETS	Colleges	Component Units
Current assets:			
Cash and cash equivalents (Note 3)	\$ 7,144,243	\$ 15,826,463	
Investments (Note 3)	25,463,477	864,884	
Appropriation available	316,016	-	
Receivables, net of allowance for doubtful accounts (Note 5)	11,460,708	1,097,501	
Notes receivable (Note 5)	7,300	-	
Due from commonwealth	7,680,551	-	
Inventories	430,023	31,026	
Pledges receivable	-	8,935,914	
Prepaid expenses	1,341,288	759,002	
Other assets	84,355	518,696	
Total current assets	53,927,961	28,033,486	
Non-current assets:			
Restricted cash and cash equivalents (Note 3)	32,283,656	26,768,576	
Restricted investments (Note 3)	57,222,213	391,051,197	
Investments (Note 3)	744,407	8,814,336	
Notes receivable, net of allowance for doubtful accounts (Note 5)	3,015,019	-	
Pledges receivable	-	14,531,689	
Capital assets, nondepreciable (Note 6)	150,223,898	11,536,683	
Capital assets, depreciable net of accumulated depreciation of \$300,976,064 (Note 6)	492,158,276	32,455,536	
Other assets	-	93,364,015	
Total non-current assets	735,647,469	578,522,032	
Total assets	789,575,430	606,555,518	
	LIABILITIES		
Current liabilities:			
Accounts payable and accrued expenses (Note 7)	38,886,822	1,884,942	
Deferred revenue	12,166,060	1,867,443	
Deposits held in custody for others	3,023,212	14,654	
Obligations under securities lending program	513,195	-	
Long-term liabilities-current portion (Note 9)	15,349,950	2,422,276	
Short term debt	-	2,635,000	
Other liabilities	147,297	112,693	
Total current liabilities	70,086,536	8,937,008	
Long-term liabilities-non-current portion (Note 9)	191,680,486	52,208,799	
Total liabilities	261,767,022	61,145,807	
	NET ASSETS		
Invested in capital assets, net of related debt	463,758,108	8,499,118	
Restricted for:			
Nonexpendable:			
Scholarships and fellowships	8,556,023	78,688,598	
Research	-	3,764,971	
Loans	-	24,230	
Departmental uses	26,991,491	110,808,096	
Other	-	135,849,657	
Expendable:			
Scholarships and fellowships	6,506,102	62,169,253	
Research	110,800	2,043,669	
Debt service	458,830	15,504,023	
Capital projects	1,341,268	44,831	
Loans	-	85,084,815	
Departmental uses	11,751,472	15,548,305	
Unrestricted	8,334,314	27,380,145	
Total net assets	\$ 527,808,408	\$ 545,409,711	

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, 2010**

	Colleges	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$19,359,977	\$ 109,550,545	\$ -
Gifts and contributions	-	10,938,992
Federal grants and contracts	34,492,017	-
State grants and contracts	2,097,954	-
Local grants and contracts	248,844	-
Nongovernmental grants and contracts	7,582,742	-
Auxiliary enterprises, net of scholarship allowances of \$7,683,205	72,123,193	-
Other	5,288,181	13,366,225
	<hr/>	<hr/>
Total operating revenues	231,383,476	24,305,217
	<hr/>	<hr/>
Operating expenses: (Note 11)		
Instruction	87,750,852	5,267,158
Research	49,614,313	409,333
Public service	37,343	404,243
Academic support	24,249,035	5,156,851
Student services	9,838,049	501,522
Institutional support	24,690,454	11,486,775
Operation and maintenance of plant	20,462,323	1,221,698
Student aid	16,228,868	6,321,410
Auxiliary enterprises	64,134,853	642,465
Depreciation	21,092,525	1,464,490
Other	1,113,612	12,870,848
	<hr/>	<hr/>
Total operating expenses	319,212,227	45,746,793
	<hr/>	<hr/>
Operating loss	(87,828,751)	(21,441,576)
	<hr/>	<hr/>
Non-operating revenues/(expenses):		
State appropriations (Note 12)	65,199,453	-
Gifts	16,329,918	-
Net investment revenue	7,110,103	46,797,410
Pell grant revenue	4,431,537	-
ARRA State Fiscal Stabilization Funds	2,343,727	-
Interest on capital asset related debt	(7,893,162)	(70,208)
Other non-operating revenue	832,428	6,641,737
Other non-operating expense	(2,188,565)	(8,318,559)
	<hr/>	<hr/>
Net non-operating revenues	86,165,439	45,050,380
	<hr/>	<hr/>
Income/(loss) before other revenues, expenses, gains or losses	(1,663,312)	23,608,804
	<hr/>	<hr/>
Other revenues:		
Capital appropriations	61,739,195	-
Capital grants and contributions	8,309,923	2,738,199
Additions to permanent endowments	-	8,963,247
	<hr/>	<hr/>
Net other revenues	70,049,118	11,701,446
	<hr/>	<hr/>
Increase in net assets	68,385,806	35,310,250
	<hr/>	<hr/>
Net assets - beginning of year, restated (Note 2)	459,422,602	510,099,461
	<hr/>	<hr/>
Net assets - end of year	<u>\$ 527,808,408</u>	<u>\$ 545,409,711</u>

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, 2010**

Cash flows from operating activities:	
Tuition and fees	\$ 103,669,868
Scholarships	(13,606,332)
Research grants and contracts	42,977,950
Auxiliary enterprise charges	72,111,987
Payments to suppliers	(88,035,534)
Payments to employees	(183,744,507)
Payments for operation and maintenance of facilities	(6,678,771)
Loans issued to students and employees	(620,431)
Collection of loans to students	391,901
Other receipts	6,104,560
	<hr/>
Net cash used by operating activities	(67,429,309)
	<hr/>
Cash flows from noncapital financing activities:	
State appropriations	65,199,453
Gifts	16,329,918
Agency receipts	11,232,453
Agency payments	(11,236,000)
PLUS loans receipts	13,711,984
PLUS loans disbursements	(13,711,984)
Payment to Treasurer of Virginia	(766,533)
Other nonoperating revenue	8,103,508
Other nonoperating expenses	(2,886,647)
	<hr/>
Net cash provided by noncapital financing activities	85,976,152
	<hr/>
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	17,175,417
Capital appropriations	60,047,859
Capital grants and contributions	7,183,892
Insurance payments	9,698
Capital expenditures	(78,573,261)
Principal paid on capital-related debt	(10,591,367)
Interest paid on capital-related debt	(10,754,424)
Proceeds from sale of capital assets	104,517
	<hr/>
Net cash used by capital and related financing activities	(15,397,669)
	<hr/>
Cash flows from investing activities:	
Investment income	7,185,309
Investments	(14,400,001)
	<hr/>
Net cash provided by investing activities	(7,214,692)
	<hr/>
Net increase/(decrease) in cash	(4,065,518)
Cash-beginning of year*	43,159,948
	<hr/>
Cash-end of year	\$ 39,094,430
	<hr/>

**The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2010**

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	\$ 7,144,243
Restricted cash and cash equivalents	32,283,656
Less: Securities lending -Treasurer of Virginia	<u>(333,469)</u>

Net cash and cash equivalents	<u><u>\$ 39,094,430</u></u>
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Reconciliation of net operating expenses to net cash used by operating activities:

Net operating loss	\$ (87,828,751)
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Adjustments to reconcile net operating expenses to cash used by operating activities:

Depreciation expense	21,092,525
Changes in assets and liabilities:	
Receivables-net	(919,677)
Inventories	46,213
Prepaid expense	163,151
Accounts payable	187,222
Deferred revenue	206,162
Deposit held for others	(84,433)
Federal loan contribution	(72,990)
Compensated absences	(172,801)
Other liability	<u>(45,930)</u>

Net cash used in operating activities	<u><u>\$ (67,429,309)</u></u>
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**NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL
AND RELATED FINANCING TRANSACTIONS**

Amortization of a deferred loss	\$ 633,750
Donated capital assets	\$ 1,126,031
Reduction/amortization of bond premium and debt issuance costs	\$ 130,343

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

**Notes to
Financial Statements
Year Ended June 30, 2010**

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 held by the Foundations can only be used by or for the benefit of the College, the Foundations are considered component units of the College and are discretely presented in the financial statements.

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

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

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

The William and Mary Athletic Educational Foundation is a not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Foundation is to promote, foster, encourage and further education, in all enterprises of all kinds at the College of William and Mary Virginia, but it principally supports the Athletic Department of the College. For additional information on the Athletic Educational Foundation, contact the Foundation Office at 751 Ukrop Drive, Williamsburg, Virginia 23187.

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

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

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

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

The Intellectual Property Foundation is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia in September 2007. Its purpose is to handle all aspects of the intellectual property of the College of William and Mary in Virginia in support of the educational goals of the College. As of June 30, 2010 the Intellectual Property Foundation completed its second full year of operations. The Foundation had no significant financial activity to report; therefore, it is not included in the component unit financial information reported in the financial statements. For additional information on the William and Mary Intellectual Property Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia, 23187-8795.

The Omohundro Institute of Early American History and Culture (OIEAHC), sponsored by the College of William and Mary and The Colonial Williamsburg Foundation, is organized exclusively for educational purposes. Its Executive Board, subject to its sponsors, determines matters of policy and has responsibility for financial and general management as well as resource development. The Executive Board consists of six members: the chief education officer of the Colonial Williamsburg Foundation, the chief academic officer of the College of William and Mary, the chairperson of the Institute Council and three who are elected by OIEAHC's Executive Board. Prior to the beginning of each fiscal year, the sponsors determine the nature and extent of their responsibility for the financial support of the OIEAHC in the upcoming year.

For financial reporting purposes, assets of the OIEAHC are not included in the accompanying financial statements. The following summarizes the unaudited financial position of the OIEAHC at June 30, 2010:

Assets	<u>\$ 768,837</u>
Liabilities	220,659
Net Assets	<u>548,178</u>
Liabilities and Net Assets	<u>\$ 768,837</u>

The total unaudited receipts and disbursements of the OIEAHC were \$1,808,004 and \$2,113,195, respectively, for the year ended June 30, 2010. Separate financial statements for the OIEAHC may be obtained by writing the Treasurer, Omohundro Institute of Early American History and Culture, P.O. Box 8781, Williamsburg, Virginia 23187-8781.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. It is the College's policy not to follow FASB standards issued after that date.

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, effective for the years ending on or after June 30, 2002, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting, including depreciation expense related to capitalized fixed assets. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Bond premiums and discounts are deferred and amortized over the life of the debt. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

In accordance with the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, definition, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity of three months or less.

Investments

Investments are recorded at cost or fair market value, if purchased, or fair market value at the date of receipt, if received as a gift, and reported in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. (See Note 3.)

Realized and unrealized gains and losses are reported in investment income as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Assets.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts.

Inventories

Inventories at the Williamsburg and York River (Virginia Institute of Marine Science) campuses are reported using the consumption method, and valued at average cost.

Prepaid Expenses

As of June 30, 2010, the Colleges' prepaid expenses included items such as insurance premiums, membership dues, conference registrations for fiscal year 2010 that were paid in advance, and publications subscriptions which include initial and renewal annual subscriptions for technical and professional publications.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Construction expenses for capital assets and improvements are capitalized when expended. The College's capitalization policy on equipment includes all items with an estimated useful life of two years or more. The Williamsburg and York River campuses capitalize all items with a unit price greater than or equal to \$2,000 and Richard Bland College capitalizes all items with a unit price greater than or equal to \$5,000. Library materials for the academic or research libraries are capitalized as a collection and are valued at cost. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets for financial statement periods beginning after June 15, 2009. The Williamsburg and York River campuses and Richard Bland College capitalize intangible assets with a cost greater than or equal to \$50,000 except for internally generated computer software which is capitalized at a cost of \$100,000 or greater.

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

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

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

Deferred Revenue

Deferred revenue represents revenue collected but not earned as of June 30, 2010. This is primarily comprised of revenue for student tuition paid in advance of the semester, amounts received from grant and contract sponsors that have not yet been earned and advance ticket sales for athletic events.

Compensated Absences

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

Noncurrent Liabilities

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

Net Assets

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

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

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

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

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

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

Scholarship Allowances

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

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work Study, Perkins Loans, and 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, 2009 have been restated to reflect further evaluation of assets and liabilities.

Net assets as previously reported June 30, 2009	\$ 461,780,457
Restatement due to implementation of accruing interest payable for bonds	<u>(2,357,855)</u>
Net asset balance at July 1, 2009	<u>\$ 459,422,602</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.

Investments

The investment policy of the College is established by the Board of Visitors and monitored by the Board's Financial Affairs Committee. In accordance with the Board of Visitors' Resolution 6(R), November 16, 2001, Resolution 12(R) November 21-22, 2002, and as updated by the Board in April 2010 investments can be made in the following instruments: cash, U.S. Treasury and Federal agency obligations, commercial bank certificates of deposit, commercial paper, bankers' acceptances, corporate notes and debentures, money market funds, mutual funds, convertible securities and equities.

Concentration of Credit Risk

Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents five percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2010, 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.

Interest Rate Risk: Maturities

Type of Investment	Fair Value	0-3 months	4-12 months	1-5 years	6-10 years	Greater than 10 years
U.S. Treasury and agency securities:						
Fannie Mae discount note	\$ 1,098,350	\$ -	\$ 1,098,350	\$ -	\$ -	\$ -
Freddie Mac discount note	999,200	-	999,200	-	-	-
Federal National Mortgage Association	10,656,932	3,224,500	7,432,432	-	-	-
Federal Home Loan Bank	7,261,106	1,250,000	5,002,196	1,008,910	-	-
Federal Home Loan Mortgage Corporation	10,620,568	6,499,118	4,121,450	-	-	-
Ridgeworth Fund - U.S. Government Sec	3,001,490	-	3,001,490	-	-	-
Mutual and money market funds:	-					
Certificate of deposit	170,000	170,000	-	-	-	-
Money market	10,800,257	10,800,257	-	-	-	-
Mutual funds - Investment Funds	5,060,144	-	260,554	1,188,458	1,538,927	2,072,205
Mutual funds - PIMCO Funds	7,784,432	-	-	3,658,683	2,413,174	1,712,575
Mutual funds - PIONEER Strategic Income	7,686,425	-	1,145,277	2,621,071	2,759,427	1,160,650
Mutual funds - Wells Fargo	141,731	-	8,884	52,962	50,612	29,273
State non-arbitrage program	21,142,286	21,142,286	-	-	-	-
Securities lending	333,469	333,469	-	-	-	-
	<u>86,756,390</u>	<u>\$ 43,419,630</u>	<u>\$ 23,069,833</u>	<u>\$ 8,530,084</u>	<u>\$ 6,762,140</u>	<u>\$ 4,974,703</u>
<u>Other Investments</u>						
Common and preferred stocks	28,494,113					
Securities lending	179,726					
Rare coins	280					
Property held as investment for endowments	<u>445,600</u>					
Total other investments	<u>29,119,719</u>					
Total cash equivalents and investments	<u>\$ 115,876,109</u>					

Credit & Concentration of Credit Risks

	Fair Value	S&P Credit Quality Rating AAA	Unrated
<u>Cash Equivalents</u>			
Certificate of deposit	\$ 170,000	\$ -	\$ 170,000
Money market	10,800,257	-	10,800,257
State non-arbitrage program	21,142,286	-	21,142,286
Securities lending	333,469	-	333,469
Total cash equivalents	32,446,012	-	32,446,012
<u>Investments</u>			
U.S. treasury and agency securities:			
Fannie Mae discount note	\$ 1,098,350	\$ -	\$ 1,098,350
Freddie Mac discount note	999,200	-	999,200
Federal National Mortgage Association	10,656,932	504,845	10,152,087
Federal Home Loan Bank	7,261,106	5,161,606	2,099,500
Federal Home Loan Mortgage Corporation	10,620,568	3,149,618	7,470,950
Ridgeworth Fund - U.S. Government Securities	3,001,490	-	3,001,490
Mutual funds:			
Investment Funds	5,060,144	-	5,060,144
PIMCO Funds	7,784,432	-	7,784,432
PIONEER Strategic Income Fund	7,686,425	-	7,686,425
Wells Fargo	141,731	-	141,731
Total investments	54,310,378	\$ 8,816,069	\$ 45,494,309
<u>Other Investments</u>			
Common and preferred stocks	28,494,113		
Securities lending	179,726		
Rare coins	280		
Property held as investment for endowments	445,600		
Total other investments	29,119,719		
Total cash equivalents and investments	\$ 115,876,109		

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 2010, had a net appreciation of \$6,398,030 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 - \$2,658,265, Restricted for Expendable Research - \$22,475, Restricted for Expendable Capital Projects - \$126,298, Restricted for Expendable Departmental Uses - \$2,723,714 and Unrestricted - \$867,278

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:

	<u>College of William and Mary</u>	<u>Richard Bland College</u>
<u>Balances as of June 30, 2010</u>		
Equity Investments	\$ 28,219,401	\$ 260,473
Bond Investments	20,531,001	-
Cash Equivalents/Money Market	<u>378,570</u>	<u>141,731</u>
Total	<u>\$ 49,128,972</u>	<u>\$ 402,204</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, 2010 as follows:

Accounts receivable consisted of the following at June 30, 2010:

Student Tuition and Fees	\$ 1,884,306
Auxiliary Enterprises	836,063
Federal, State and Non-Governmental Grants & Contracts	7,706,307
Other Activities	<u>1,034,397</u>
Gross Receivables	11,461,073
Less: allowance for doubtful accounts	<u>(365)</u>
Net Receivables	<u>\$ 11,460,708</u>

Notes receivable consisted of the following at June 30, 2010:

Current portion:	
Federal student loans	\$ <u>7,300</u>
Non-current portion:	
Federal student loans	\$ 3,045,157
Less: allowance for doubtful accounts	<u>(30,138)</u>
Net non-current notes receivable	<u>\$ 3,015,019</u>

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2010 consists of the following:

	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance
Non-depreciable capital assets:					
Land	\$ 14,232,369	\$ -	\$ 9,442	\$ -	\$ 14,241,811
Inexhaustible artwork and Historical treasures	71,343,347	-	928,825	-	72,272,172
Construction in Progress	110,211,060	-	66,215,735	112,716,880	63,709,915
Total non-depreciable capital assets	195,786,776	-	67,154,002	112,716,880	150,223,898
Depreciable capital assets:					
Buildings	462,218,030	-	114,204,534	-	576,422,564
Equipment	78,498,547	(5,159,176)	7,350,315	760,204	79,929,482
Infrastructure	40,798,872	-	370,129	-	41,169,001
Other improvements	4,189,004	-	1,528,021	-	5,717,025
Library Materials	83,972,867	-	842,711	11,068	84,804,510
Computer software	-	5,091,758	-	-	5,091,758
Total depreciable capital assets	669,677,320	(67,418)	124,295,710	771,272	793,134,340
Less accumulated depreciation for:					
Buildings	129,315,496	-	12,507,055	-	141,822,551
Equipment	50,014,477	(4,274,157)	5,181,675	623,292	50,298,703
Infrastructure	22,678,619	-	1,430,682	-	24,109,301
Other improvements	3,326,880	-	259,264	-	3,586,144
Library Materials	75,239,915	-	1,471,209	11,068	76,700,056
Computer software	-	4,206,739	252,570	-	4,459,309
Total accumulated depreciation	280,575,387	(67,418)	21,102,455	634,360	300,976,064
Depreciable capital assets, net	389,101,933	-	103,193,255	136,912	492,158,276
Total capital assets, net	\$ 584,888,709	\$ -	\$ 170,347,257	\$ 112,853,792	\$ 642,382,174

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 \$45.29 for fiscal year 2010. The average cost of the Law Library purchases of books was \$102.37 for fiscal year 2010. 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 \$50.16 for fiscal year 2010. The average cost of library books purchased for Richard Bland College was \$21.35 for fiscal year 2010. 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 2010. Proceeds from insurance recoveries attributable to capital assets are reported as a capital related financing activity in the Statement of Cash Flows. Accordingly, \$9,698 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, 2010:

Current Liabilities:

Employee salaries, wages, and fringe benefits payable	\$17,718,046
Vendors and supplies accounts payable	6,257,313
Capital projects accounts and retainage payable	<u>14,911,463</u>
Total current liabilities-accounts payable and accrued liabilities	<u><u>\$38,886,822</u></u>

8. COMMITMENTS

At June 30, 2010, outstanding construction commitments totaled approximately \$68,120,424.

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, 2010, was \$4,085,127.

As of June 30, 2010, the following total future minimum rental payments are due under the above leases:

<u>Year Ending June 30, 2010</u>	<u>Amount</u>
2011	\$ 3,975,900
2012	2,739,969
2013	2,591,370
2014	272,680
2015	277,713
2016-2020	823,085
2021-2025	<u>-</u>
Total	<u><u>\$ 10,680,717</u></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, 2010 is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Installment Purchases	\$ 4,390,394	\$ -	\$ 386,898	\$ 4,003,496	\$ 378,791
Notes Payable	143,789,282	14,407,478	5,150,663	153,046,097	5,004,207
Bonds Payable	<u>42,534,540</u>	<u>10,974,539</u>	<u>14,598,806</u>	<u>38,910,273</u>	<u>3,793,408</u>
Total long-term debt	190,714,216	25,382,017	20,136,367	195,959,866	9,176,406
Perkins Loan Fund Balance	2,571,555	-	72,990	2,498,565	-
Accrued compensated absences	<u>8,744,806</u>	<u>7,494,097</u>	<u>7,666,898</u>	<u>8,572,005</u>	<u>6,173,544</u>
Total long-term liabilities	<u>\$202,030,577</u>	<u>\$32,876,114</u>	<u>\$27,876,255</u>	<u>\$207,030,436</u>	<u>\$15,349,950</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, 2010</u>
Section 9(c) bonds payable:			
Dormitory, Series 2001A1	3.500 - 5.000	2021	225,000
Dormitory, Series 2002A1	2.500 - 5.000	2022	700,000
Dormitory, Series 2002R4	2.500 - 5.000	2013	130,000
Dormitory, Series 2002R9	2.500 - 4.000	2016	698,190
Dormitory, Series 2004B2	3.000 - 5.000	2017	343,632
Dormitory, Series 2004B3	3.000 - 5.000	2017	1,529,451
Dormitory, Series 2004B4	3.000 - 5.000	2018	3,109,927
Dormitory, Series 2004B5	3.000 - 5.000	2020	2,565,340
Dormitory, Series 2005A1	3.500 - 5.000	2026	3,090,000
Dormitory, Series 2006A1	4.000 - 5.000	2014	75,000
Dormitory, Series 2006A2	4.000 - 5.000	2015	1,215,000
Dormitory, Series 2008B	3.000 - 5.000	2013	303,103
Dormitory, Series 2009C	3.000 - 4.000	2021	383,984
Dormitory, Series 2009C	3.000 - 4.000	2022	2,582,213
Dormitory, Series 2009D	2.500 - 5.000	2022	<u>1,940,000</u>
Renovation of Dormitories			18,890,840

Graduate Housing, Series 2006B	4.000 - 5.000	2026	2,575,000
Graduate Housing, Series 2003R5	3.500 - 5.000	2011	542,836
Graduate Housing, Series 2008B	3.000 - 5.000	2028	2,315,000
Graduate Housing, Series 2009D	2.500 - 5.000	2022	<u>1,270,000</u>
Graduate Housing			6,702,836
University Center, Series 2002R5	2.500 - 5.000	2013	45,000
University Center, Series 2008B	3.000 - 5.000	2013	<u>2,316,552</u>
University Center			2,361,552
Underground Utility, Series 2002R8	3.500 - 5.600	2016	629,891
Underground Utility, Series 2004B1	3.000 - 5.000	2017	<u>895,399</u>
Underground Utility			1,525,290
Renovate Commons Dining Hall, Series 2005A2	3.500 - 5.000	2026	5,085,000
Renovate Commons Dining Hall, Series 2009D	2.500 - 5.000	2022	<u>3,200,000</u>
Commons Dining Hall			8,285,000
Total bonds payable			37,765,518
Deferred Gain/(Loss) on Advance Refundings			(1,210,334)
Unamortized premiums (discounts)			<u>2,355,089</u>
Net bonds payable			<u><u>\$ 38,910,273</u></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 following are notes outstanding at year-end:

<u>Description</u>	<u>Interest Rated (%)</u>	<u>Maturity</u>	<u>Outstanding Balance as of June 30, 2010</u>
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2003A	2.000 - 5.000	2024	\$ 1,515,000
Barksdale Dormitory, Series 2004A	3.000 - 5.000	2025	9,075,000
Barksdale Dormitory, Series 2005A	3.500 - 5.000	2026	11,550,000
Barksdale Dormitory, Series 2006A	3.000 - 5.000	2027	1,760,000
William and Mary Hall, Series 2004B	3.000 - 5.000	2016	910,000
William and Mary Hall, Series 2007B	4.000- 4.250	2018	165,000
Parking Deck, Series 2003A	2.000 - 5.000	2024	3,195,000
Parking Deck, Series 2004A	3.000 - 5.000	2025	1,975,000
Parking Deck, Series 2005A	3.500 - 5.000	2026	5,730,000

Recreation Sports Center, Series 2003A	2.000 - 5.000	2024	760,000
Recreation Sports Center, Series 2004A	3.500 - 5.000	2025	6,425,000
Recreation Sports Center, Series 2005A	3.500 - 5.000	2026	2,240,000
Improve Athletics Facilities, Series 2005A	3.500 - 5.000	2026	3,060,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	705,000
Marshall-Wythe Library, Series 2004B	3.000 - 5.000	2019	1,205,000
Law School Library, Series 2003A	2.000 - 5.000	2024	910,000
Law School Library, Series 2007A	4.500 - 5.000	2027	3,430,000
Magnet Facility, Series 2003A	2.000 - 5.000	2024	1,905,000
Williamsburg Hospital/School of Education, 2006A	3.000 - 5.000	2027	2,205,000
J. Laycock Football Facility, Series 2006A	3.000 - 5.000	2027	5,075,000
Residence Hall Fire Safety Systems, Series 2006A	3.000 - 5.000	2027	1,780,000
School of Business, Series 2007A	4.500 - 5.000	2027	22,185,000
School of Business, Series 2009A	2.750 - 4.000	2016	23,350,000
Integrated Science Center, Series 2007A	4.500 - 5.000	2027	11,635,000
Integrated Science Center, Series 2009A	2.750 - 5.000	2029	6,525,000
Power Plant Renovations, Series 2007A	4.500 - 5.000	2027	4,555,000
Busch Field Astro turf Replacement, Series 2009B	2.000 - 5.000	2029	1,425,000
Cooling Plant & Utilities, Series 2009B	2.000 - 5.000	2029	<u>11,735,000</u>
Total 9 (d) bonds			146,985,000

Commercial Notes:

Enterprise Resource Planning System	3.75	2010	24,207
Total notes payable			147,009,207
Deferred Gain/(Loss) on Advance Refundings			(20,000)
Unamortized premiums (discounts)			<u>6,056,890</u>
Net notes payable			<u>\$153,046,097</u>

Installment Purchases and Capital Leases

At June 30, 2010, 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	<u>Maturity</u>	<u>Balance as of June 30, 2010</u>
Installment purchases	2011-2020	\$4,003,496

Long-term debt matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 9,176,406	\$ 8,749,835
2012	13,238,374	8,217,689
2013	13,883,568	7,568,618
2014	13,223,747	6,913,139
2015	14,038,165	6,307,616
2016-2020	52,440,291	23,287,324
2021-2025	50,712,670	11,290,017
2026-2030	22,065,000	1,665,556
Refunding gains/(losses)	(1,230,334)	-
Unamortized premiums	<u>8,411,979</u>	<u>-</u>
Total	<u>\$ 195,959,866</u>	<u>\$ 73,999,794</u>

Defeasance of Debt

In October 2009, the Treasury Board issued \$332,480,000 in General Obligation Bonds, Series 2009C with a true interest cost (TIC) of 3.170902 percent. The sale of these bonds enabled the College to advance refund certain 9C bonds issued from 2001 through 2006 with interest rates ranging from 4.0 percent to 5.0 percent used to finance the renovation of dormitories and the dining 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 is as follows:

<u>Series</u>	<u>Debt Outstanding</u>	<u>Amount Defeased</u>	<u>Percentage Defeased</u>
2001	\$ 810,000	\$ 365,000	45%
2001	3,680,000	2,770,000	75%
2005	5,235,000	1,940,000	37%
2005	8,620,000	3,200,000	37%
2006	4,000,000	1,270,000	32%
	<u>\$ 22,345,000</u>	<u>\$ 9,545,000</u>	43%

The College's portion of the accounting loss recognized in the financial statements was \$1,260,431. The net economic gain attributable to the College was \$459,449 and will result in a decreased cash flow requirement of \$491,973 over the remaining life of the debt.

Prior Year Defeasance of Debt

The Commonwealth of Virginia, on behalf of the College, issued bonds in previous and current fiscal years for which the proceeds were deposited into irrevocable trusts with escrow agents to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not included in the College's financial statements. At June 30, 2010, \$12,145,000 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	\$ 80,262,098	\$ 6,189,533	\$ 253,349	\$ 1,045,872	\$ -	\$ 87,750,852
Research	33,878,596	13,607,024	1,317,697	810,996	-	49,614,313
Public service	17,029	19,020	945	349	-	37,343
Academic support	20,376,029	2,247,219	110,696	1,515,091	-	24,249,035
Student services	7,797,906	1,987,158	33,813	19,172	-	9,838,049
Institutional support	19,376,671	5,136,100	114,029	63,654	-	24,690,454
Operation and maintenance of plant	6,184,616	13,865,960	8,367	403,380	-	20,462,323
Depreciation	-	-	-	-	21,092,525	21,092,525
Scholarships and related expenses	3,743,038	74,523	12,408,743	2,564	-	16,228,868
Auxiliary enterprises	17,789,322	44,199,808	(638,996)	2,784,719	-	64,134,853
Other	268,080	845,532	-	-	-	1,113,612
Total	<u>\$ 189,693,385</u>	<u>\$ 88,171,877</u>	<u>\$ 13,608,643</u>	<u>\$ 6,645,797</u>	<u>\$ 21,092,525</u>	<u>\$ 319,212,227</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 781 - 2009 Acts of Assembly (Educational & General Programs)		\$ 76,136,798
Student financial assistance		3,878,269
Supplemental appropriation:		
Prior year reappropriations	112	
VIVA libraries	36,674	
VRS retirement contribution changes	19,410	
State employees workers compensation	51,840	
Marine research graduate assistantships	238,527	
Interest earnings and credit card rebates	(3,590)	
Rapa Whelk research funds	9,151	
Eminent Scholars/Biomedical research	<u>795,761</u>	1,147,885
Appropriation reductions:		
State employee furlough (non-faculty)	66,357	
State employee furlough (faculty)	137,673	
VRS 4th quarter suspension	334,703	
Group life 4th quarter suspension	82,755	
Sickness and disability 4th quarter suspension	104,757	
Retiree health credit 4th quarter suspension	104,757	
VRS 4th quarter delay	263,931	
Retiree health credit reduction	89,733	
eVA rate reduction	74,384	
Motor pool cost reduction	3,121	
VITA savings	1,143	
Employee health insurance reduction	443,699	
Group life contribution changes	94,220	
Disability contribution changes	473,694	
Governor's budget reduction plan	10,455,315	
Budget reduction - Caboose Bill, Chapter 872-2010	2,173,938	
HEETF debt payments	261,334	
Out of state building fee	<u>773,185</u>	(15,938,699)
Reversions to the General Fund of the Commonwealth		<u>(24,800)</u>
Appropriations as adjusted		<u>\$ 65,199,453</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 activity of the Intellectual Property Foundation was not material to the College in fiscal year 2010; therefore, it is not included in the presentation of component unit financial information.

Summary of Statement of Net Assets - Component Units

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,134,301	\$ 3,015,263	\$ 1,299,133	\$ 801,868
Investments	864,884	-	-	-
Pledges receivable, net - current portion	4,018,103	817,893	3,110,812	-
Receivables, net	661,343	225,675	127,454	30,529
Inventories	-	-	-	31,026
Prepays	496,469	57,261	143,864	60,213
Due from college	175,737	-	-	-
Other assets	324,126	-	-	-
Total current assets	7,674,963	4,116,092	4,681,263	923,636
Non-current assets				
Restricted cash and cash equivalents	3,411,398	2,804,924	15,013,206	-
Restricted investments	344,781,217	19,482,541	17,426,306	-
Investments	584,612	3,207,029	-	3,798,545
Pledges receivable, net	4,286,949	872,122	8,569,333	-
Capital assets, nondepreciable	8,591,214	318,602	-	31,800
Capital assets, net of accumulated depreciation	7,704,401	66,972	16,568	280,122
Other assets	92,745,456	298,306	316,753	-
Total non-current assets	462,105,247	27,050,496	41,342,166	4,110,467
Total assets	469,780,210	31,166,588	46,023,429	5,034,103
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	583,162	72,679	312,012	264,851
Deferred revenue	909,968	202,277	143,325	605,236
Deposits held in custody for others	-	-	14,654	-
Long-term liabilities - current portion	1,910,334	-	-	-
Due to college	-	-	-	112,693
Short-term debt	2,145,000	-	-	-
Total current liabilities	5,548,464	274,956	469,991	982,780
Non-current liabilities				
Long-term liabilities	26,264,115	415,103	-	-
Total liabilities	31,812,579	690,059	469,991	982,780
NET ASSETS				
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	69,295,557	5,083,642	427,743	-
Research	3,635,635	-	-	-
Loans	-	-	24,230	-
Departmental uses	70,561,778	5,801,193	33,413,351	-
Other	133,528,880	-	147,697	-
Expendable:				
Scholarships and fellowships	51,173,927	3,828,782	227,953	-
Research	1,837,113	-	112,042	-
Capital projects	4,596,372	2,292,933	8,349,136	-
Loans	-	-	44,831	-
Departmental uses	73,101,431	6,782,036	2,731,849	1,147,126
Other	14,124,668	503,130	45,154	-
Invested in capital assets, net of related debt	7,334,037	385,574	16,568	311,922
Unrestricted	8,778,233	5,799,239	12,884	2,592,275
Total net assets	\$ 437,967,631	\$ 30,476,529	\$ 45,553,438	\$ 4,051,323

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
\$ 554,601	\$ 176,826	\$ 1,274,498	\$ 7,569,973	\$ 15,826,463
-	-	-	-	864,884
663,104	124,750	201,252	-	8,935,914
-	-	52,500	-	1,097,501
-	-	-	-	31,026
-	-	-	1,195	759,002
-	-	-	-	175,737
-	-	18,833	-	342,959
1,217,705	301,576	1,547,083	7,571,168	28,033,486
5,088,431	450,617	-	-	26,768,576
1,254,049	5,519,154	2,587,930	-	391,051,197
-	847,888	376,262	-	8,814,336
655,882	112,224	35,179	-	14,531,689
-	-	-	2,595,067	11,536,683
31,010	-	24,119,200	237,263	32,455,536
-	-	-	3,500	93,364,015
7,029,372	6,929,883	27,118,571	2,835,830	578,522,032
8,247,077	7,231,459	28,665,654	10,406,998	606,555,518
-	16,528	454,614	181,096	1,884,942
6,637	-	-	-	1,867,443
-	-	-	-	14,654
-	-	511,942	-	2,422,276
-	-	-	-	112,693
-	-	-	490,000	2,635,000
6,637	16,528	966,556	671,096	8,937,008
-	-	25,529,581	-	52,208,799
6,637	16,528	26,496,137	671,096	61,145,807
-	1,100,078	2,781,578	-	78,688,598
-	129,336	-	-	3,764,971
-	-	-	-	24,230
-	1,031,774	-	-	110,808,096
-	2,173,080	-	-	135,849,657
6,678,557	260,034	-	-	62,169,253
-	94,514	-	-	2,043,669
-	265,582	-	-	15,504,023
-	-	-	-	44,831
-	1,322,373	-	-	85,084,815
-	262,835	612,518	-	15,548,305
31,010	-	(1,922,323)	2,342,330	8,499,118
1,530,873	575,325	697,744	7,393,572	27,380,145
\$ 8,240,440	\$ 7,214,931	\$ 2,169,517	\$ 9,735,902	\$ 545,409,711

Summary of Statement of Revenues, Expenses, and Changes in Net Assets - Component Units

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
Operating revenues:				
Gifts and contributions	\$ 2,313,259	\$ 1,649,297	\$ 1,227,964	\$ 1,472,643
Other	4,099,125	1,421,076	2,761,110	1,110,381
Total operating revenues	6,412,384	3,070,373	3,989,074	2,583,024
Operating expenses:				
Instruction	4,084,317	653,025	319,612	-
Research	303,278	-	16,370	-
Public service	107,449	118,477	158,036	-
Academic support	1,245,264	1,392,315	2,297,412	-
Student services	71,457	33,731	396,334	-
Institutional support	4,560,349	642,938	2,458,092	105,381
Operation and maintenance of plant	706,170	324,137	191,212	-
Scholarships & fellowships	6,070,117	34,802	4,968	-
Auxiliary enterprises	615,970	-	26,495	-
Depreciation	523,646	24,416	12,252	56,770
Other	5,590,003	-	180,712	5,646,659
Total operating expenses	23,878,020	3,223,841	6,061,495	5,808,810
Operating gain/(loss)	(17,465,636)	(153,468)	(2,072,421)	(3,225,786)
Non-operating revenues and expenses:				
Net investment revenue (expense)	40,012,554	2,866,252	2,241,441	554,632
Interest on capital asset related debt	(54,857)	-	-	-
Other non-operating revenue	6,641,737	-	-	-
Other non-operating expense	-	-	(8,318,559)	-
Net non-operating revenues	46,599,434	2,866,252	(6,077,118)	554,632
Income before other revenues	29,133,798	2,712,784	(8,149,539)	(2,671,154)
Other revenues:				
Capital grants and contributions	1,305,372	-	1,307,827	-
Additions to permanent endowments	7,851,339	730,418	98,563	-
Net other revenues	9,156,711	730,418	1,406,390	-
Change in net assets, before transfers	38,290,509	3,443,202	(6,743,149)	(2,671,154)
Contribution between foundations	(199,184)	-	-	98,884
Transfers	(199,184)	-	-	98,884
Change in net assets	38,091,325	3,443,202	(6,743,149)	(2,572,270)
Net assets - beginning of year	399,876,306	27,033,327	52,296,587	6,623,593
Net assets - end of year	\$ 437,967,631	\$ 30,476,529	\$ 45,553,438	\$ 4,051,323

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
\$ 3,748,312	\$ 277,853	\$ 249,664	\$ -	\$ 10,938,992
895,071	-	1,621,779	1,457,683	13,366,225
4,643,383	277,853	1,871,443	1,457,683	24,305,217
-	210,204	-	-	5,267,158
-	89,685	-	-	409,333
-	20,281	-	-	404,243
-	221,860	-	-	5,156,851
-	-	-	-	501,522
3,396,195	66,734	68,712	188,374	11,486,775
-	-	179	-	1,221,698
-	51,323	160,200	-	6,321,410
-	-	-	-	642,465
11,998	-	827,922	7,486	1,464,490
-	-	1,453,474	-	12,870,848
3,408,193	660,087	2,510,487	195,860	45,746,793
1,235,190	(382,234)	(639,044)	1,261,823	(21,441,576)
90,596	778,553	251,313	2,069	46,797,410
-	-	(15,351)	-	(70,208)
-	-	-	-	6,641,737
-	-	-	-	(8,318,559)
90,596	778,553	235,962	2,069	45,050,380
1,325,786	396,319	(403,082)	1,263,892	23,608,804
-	-	-	125,000	2,738,199
-	134,750	148,177	-	8,963,247
-	134,750	148,177	125,000	11,701,446
1,325,786	531,069	(254,905)	1,388,892	35,310,250
(30,000)	5,300	-	125,000	-
(30,000)	5,300	-	125,000	-
1,295,786	536,369	(254,905)	1,513,892	35,310,250
6,944,654	6,678,562	2,424,422	8,222,010	510,099,461
\$ 8,240,440	\$ 7,214,931	\$ 2,169,517	\$ 9,735,902	\$ 545,409,711

Investments

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

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Mutual and money market funds	\$ 4,306,457	\$ 401,429	\$ -	\$ 3,403,579	\$ 4,676	\$ -	\$ 2,281,457	\$ 10,397,598
U.S. treasury and agency securities	10,720,280	-	-	-	-	-	-	10,720,280
Common and preferred stocks	161,192	-	473,051	394,966	2,720	-	682,735	1,714,664
Investment in grantor trust	328,219,514	22,288,141	16,876,856	-	-	6,367,042	-	373,751,553
Notes receivable	1,432,859	-	-	-	-	-	-	1,432,859
Real estate	1,337,982	-	-	-	146,200	-	-	1,484,182
Other	52,429	-	76,399	-	1,100,453	-	-	1,229,281
Total								
Investments	<u>\$ 346,230,713</u>	<u>\$ 22,689,570</u>	<u>\$ 17,426,306</u>	<u>\$ 3,798,545</u>	<u>\$ 1,254,049</u>	<u>\$ 6,367,042</u>	<u>\$ 2,964,192</u>	<u>\$ 400,730,417</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	\$ 9,971,440	\$ 1,951,756	\$ 12,649,409	\$ 1,620,210	\$ 241,918	\$ 258,795	\$ 26,693,528
Less:							
Allowance for uncollectibles	(1,327,199)	(186,032)	(111,681)	(236,796)	-	(19,788)	(1,881,496)
Discounting to present value	(339,189)	(75,709)	(857,583)	(64,428)	(4,944)	(2,576)	(1,344,429)
Net pledges receivable	8,305,052	1,690,015	11,680,145	1,318,986	236,974	236,431	23,467,603
Less:							
Current pledges receivable	(4,018,103)	(817,893)	(3,110,812)	(663,104)	(124,750)	(201,252)	(8,935,914)
Total non-current pledges receivable	<u>\$ 4,286,949</u>	<u>\$ 872,122</u>	<u>\$ 8,569,333</u>	<u>\$ 655,882</u>	<u>\$ 112,224</u>	<u>\$ 35,179</u>	<u>\$ 14,531,689</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	\$ 262,916	\$ -	\$ -	\$ -	\$ -	\$ 2,026,359	\$ 5,692,702
Construction in progress	-	-	-	-	-	-	568,708	568,708
Historical treasures and inexhaustible works of art	5,187,787	55,686	-	31,800	-	-	-	5,275,273
Total nondepreciable capital assets	\$ 8,591,214	\$ 318,602	\$ -	\$ 31,800	\$ -	\$ -	\$ 2,595,067	\$ 11,536,683
Depreciable:								
Building	\$ 7,534,093	\$ -	\$ -	\$ -	\$ -	\$ 24,148,380	\$ 239,098	\$ 31,921,571
Equipment, vehicles and furniture	9,374,139	135,222	86,396	508,287	59,993	924,614	15,099	11,103,750
Improvements, other than building	338,138	-	-	388,658	-	556,142	-	1,282,938
	17,246,370	135,222	86,396	896,945	59,993	25,629,136	254,197	44,308,259
Less accumulated depreciation	(9,541,969)	(68,250)	(69,828)	(616,823)	(28,983)	(1,509,936)	(16,934)	(11,852,723)
Total depreciable capital assets	\$ 7,704,401	\$ 66,972	\$ 16,568	\$ 280,122	\$ 31,010	\$ 24,119,200	\$ 237,263	\$ 32,455,536

Long-term Liabilities

	The College of William & Mary Foundation	Marshall- Wythe School of Law Foundation	Richard Bland College Foundation	Total
Compensated absences	\$ 111,783	\$ -	\$ -	\$ 111,783
Notes payable	2,636,098	-	-	2,636,098
Bonds payable	8,054,303	-	26,041,523	34,095,826
Other liabilities	17,372,265	415,103	-	17,787,368
Total long-term liabilities	28,174,449	415,103	26,041,523	54,631,075
Less current portion	(1,910,334)	-	(511,942)	(2,422,276)
Total long-term liabilities	\$ 26,264,115	\$ 415,103	\$ 25,529,581	\$ 52,208,799

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 Wells Fargo Bank, NA) in the amount of \$2,000,000, which the Foundation guaranteed. The purpose of the line of credit was to fund the initial purchase of the real estate sold to New Town Associates, and to provide working capital to Reliance. As such, most of the loan proceeds have in turn been advanced to the REF, and the majority of the interest on the note is reflected as expenses of the Real Estate Foundation. This line of credit has been extended to \$3,000,000 with all principal and accrued interest due and payable on June 30, 2011. Interest only, which accrues daily at the LIBOR market index rate plus 1.35% is payable monthly. The amount outstanding was \$2,145,000 at June 30, 2010 and 2009. Interest paid during the years ended June 30, 2000 and 2009, was \$35,311 and \$44,025, respectively.

During the fiscal year ended June 30, 2007, the Foundation entered into a revolving line of credit agreement with SunTrust Bank in the amount of \$2,800,000. Interest accrues at a rate of the one month LIBOR plus 0.50%. 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% of the Foundation's total funded debt. The note matured on December 12, 2008, and was replaced with a loan in the amount of \$2,636,140. Interest is payable monthly at a fixed rate of 4.43%. Principal is payable in two equal annual installments on February 28, 2011 and 2012. The balance outstanding on the loan at June 30, 2010 and 2009 was \$2,636,098 and \$2,636,140, respectively. Interest paid during the fiscal years ending June 30, 2010 and 2009, was \$118,401 and \$86,181, respectively.

Bonds Payable

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

The Bonds mature, subject to prior redemption or demand purchase, on December 1, 2036. Bonds bearing interest at the daily or weekly rate must be purchased from the owners on any tender date upon delivery of written notice to the trustee and remarketing agent. If not successfully remarketed, funds for the purchase of tendered Bonds will be drawn on the credit facility described below. During the year ending June 30, 2009, the Foundation redeemed \$980,000 of the Bonds. In addition, as described below, \$2,745,000 of the Bonds had been tendered but not remarketed as of June 30, 2009. While these Bonds are issued, they were not outstanding at June 30, 2009. The recorded amount of the Bonds outstanding at June 30, 2010 and 2009, was \$8,054,303 and \$5,307,956, respectively, based on their original purchase price to the underwriter of the Bonds. Face value of Bonds outstanding at June 30, 2010 and 2009, was \$8,090,000 and \$5,345,000, respectively. As interest on the Bonds is a floating rate which is reset weekly, fair value of the Bonds approximates face value. Interest paid to bondholders for the years ended June 30, 2010 and 2009, was \$65,525 and \$143,692, respectively.

In addition to payments under the loan agreement in respect of the Bonds, the Bonds are further secured by an irrevocable letter of credit issued by SunTrust Bank. The initial expiration date of the letter of credit is December 31, 2009, unless extended, renewed or otherwise terminated under the applicable letter of credit documents among SunTrust bank, the Foundation and CWMF Ventures. The terms of the letter of credit provide for automatic one-year extensions through December 31, 2036 unless SunTrust provides at least two years notice of its intent to terminate, and the current date of expiration is December 31, 2011. The terms of the letter of credit also require the Foundation at all times to maintain unrestricted and temporarily restricted net

assets equal to at least 200% of the Foundation's total indebtedness, or such lesser amount as may be agreed by SunTrust Bank. Draws on the letter of credit for the purpose of purchasing any of the Bonds will be secured by the pledge of all right, title and interest in those Bonds. Unreimbursed draws under the letter of credit bear interest at the rate of LIBOR plus 1.50% per annum. During the years ended June 30, 2010 and 2009, draws were made, in the normal course, on the letter of credit per the bond and letter of credit documents in order to pay interest to bondholders. In addition, during the years ended June 30, 2010 and 2009, respectively, draws were made in the amount of \$100,000 and \$4,225,000 for tendered Bonds not successfully remarketed within the time stipulated in the bond agreement. Proceeds from subsequent successful remarketing of the tendered bonds were used to pay down the draws on the letter of credit. The total interest paid on the letter of credit during the years ended June 30, 2010 and 2009, was \$2,012 and \$11,018, respectively. As of June 30, 2010 and 2009, the amount outstanding under the letter of credit was \$0 and \$2,745,249, respectively. The total available under the letter of credit is based on the amount of Bonds outstanding, plus 40 days interest at 10%. The total amount of the letter credit was \$8,179,889 and \$8,178,658 as of June 30, 2010 and 2009, respectively. The total available to draw was \$8,179,889 and \$5,403,575 as of June 30, 2010 and 2009, respectively.

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

Commitments and Contingencies

On August 21, 2002, New Town Associates entered into a borrowing agreement with SunTrust Bank with a limit of \$5,000,000. The facility was revised in September 2004, December 2006 and October 2009. The total currently available is \$5,000,000, which may be used for borrowing or for letters of credit, and bears interest at a rate of the 30 day LIBOR plus 2.50%, with a minimum of 3%. The Foundation guarantees up to \$2,500,000, and members of the C.C. Casey Limited Company guarantee up to \$2,500,000. Outstanding loan balances of \$2,400,000 and \$2,610,000 existed as of June 30, 2010 and 2009, respectively. Letters of credit outstanding under this facility at June 30, 2010 and 2009, were \$1,476,750 and \$1,797,750, respectively. The balance is due September 30, 2010. The letters of credit are issued to guarantee the completion of site improvements as required by James City County. Upon completion of those improvements, these letters of credit are to be terminated, with no residual liability. No draws had been made on the letters of credit as of June 30, 2010 and 2009.

WILLIAM AND MARY BUSINESS SCHOOL FOUNDATION

Commitments and Contingencies

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

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

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

The 2009 Series A bonds have a seven-year term, with principal payments due annually beginning in 2012 and interest payments due biannually. The Foundation paid to the College \$962,658 in interest payments during 2010.

RICHARD BLAND COLLEGE FOUNDATION, INC.

Bonds Payable

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

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 \$54,812,460 for the year ended June 30, 2010. Total payroll costs were \$149,714,780 for the year ended June 30, 2010.

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 \$6,234,105 for the year ended June 30, 2010, which included a 5 percent employee contribution assumed by the employer. These contributions represent approximately 11.37 percent of covered payroll for the period July 2009 to June 2010.

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, 2010. The same report contains historical trend information showing VRS progress in accumulating sufficient assets to pay benefits when due.

Optional Retirement Plan

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

Individual contracts issued under the plan provide for full and immediate vesting of contributions of the College of William and Mary and Richard Bland College and their employees. Total pension costs under this plan were \$7,389,184 for the year ended June 30, 2010. Contributions to the optional retirement plans were calculated using the base salary amount of \$71,049,842 for fiscal year 2010. The College of William and Mary and Richard Bland College's total payroll for fiscal year 2010 was \$149,714,780.

Deferred Compensation

Employees of the College are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to \$20 per pay period. The dollar amount of the match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately \$702,863 for fiscal year 2010.

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, 2010, 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

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 2010. However, subsequent to year end on November 18, 2010 there was a fire which destroyed a laboratory at VIMS' Eastern Shore Wachapreague location. Proceeds from insurance recoveries are expected to offset replacement cost for the building and its contents and will be recorded as an extraordinary item as per GASB-42.

In October of 2010, the College of William and Mary issued 2010A-2, 9(c) Build America Bonds through the Treasurer of Virginia in the amount of \$6,450,000. Proceeds from these bonds will be used to construct a new dormitory and renovate residence halls. Also issued in November 2010 by the Virginia College Building Authority (VCBA) Public Higher Education Financing Pooled Bonds Program were 9(d) bonds in the amount of \$11,910,000 to fund utility improvements on the main campus of William and Mary and to reconstruct a barn at AshLawn Highland. The bonds were issued with interest rates varying from 2 percent to 5.5 percent and will mature in 20 years.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

April 14, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
The College of William and Mary in Virginia

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of **The College of William and Mary in Virginia**, including Richard Bland College and Virginia Institute of Marine Science, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the College, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the College is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the College as of June 30, 2010, and the respective changes

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

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

In accordance with Government Auditing Standards, we have also issued our report dated April 14, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


AUDITOR OF PUBLIC ACCOUNTS

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

June 30, 2010

The Board of Visitors

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

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Suzann W. Matthews
Anita O. Poston
Robert E. Scott
Michael Tang
John Charles Thomas
Jeffrey B. Trammell

Student Representatives

Sarah D. Rojas - College of William and Mary
D. Ryan Goodwin - Richard Bland College

Faculty Representatives

Katherine M. Kulick - College of William and Mary
Alexandra Duckworth - Richard Bland College

OFFICERS OF ADMINISTRATION

The College of William and Mary in Virginia

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

Richard Bland College

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