Williams College

Financial Statements

June 30, 2007 and 2006

Williams College
Index
June 30, 2007 and 2006

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Report of Independent Auditors

To the Board of Trustees of
Williams College

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Williams College (the "College") at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 7 to the financial statements, the College, in 2007, adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* an amendment of FASB Statements No. 87, 88, 106 and 132(R).

As discussed in Note 11 to the financial statements, the College, in 2006, adopted the provisions of Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143*.

PricewaterhouseCoopers LLP

September 10, 2007

Williams College
Statements of Financial Position
June 30, 2007 and 2006

	2007	2006
Assets		
Cash	$ 3,005,666	$ 2,397,444
Accounts receivable, net of allowance of $50,171 in 2007 ($58,971 in 2006)	1,048,439	827,867
Contributions receivable, net of allowance and discount of $15,565,857 in 2007 ($14,571,088 in 2006) (Note 2)	88,401,942	61,207,080
Notes receivable - student loans, net of allowance of $93,505 in 2007 ($119,500 in 2006) (Note 3)	5,903,700	5,963,625
Notes receivable other	3,299,000	3,175,000
Deposits with bond trustee	50,344,154	-
Collateral on securities loaned (Note 4)	81,120,104	63,145,677
Other assets	4,993,191	4,078,644
Investments (Note 4)	1,971,942,745	1,633,985,972
Land, buildings and equipment, net (Note 5)	353,437,469	326,695,886
Total assets	$ 2,563,496,410	$ 2,101,477,195
Liabilities		
Accounts payable and accrued liabilities	$ 17,793,631	$ 18,774,815
Accrued salaries and benefits (Notes 6 and 7)	17,119,031	11,388,747
Line of credit	-	11,000,000
Securities lending liability (Note 4)	81,120,104	63,145,677
Deferred revenue and deposits	3,439,341	2,952,167
U. S. Government advances for student loans	3,485,292	3,550,225
Present value of beneficiary payments	32,868,302	34,151,995
Bonds payable (Note 9)	267,108,317	168,907,563
Total liabilities	422,934,018	313,871,189
Net Assets		
Unrestricted	381,181,873	355,304,893
Temporarily restricted	1,320,745,177	1,048,203,029
Permanently restricted	438,635,342	384,098,084
Total net assets	2,140,562,392	1,787,606,006
Total liabilities and net assets	$ 2,563,496,410	$ 2,101,477,195

The accompanying notes are an integral part of these financial statements.

Williams College
Statement of Activities
Year Ended June 30, 2007 (with summarized financial information for the year ended June 30, 2006)

	2007				2006
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenue, gains and other					
Student revenues					
Tuition and fees	$ 68,774,511	$ -	$ -	$ 68,774,511	$ 64,714,561
Room and board	16,191,906	-	-	16,191,906	15,355,718
Less: Financial aid	(25,635,770)	-	-	(25,635,770)	(23,610,698)
Net student revenues	59,330,647	-	-	59,330,647	56,459,581
Auxiliary enterprises - other	5,276,651	-	-	5,276,651	4,849,242
Special purpose grants expended	1,711,501	-	-	1,711,501	2,055,630
Gifts and grants, net	13,523,614	14,028,286	-	27,551,900	23,275,715
Investment income	15,908,892	3,442,684	-	19,351,576	15,889,969
Realized gains utilized	5,908,643	42,407,873	-	48,316,516	46,355,923
Other	1,243,028	-	-	1,243,028	895,107
Net assets released from restrictions	50,357,339	(50,357,339)	-	-	-
Total operating revenue, gains, and other	153,260,315	9,521,504	-	162,781,819	149,781,167
Operating expenses and other					
Instructional and research	70,441,808	-	-	70,441,808	67,026,516
Academic support	14,346,349	-	-	14,346,349	13,631,151
Student services	23,101,996	-	-	23,101,996	20,785,988
Institutional support	28,451,949	-	-	28,451,949	28,065,206
Auxiliary enterprises	27,107,307	-	-	27,107,307	24,324,973
Other	184,560	-	-	184,560	306,508
Total operating expenses and other	163,633,969	-	-	163,633,969	154,140,342
Change in net assets from operating activities	(10,373,654)	9,521,504	-	(852,150)	(4,359,175)
Nonoperating activities					
Realized and unrealized gains on investments, investment income on split interest agreements, and reinvested investment income	42,953,086	260,610,557	8,187,092	311,750,735	118,332,618
Actuarial changes and payments of annuities	(4,544,960)	1,155,627	1,224,890	(2,164,443)	(1,957,402)
Life income and endowment gifts, net	-	4,471,047	44,168,872	48,639,919	19,987,496
Fund retirements and gifts further designated	2,260,183	(3,216,587)	956,404	-	-
Loss on retirement of debt	(98,720)	-	-	(98,720)	(1,638,265)
Loss on disposition of fixed assets	(208,791)	-	-	(208,791)	(46,947)
Gain (loss) on financial contracts	(70,653)	-	-	(70,653)	2,645,106
Change in net assets from nonoperating activities	40,290,145	263,020,644	54,537,258	357,848,047	137,322,606
Change in net assets before cumulative effect of change in accounting principle and adoption of new accounting principle	29,916,491	272,542,148	54,537,258	356,995,897	132,963,431
Cumulative effect of change in accounting principle (Note 11)	-	-	-	-	(3,273,782)
Adoption of new accounting principle (Note 7)	(4,039,511)	-	-	(4,039,511)	-
Total change in net assets after cumulative effect of change in accounting principle and adoption of new accounting principle	25,876,980	272,542,148	54,537,258	352,956,386	129,689,649
Beginning net assets	355,304,893	1,048,203,029	384,098,084	1,787,606,006	1,657,916,357
Ending net assets	$ 381,181,873	$ 1,320,745,177	$ 438,635,342	$ 2,140,562,392	$ 1,787,606,006

The accompanying notes are an integral part of these financial statements.

Williams College
Statement of Activities
Year Ended June 30, 2006

	2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue, gains and other				
Student revenues				
Tuition and fees	$ 64,714,561	$ -	$ -	$ 64,714,561
Room and board	15,355,718	-	-	15,355,718
Less: Financial aid	(23,610,698)	-	-	(23,610,698)
Net student revenues	56,459,581	-	-	56,459,581
Auxiliary enterprises - other	4,849,242	-	-	4,849,242
Special purpose grants expended	2,055,630	-	-	2,055,630
Gifts and grants, net	14,083,000	9,192,715	-	23,275,715
Investment income	12,858,499	3,031,470	-	15,889,969
Realized gains utilized	6,553,425	39,802,498	-	46,355,923
Other	895,107	-	-	895,107
Net assets released from restrictions	48,340,420	(48,340,420)	-	-
Total operating revenue, gains, and other	146,094,904	3,686,263	-	149,781,167
Operating expenses and other				
Instructional and research	67,026,516	-	-	67,026,516
Academic support	13,631,151	-	-	13,631,151
Student services	20,785,988	-	-	20,785,988
Institutional support	28,065,206	-	-	28,065,206
Auxiliary enterprises	24,324,973	-	-	24,324,973
Other	306,508	-	-	306,508
Total operating expenses and other	154,140,342	-	-	154,140,342
Change in net assets from operating activities	(8,045,438)	3,686,263	-	(4,359,175)
Nonoperating activities				
Realized and unrealized gains on investments, investment income on split interest agreements, and reinvested investment income	15,664,511	99,819,726	2,848,381	118,332,618
Actuarial changes and payments of annuities	(4,426,657)	1,874,284	594,971	(1,957,402)
Life income and endowment gifts, net		2,786,499	17,200,997	19,987,496
Fund retirements and gifts further designated	1,597,017	(3,904,793)	2,307,776	-
Loss on retirement of debt	(1,638,265)	-	-	(1,638,265)
Loss on disposition of fixed assets	(46,947)	-	-	(46,947)
Gain (loss) on financial contracts	2,645,106	-	-	2,645,106
Change in net assets from nonoperating activities	13,794,765	100,575,716	22,952,125	137,322,606
Change in net assets before cumulative effect of change in accounting principle	5,749,327	104,261,979	22,952,125	132,963,431
Cumulative effect of change in accounting principle (Note 11)	(3,273,782)	-	-	(3,273,782)
Total change in net assets after cumulative effect of change in accounting principle	2,475,545	104,261,979	22,952,125	129,689,649
Beginning net assets	352,829,348	943,941,050	361,145,959	1,657,916,357
Ending net assets	$ 355,304,893	$ 1,048,203,029	$ 384,098,084	$ 1,787,606,006

The accompanying notes are an integral part of these financial statements.

Williams College
Statements of Cash Flows
Years Ended June 30, 2007 and 2006

	2007	2006
Cash flow from operating activities		
Total change in net assets	$ 352,956,386	$ 129,689,649
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Cumulative effect of change in accounting principle	-	3,273,782
Adoption of new accounting principle	4,039,511	-
Depreciation, amortization and accretion	16,931,287	16,019,082
Provision for doubtful accounts receivable	(8,800)	(4,506)
Net unrealized and realized gains on investments and reinvested income	(357,244,686)	(161,795,595)
Loss on disposal of plant assets	208,793	46,947
Gifts restricted for long-term investment	(29,364,997)	(30,833,515)
Gifts in kind	(165,275)	(315,127)
Changes in operating assets and liabilities		
Accounts receivable	(211,772)	134,336
Contributions receivable	(27,194,862)	7,519,528
Accrued investment income	645,271	73,897
Other assets	(914,547)	(627,360)
Accounts payable and accrued liabilities	2,955,274	2,560,699
Accrued salaries and benefits	1,690,773	(1,044,073)
Deferred revenue and deposits	438,174	346,494
Net cash used in operating activities	(35,239,470)	(34,955,762)
Cash flow from investing activities		
Proceeds from sale of investments	965,091,094	1,444,824,028
Purchase of investments	(946,448,452)	(1,400,868,519)
Additions to land, buildings and equipment	(43,475,595)	(37,685,302)
Net proceeds from sale of plant assets	(15,000)	-
Deposits with bond trustee	51,706,841	11,246,900
Additional student loans granted	(1,046,785)	(719,922)
Student loans repaid	1,106,710	1,216,710
Net cash provided by investing activities	26,918,813	18,013,895
Cash flow from financing activities		
Gifts restricted for endowments	29,364,997	30,833,515
Payments to beneficiaries	(4,544,960)	(4,426,657)
Cash overdraft	(1,313,695)	1,313,695
Deposits with bond trustee	(102,050,995)	-
Issuance of new debt	112,536,465	73,396,573
Repayment of debt	(13,998,000)	(75,976,000)
Proceeds from line of credit borrowing	-	11,000,000
Repayments on line of credit borrowing	(11,000,000)	(20,000,000)
U.S. Government advances for student loans	(64,933)	(46,834)
Net cash provided by financing activities	8,928,879	16,094,292
Net increase (decrease) in cash	608,222	(847,575)
Cash at beginning of the year	2,397,444	3,245,019
Cash at end of the year	$ 3,005,666	$ 2,397,444
Supplemental disclosures		
Interest paid	$ 9,367,454	$ 6,748,559
Exchange of land for notes receivable	124,000	109,000
Gain deferred on sale of land	49,000	46,000
Amounts included in accounts payable related to construction in progress	5,081,139	4,558,913
Asset retirement costs, Net recognized related to asset retirement obligation	-	10,797
Asset retirement obligation recognized	-	3,284,579

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

The financial statements of Williams College (the "College") have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined as follows:

Permanently Restricted
Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets. Permanently restricted net assets are primarily composed of the College's permanent endowment funds.

Temporarily Restricted
Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Realized and unrealized gains and losses on permanently and temporarily restricted assets are reported as temporarily restricted net assets in accordance with donor stipulations and Massachusetts law.

Unrestricted
Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Expenses are reported as decreases in unrestricted net assets. Expirations or changes in donor-imposed stipulations are reported as net assets released from restrictions and treated as reclassifications between the applicable classes of net assets.

Contributions
Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or when the asset is placed into service. Gifts-in-kind are reported as unrestricted revenue unless use of the asset is restricted by the donor.

Nonoperating activities represent transactions of a capital nature including realized and unrealized gains on investments to be reinvested by the College to generate a return that will support operations, additions to or changes in the value of split-interest arrangements and life income and endowment gifts.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Contributions to be received after one year are discounted at a risk free discount rate commensurate with the terms of the contribution. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution. An allowance is made for uncollectible contributions based upon management's judgment, past collection experience and other relevant factors. The current year increment to such allowance, along with modifications to contributions receivable for changes in payment methodology are netted against current year contribution revenue. Amounts netted against contribution revenue were $2,132,000 and $4,215,000 for the years ended June 30, 2007 and 2006, respectively.

Other Assets
Other assets consist of prepaid expenses, inventories, and bond issuance costs. Inventories consist primarily of supplies and are valued at the lower of cost (determined using a first-in, first-out methodology) or market.

Cash
Cash represents highly liquid investments with a maturity of three months or less when purchased.

Investments
Investments are recorded in the following manner:

Investments	Value as Recorded
Temporary investments consisting principally of money market funds and short-term notes	At fair value which approximates cost
Stocks, bonds, mutual funds, and other publicly traded securities	At quoted market value
Privately held partnerships, including alternative investments, such as private equity, real estate and hedge fund limited partnerships	Estimated fair value determined by the general partner
Real estate and faculty and staff mortgages	Estimated fair value determined by the real estate partnership, if available, otherwise at cost

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Temporary investments are defined as securities with dates of maturities at purchase of three months or less.

Alternative investment asset managers may invest in both publicly and privately owned securities; such securities are carried at estimated fair value provided by the management of the partnerships or funds as of June 30, 2007 and 2006. Certain of these investments are not readily marketable; as such, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting.

Realized gains and losses are recognized on a first-in, first-out basis when securities are sold.

The College pools most of its investments in a unitized account similar to an open-ended mutual fund. Funds added or withdrawn from the pools are recorded at their share of the then current market value of the pool. Investment income of the pools is recognized by the funds owning the assets based on their share of the investment pool, which is determined on a monthly basis.

The College utilizes a "total return" approach to managing the investment pool. This emphasizes total return, which consists of current yield (interest and dividends) as well as the net appreciation (realized and unrealized gains) in the fair value of pooled investments.

The College establishes a spending rate expressed as a percentage of the beginning of the year fair value of the investment pool. This rate increases by a certain percentage each year, as determined by the College. The spending rate is allocated to pool participants, with the difference between the spending rate and current yield (which typically is lower than the spending rate) recorded as realized gains utilized in operating revenue.

The total return in excess of the spending rate is reported in nonoperating gains or losses.

Deposits with Bond Trustee
In conjunction with the issuance of Series L and M debt, the College was required to deposit the proceeds of the issuance into a restricted escrow account.

Split Interest Agreements and Outside Trusts
The College's split interest agreements generally consist of irrevocable charitable remainder trusts. For those trusts for which the College serves as trustee, the assets held are included with its pooled investments. Assets under these agreements are recorded at fair value. The aggregate fair value of the assets under these agreements is $66,670,020 and $62,927,707 as of June 30, 2007 and 2006, respectively. Contribution revenues are recognized at the dates the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities, recorded in present value of beneficiary payments on the statement of financial position, are adjusted during the term of the trusts for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits.

For those irrevocable charitable remainder trusts for which the College does not serve as trustee, the College records its beneficial interest in those assets as contribution revenue and contributions receivable at the present value of the expected future cash inflows. Such trusts are recorded at the date the College has been notified of the trust's existence and sufficient information regarding the trust has been accumulated to form the basis for an accrual. Changes in the value of these assets related to the amortization of the discount or revisions in the income beneficiary's life expectancy are recorded as a nonoperating change in the valuation of contributions receivable of either temporarily or permanently restricted net assets.

The College is also the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as contributions receivable and contribution revenues at the date the College is notified of the establishment of the trust and sufficient information regarding the trust has been obtained by the College. Distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as nonoperating gains or losses in temporarily and permanently restricted net assets.

Land, Buildings and Equipment
All capital expenditures for and gifts of land, buildings and equipment are recorded as additions to land, buildings or equipment, as appropriate, and are carried at cost at date of acquisition or fair value at the date of donation, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings (60 years), building systems, renovations and land improvements (20 years), equipment (3-10 years) and software (3 years).

The College's art and rare book collections are recorded at cost or appraised value at the date of acquisition. Collections are not depreciated.

Conditional Asset Retirement Obligations
The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with statement of Financial Accounting Standards (SFAS) No. 143*, Accounting for Asset Retirement Obligations,* and Financial Accounting Standards Interpretation (FIN) No. 47*, Accounting for Conditional Asset Retirement Obligations (an interpretation of FASB Statement No. 143).* When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities.

Employee Benefits
Retirement benefits for substantially all full-time employees are individually funded and vested under a defined contribution program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA and CREF). Under this agreement, the College and plan participants make monthly contributions to TIAA and CREF to purchase individual annuities equivalent to retirement benefits earned.

The College provides postretirement benefits that include retiree life insurance and a portion of early retiree medical, dental and life insurance premiums.

The College accrues for postemployment benefits which include, but are not limited to, salary continuation, severance benefits, workers' compensation and other disability related benefits, and the post employment continuation of health care benefits, life insurance benefits and similar benefits to certain employees and beneficiaries.

U.S. Government Advances for Student Loans
Funds provided by the United States Government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collection. If the College were to terminate the Federal Perkins Loan Program, these funds would be refundable to the government and, therefore, are recorded as a liability.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The College's significant estimates include the valuation of its investments, its valuation of contributions receivable, recognition of its conditional asset retirement obligations, its postretirement health benefits and other accruals for expenses incurred which will be settled in the future. Actual results could differ from those estimates.

Allocation of Interest, Depreciation and Operation and Maintenance of Plant
Certain expenses have been allocated to functional areas based on the following:

Interest – by bond issue, by functional nature of building use

Depreciation **–** by square footage, by functional nature of building use

Operation and maintenance of plant – by specific identification where applicable and by square footage, by functional nature of building use

Tax-Exempt Status
The College is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly no provision for income taxes has been recorded in the accompanying financial statements.

Reclassifications
Certain reclassifications within balance sheet categories in the statement of financial position have been made to 2006 amounts to conform to the 2007 presentation.

2. Contributions Receivable

Contributions receivable, net, are summarized as follows at June 30:

	2007	2006
Expected Collection Period		
Less than one year	$ 25,046,140	$ 18,449,262
One year to five years	42,195,170	28,266,112
Over five years	3,677,738	4,288,988
Less: Discount	(11,147,113)	(8,748,362)
Allowance	(4,418,744)	(5,822,726)
Net contributions receivable less discount and allowance	55,353,191	36,433,274
Charitable remainder trusts held by others	33,048,751	24,773,806
Contributions receivable, net	$ 88,401,942	$ 61,207,080

At June 30, 2007 and 2006, the College had also received conditional promises to give of approximately $36,500,000 and $30,800,000 respectively. These conditional promises to give are not recognized as assets until the removal or lapse of the condition.

3. Loans to Students

Under Statement of Financial Accounting Standards No. 107*, Disclosure about Fair Value of Financial Instruments*, the College is required to disclose fair value of student loans. Management believes that it is not practicable to determine the fair value of loans receivable because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer or disposition. College sponsored and donor provided loans are similarly restricted as to interest rate and disposition.

4. Investments

The fair value and cost of investments held by the College consist of the following at June 30:

	2007		2006	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Temporary investments	$ 79,974,786	$ 79,974,786	$ 134,730,813	$ 134,730,305
Stocks - common and preferred	508,977,172	378,078,957	434,068,176	339,666,937
Bonds/asset-backed securities	90,284,199	90,891,152	114,652,271	114,336,482
Real estate, mortgages and other	33,124,999	35,777,560	32,832,976	36,872,679
Privately held partnerships	959,740,245	775,177,256	685,383,944	668,232,297
Mutual funds	294,310,012	189,838,025	232,490,253	169,514,723
Net accounts receivable	5,531,332	5,531,332	(172,461)	(172,461)
	$ 1,971,942,745	$ 1,555,269,068	$ 1,633,985,972	$ 1,463,180,962
Comprised of				
Endowment and similar funds	1,954,173,277	1,539,049,845	1,613,635,822	1,443,929,906
Other funds	17,769,468	16,219,223	20,350,150	19,251,056
	$ 1,971,942,745	$ 1,555,269,068	$ 1,633,985,972	$ 1,463,180,962

As of June 30, 2007, accounts receivable and payable related to the unsettled sales and purchase of securities were $9,138,512 and $3,607,180 respectively. As of June 30, 2006, accounts receivable and payable related to the unsettled sales and purchases of securities were $2,743,949 and $2,916,410, respectively.

As of June 30, 2007 and 2006, temporary investments includes accrued investment income of $1,252,548 and $1,897,821, respectively.

The College participates in a securities lending program that is designed to enhance return on certain asset holdings. The minimum collateral the College requires by contract on this program is 102% of the market value of the security loaned. During 2007, the College received advances of cash and U.S. government debt as collateral on deposit for certain securities loaned to brokers and dealers totaling $290,136,294, of which the College repaid $286,669,813 prior to June 30, 2007. At June 30, 2007 and 2006, the College held $81,120,104 and $63,145,677, respectively, of collateral which is presented as an asset and related liability on the statement of financial position. All rights to this collateral as a secured party under applicable law, are available to the College in the case of a borrower's failure to deliver securities for any reason within the time specified by the applicable securities loan agreement. The securities temporarily on loan are included in the investments of the College with an estimated fair value as of June 30, 2007 and 2006 of $79,238,382 and $61,682,815 respectively.

The College holds mortgages on residences of eligible faculty and staff members that amounted to $11,041,065 and $10,768,382 as of June 30, 2007 and 2006, respectively. The average interest rate on the mortgages for the year ended June 30, 2007 was 3.78%.

Realized net gains were $114,212,363 and $160,859,720 for the years ended June 30, 2007 and 2006, respectively. Unrealized appreciation for the years ended June 30, 2007 and 2006 were $245,868,668 and $5,290,611, respectively. Investment income, other than reinvested amounts, was $22,174,142 and $18,782,917 for the years ended June 30, 2007 and 2006, respectively. Of this amount, $2,822,566 and $2,892,946, respectively, was investment income on split interest agreements. Reinvested income was $6,653,689 and $4,109,892, respectively. Investment income on split interest agreements and reinvested income are reflected as part of realized and unrealized gains on investments, investment income on split interest agreements, and reinvested income in the nonoperating section of the statement of activities.

All investment management fees paid by the College are netted against investment gains reducing reported nonoperating gains on investments.

In connection with the investments managed by external investment advisors, derivative financial instruments, principally options, futures and options on futures, may be employed by certain advisors. Derivative financial instruments are not an integral part of the College's overall investment strategy. As a result, it is necessary to view the results for any investment activity, including the effect of derivative financial instruments, in the aggregate.

For the years ended June 30, 2007 and June 30, 2006, the aggregate realized gains (losses) on derivative transactions for direct investment accounts of the College was $(40,657) and $(372,872) respectively. At June 30, 2007 and 2006, there were no open positions in derivative financial transactions.

Under the "total return" approach the College spent accumulated gains of $48,316,516 and $46,355,923 for the years ended June 30, 2007 and 2006, respectively. Total return in excess of the spending rate is reported as nonoperating revenue or loss.

5. Land, Buildings and Equipment

Land, buildings and equipment of the College consist of the following at June 30:

	2007	2006
Land and land improvements	$ 36,719,159	$ 34,577,911
Buildings	389,361,261	335,271,233
Equipment	57,828,702	49,568,743
Art collections	33,158,284	32,830,075
	517,067,406	452,247,962
Less accumulated depreciation	(183,692,917)	(166,756,263)
	333,374,489	285,491,699
Construction in progress	20,062,980	41,204,187
	$ 353,437,469	$ 326,695,886

Approximately $33,295,304 and $2,645,046 was transferred from construction in progress to land, buildings and equipment in 2007 and 2006, respectively.

Depreciation expense was $17,152,192 and $16,117,179 for the years ended June 30, 2007 and 2006, respectively. During fiscal year 2007, the College disposed of certain assets with an original cost of $424,330 and accumulated depreciation of $215,539.

Interest costs of $554,166 and $984,386 were capitalized in 2007 and 2006, respectively.

Included in land and land improvements are costs incurred of approximately $1,959,940 at June 30, 2007 to develop property that the College intends to sell to qualified faculty or staff. The sales will be evidenced by notes that will be repaid at the time the property is sold or under certain other defined conditions. The College has the right of first refusal to reacquire this property.

6. Retirement Benefits

The College's expense under defined contribution retirement plans amounted to $5,883,751 and $5,532,814 for 2007 and 2006, respectively.

7. Postretirement Benefits Other than Pensions

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* an amendment of FASB Statements No. 87, 88, 106 and 132(R) (SFAS 158). SFAS 158 focuses primarily on balance sheet reporting for the funded status of benefit plans and requires recognition of benefit liabilities for underfunded plans and benefit assets for overfunded plans, with an offsetting adjustment to unrestricted net assets. The impact of adoption as of June 30, 2007 resulted in a net decrease of $4,039,511 in unrestricted net assets, which has been recorded as an adoption of new accounting principle.

Change in accumulated postretirement benefit obligation	**2007**	**2006**
Postretirement benefit obligation at beginning of year		
Actives not fully eligible to retire	$ 6,680,727	$ 5,927,245
Actives fully eligible to retire	2,236,182	900,277
Retirees	3,044,763	4,679,382
	11,961,672	11,506,904
Service cost	516,796	593,919
Interest cost	731,894	651,542
Plan participants' contributions	36,338	36,679
Actuarial (gain)	(35,071)	(342,320)
Benefits paid	(518,484)	(485,052)
Postretirement benefit obligation at end of year		
Actives not fully eligible to retire	7,604,310	6,680,727
Actives fully eligible to retire	2,299,031	2,236,182
Retirees	2,789,804	3,044,763
	$ 12,693,145	$ 11,961,672
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Actual return on plan assets	-	-
Employer contribution, net of retiree contributions	482,146	448,373
Plan participants' contributions	36,338	36,679
Actual benefits paid	(518,484)	(485,052)
Fair value of plan assets at end of year	$ -	$ -
Reconciliation of funded status		
Funded status	$ 12,693,145	$ 11,961,672
Unrecognized prior service cost	2,113,643	2,398,030
Unrecognized net actuarial (gain) loss	1,925,868	2,033,123
Transitional adjustment to unrestricted assets (SFAS 158)	(4,039,511)	-
Postretirement benefit liability	$ 12,693,145	$ 7,530,519

The components of the liability include:

Current liability	$ 601,028	$ 502,712
Noncurrent liability	12,092,117	7,027,807
Total liability	$ 12,693,145	$ 7,530,519

Components of the net periodic postretirement benefit cost	**2007**	**2006**
Service cost	$ 516,796	$ 593,919
Interest cost	731,894	651,541
Amortization of prior service cost	284,387	284,387
Amortization of actuarial loss	72,184	180,101
	$ 1,605,261	$ 1,709,948

Unrecognized amounts and amortization amounts following year		
Unrecognized amounts and amortization amounts		
Transition obligation	$ -	$ -
Prior service cost	2,113,643	-
Net actuarial (gain) loss	1,925,868	-
	$ 4,039,511	$ -
Amortization amounts in following year		
Transition obligation	$ -	$ -
Prior service cost	284,387	-
Net actuarial (gain) loss	63,104	-
	$ 347,491	$ -
Transitional adjustment to unrestricted assets	$ (4,039,511)	$ -

Assumptions and effects	**2007**	**2006**
Actuarial assumptions		
Medical/drug trend rate next year	7.0% - 9.0%	7.0% - 9.0%
Ultimate trend rate	5.0% - 5.0%	5.0% - 5.0%
Year ultimate trend rate is achieved	2011	2011
Dental trend rate every year	5.50%	5.50%
Discount rate used to value end of year accumulated postretirement benefit obligations	6.26%	6.25%
Discount rate used to value net periodic postretirement benefit cost	6.25%	5.10%
Effect of a 1% increase in health care cost trend rate on		
Interest cost plus service cost	$ 84,675	$ 85,767
Accumulated postretirement benefit obligation	$ 663,334	$ 579,485
Effect of a 1% decrease in health care cost trend rate on		
Interest cost plus service cost	$ (74,258)	$ (74,543)
Accumulated postretirement benefit obligation	$ (603,266)	$ (529,720)
Measurement date	6/30/07	6/30/06

On December 7, 2003 the Medicare Prescription Drug Improvement and Modernization act of 2003 was enacted which provides certain prescription drug related benefits for retirees and subsidies for employers providing actuarial equipment benefits to their retirees beginning in 2006. All measures of the accumulated postretirement benefit obligation and the net periodic postretirement benefit cost included in this footnote do not reflect the effects of the above named Act on the plan. As the College does not subsidize post-65 prescription drug costs for retirees, no adjustment has been made to the obligation and expense calculations for the current fiscal year.

Expected Future Benefit Payments

Fiscal Year	
2008	$ 601,000
2009	653,000
2010	693,000
2011	780,000
2012	861,000
2013 through 2017	5,357,000

8. Commitments and Contingencies

The College is committed as of June 30, 2007 to invest approximately $239,115,000 in certain limited partnerships.

At June 30, 2007, the College has outstanding construction and purchase contracts totaling approximately $42,200,000. Completion of these projects is estimated to extend through September 2008.

The College has entered into long-term noncancelable operating leases with lease terms extending through the year 2017. The following is a schedule by year of future minimum rental payments required under all operating leases that have initial or remaining noncancelable lease terms of one year or more as of June 30, 2007.

2008	$ 339,000
2009	218,000
2010	227,000
2011	224,000
2012	197,000
Thereafter	926,000
	$ 2,131,000

Total rental expense on all leases was $161,765 and $166,421 in 2007 and 2006, respectively.

9. Bonds Payable

Borrowing for plant facilities consists of the following at June 30:

	2007	2006
Massachusetts Health and Educational Facilities Authority Bonds (Williams College)		
Series E, variable rate, due through 2014	$ 13,800,000	$ 15,500,000
Series G, 5.50%, due through 2014	-	9,406,388
Series H, 2.00% to 5.00%, due through 2033	40,158,125	41,591,450
Series I, variable rate, due through 2033	28,581,000	29,301,000
Series J, variable rate, due through 2026	32,630,000	32,783,000
Series K, 3.50% to 5.00%, due through 2033	39,492,334	40,325,725
Series L, 4.00% to 5.00%, due through 2036	76,446,858	-
Series M, variable rate, due through 2037	36,000,000	-
Total net bonds payable	$ 267,108,317	$ 168,907,563

The Series E Bonds are variable rate demand revenue bonds. The annualized interest rate ranged from 3.320% to 3.930% during fiscal year 2007 with an average rate of 3.602% for the year. The bonds bear interest at a variable rate based on the prevailing market rate for equivalent bonds. The College may convert the bonds to a fixed rate at its option. Annual principal payments are currently $1,700,000 and increase to $1,750,000.

The Series G bonds were subject to early redemption with 30 days notice, beginning on July 1, 2009. The College, in conjunction with the issuance of Series L bonds on January 4, 2007, defeased the Series G bonds in their entirety. Proceeds of approximately $9,685,058 of Series L bonds were placed into a refunding trust escrow account for the benefit of Series G bondholders to satisfy all remaining interest and principal obligations. As a result of the creation and funding of this escrow account, the Series G bonds were defeased on January 4, 2007. The College recognized a loss of $98,720 for the year ended June 30, 2007 related to unamortized bond issuance costs for the series G bonds.

The Series H Bonds are fixed rate revenue bonds. Subject to 30 days notice, the bonds may be called by the College on July 13, 2013 at 100% of par. Annual principal payments are currently $1,390,000 and increase to $2,030,000.

The Series I Bonds are variable rate demand revenue bonds. The bonds were originally issued as Put Bonds in two tranches: the first was a $30,000,000 one-year put bond at an annualized interest rate of 1.22%; the second was a $40,000,000 three-year put bond at an annualized rate of 1.93%. In April 2006, the College converted $40,000,000 one-year put bonds to fixed rate revenue bonds, Series K. The College recognized a loss of $189,515, for the year ended June 30, 2006 related to unamortized bond issuance costs for the Series I bonds. The annualized interest rate ranged from 3.25% to 3.92% during fiscal year 2007 with an average rate of 3.58% for the year. The bonds bear interest at a variable rate based on the prevailing market rate for equivalent bonds. The College may convert the bonds to a fixed rate at its option. Annual principal payments are currently $740,000 and increase to $1,552,000.

The Series J bonds are variable rate demand revenue bonds. The annualized interest rate ranged from 3.37% to 3.99% with an average rate of 3.61% for the year. The bonds bear interest at a variable rate based on the prevailing market rate for equivalent bonds. The College may convert the bonds to a fixed rate at its option. Annual principal payments are currently $159,000 and increase to $3,185,000.

The Series K Bonds are fixed rate revenue bonds. Subject to 30 days notice, the bonds may be called by the College on July 13, 2013 at 100% of par. Annual principal payments are currently $840,000 and increase to $2,480,000.

The Series L Bonds are fixed rate revenue bonds issued on January 4, 2007, with an original principal value of $71,160,000 and a premium of $5,376,465. On June 30, 2012, the College will make its first principal payment of $1,325,000. Remaining annual principal payments range from $1,380,000 to $4,235,000. The Bonds are callable beginning on July 1, 2016 at 100% of par. At June 30, 2007, $26,976,373 of bond proceeds from Series L was on deposit with Trustee.

The Series M Bonds are variable rate demand revenue bonds issued on January 4, 2007, with an original principal value of $36,000,000. The bonds bear interest at a variable rate based on the prevailing market rate for equivalent bonds. On June 30, 2012, the College will make its first principal payment of $875,000. Remaining annual principal payments range from $900,000 to $2,200,000. The bonds are noncallable in the first five years. At June 30, 2007, $23,367,781 of bond proceeds from Series M was on deposit with Trustee.

Based on current borrowing rates for bonds with similar terms and maturities, the fair value of the College's long-term debt as of June 30, 2007 was approximately $256,751,000.

The bonds payable are general obligations of the College with no collateral requirements.

Bond issuance costs of $1,660,852 are being amortized to interest expense over the life of the respective bonds and are recorded within other assets at June 30, 2007. Bond premiums at June 30, 2007 equal $7,777,317 and have been recorded within bonds payable, and are being amortized to interest expense over the life of the respective bonds. Combined debt principal payment requirements for the years 2008 through 2012 approximate $4,829,000, $4,919,000, $5,032,000, $5,171,000, and $7,555,000, respectively.

Interest expense for the years ended June 30, 2007 and 2006 was $8,813,288 and $5,764,173, respectively.

Forward Interest Rate Swap

On January 19, 2005, the College entered into a forward interest rate swap agreement related to the anticipated remarketing of the Series F Bonds. The debt, which was issued in April 2006, has a notional amount of $33,234,000. Under the terms of the agreement, the College will pay a fixed rate of 3.457% to a third party who in turn will pay a variable rate, estimated as 68% of LIBOR, on the respective notional principal amount to the bondholders. The interest rate swap agreement was not entered into for trading or speculative purposes. Because market risks arise from movements in interest rates, the College entered into the interest rate swap to reduce interest rate volatility on the outstanding debt.

As of June 30, 2007 and 2006, the fair value of the swap was $1,127,696 and $1,266,977, respectively. The value of the swap is recorded in other assets (liabilities) and nonoperating gain (loss). The fair value of the swap instrument represents the estimated proceeds to the College if the agreement were terminated on the date of the statement of financial position, taking into account the creditworthiness of the underlying counterparties. The interest rate swap expires on July 1, 2026.

10. Line of Credit

The College maintains a $36,000,000 line of credit with its main operating bank which expires in November 2007. The line of credit bears interest at either the bank's prime rate or at a LIBOR rate plus 30 basis points, at the College's option. Additionally, the College pays a commitment fee equal to 7 basis points per year for any unused borrowing capacity. The amount drawn on the line of credit at June 30, 2007 was zero. At June 30, 2006, the amount outstanding on the line of credit was $11,000,000. Beginning in July 2007 there is no longer a commitment fee for unused borrowing capacity.

11. Change of Accounting Principle

In March 2005, the Financial Accounting Standards Board (FASB) issued FIN No. 47. This interpretation clarified the recognition of conditional asset retirement obligations as referred to in SFAS No. 143. The College adopted FIN No. 47 effective June 30, 2006 and recorded a $3,273,782 cumulative effect change in accounting principle. The cumulative effect reflects the cumulative accretion of the liability and cumulative depreciation of the related asset component from the date the liability would have been recognized had the provisions of the interpretation been in effect when the liability was incurred through June 30, 2006. The College recognized $116,805 of operating expense relating to the accretion of liabilities recorded under FIN No. 47 for the year ended June 30, 2007. Conditional asset retirement obligations of $3,336,364 and $3,284,579 for the years ended June 30, 2007 and 2006, respectively, are included in the College's accounts payable and accrued liabilities. Substantially all of the impact of adopting FIN No. 47 relates to estimated costs to remove asbestos that is contained within the College's facilities.

12. Temporarily Restricted and Permanently Restricted Net Assets

The following is the composition of the College's temporarily restricted and permanently restricted net assets at June 30, 2007 and 2006:

	2007	2006
Temporarily restricted net assets		
Gifts for restricted purposes	$ 54,058,535	$ 47,501,875
Contributions to be paid in the future	16,073,541	9,956,244
Split-interest agreements, including outside managed trusts	47,791,594	41,804,295
Endowment funds - unspent appreciation	1,202,821,507	948,940,615
	1,320,745,177	1,048,203,029
Permanently restricted net assets		
Student Loan Funds	479,364	479,364
Split-interest agreements and perpetual trusts, including outside managed trusts	70,611,105	55,983,267
Contributions to be paid in the future	39,279,650	26,477,030
Endowment funds - Original Principal	328,265,223	301,158,423
	$ 438,635,342	$ 384,098,084