Williams College

Financial Statements
June 30, 2010 and 2009

Williams College
Index
June 30, 2010 and 2009

PRICEWATERHOUSECOOPERS

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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, 2010 and 2009, 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.

PricewaterhouseCoopers LLP

October 15, 2010

Williams College
Statements of Financial Position
June 30, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	$ 8,537,619	$ 6,613,630
Accounts receivable, net of allowance of $116,936 ($66,719 in 2009)	647,200	1,032,884
Contributions receivable, net of allowance and discount of $10,973,964 ($14,039,117 in 2009) (Note 2)	68,816,638	80,652,297
Notes receivable - student loans, net of allowance of $171,307 ($183,505 in 2009) (Note 3)	4,615,668	4,921,416
Notes receivable - other	2,763,000	2,921,500
Other assets	5,811,076	3,055,681
Real property held as an investment (Note 4)	23,638,143	22,437,740
Investments (Note 5)	1,596,664,590	1,483,163,353
Land, buildings and equipment, net (Note 6)	370,923,077	383,810,191
Total assets	$ 2,082,417,011	$ 1,988,608,692
Liabilities		
Accounts payable and accrued liabilities	$ 13,131,956	$ 12,442,430
Accrued salaries and benefits (Notes 7 and 8)	28,078,872	22,860,781
Deferred revenue and deposits	3,367,043	3,449,759
U. S. Government advances for student loans	3,445,593	3,522,874
Present value of beneficiary payments	49,780,445	52,180,209
Bonds payable (Note 10)	254,832,519	256,808,452
Total liabilities	$ 352,636,428	$ 351,264,505
Net Assets		
Unrestricted	268,462,549	272,772,520
Temporarily restricted	988,418,383	900,453,562
Permanently restricted	472,899,651	464,118,105
Total net assets	1,729,780,583	1,637,344,187
Total liabilities and net assets	$ 2,082,417,011	$ 1,988,608,692

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

Williams College
Statement of Activities
Year Ended June 30, 2010 (With Summarized Financial Information For the Year Ended June 30, 2009)

	2010				2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenue, gains and other					
Student revenues					
Tuition and fees	$ 82,680,026	$ -	$ -	$ 82,680,026	$ 77,052,277
Room and board	19,202,753	-	-	19,202,753	18,098,098
Less: Financial aid	(40,273,890)	-	-	(40,273,890)	(36,497,650)
Net student revenues	61,608,889	-	-	61,608,889	58,652,725
Auxiliary enterprises - other	5,735,714	-	-	5,735,714	6,105,149
Special purpose grants expended	2,266,976	-	-	2,266,976	1,790,021
Gifts and grants, net	15,770,320	2,202,437	-	17,972,757	41,339,346
Investment income	3,916,244	911,900	-	4,828,144	8,410,157
Net realized gains utilized	6,589,914	45,354,222	-	51,944,136	69,588,314
Other	2,527,014	-	-	2,527,014	1,420,919
Net assets released from restrictions	52,817,131	(52,817,131)	-	-	-
Total operating revenue, gains, and other	151,232,202	(4,348,572)	-	146,883,630	187,306,631
Operating expenses and other					
Instructional and research	76,349,775	-	-	76,349,775	79,522,547
Academic support	14,312,226	-	-	14,312,226	16,020,534
Student services	20,487,840	-	-	20,487,840	22,974,353
Institutional support	27,745,369	-	-	27,745,369	30,784,065
Auxiliary enterprises	28,507,674	-	-	28,507,674	29,767,070
Other	314,869	-	-	314,869	330,595
Total operating expenses and other	167,717,753	-	-	167,717,753	179,399,164
Change in net assets from operating activities	(16,485,551)	(4,348,572)	-	(20,834,123)	7,907,467
Non-operating activities					
Net realized and unrealized gains on investments, and reinvestment investment income	17,746,024	139,035,420	4,095,159	160,876,603	(349,480,520)
Investment income on split interest agreements	-	1,566,733	901,559	2,468,292	2,607,972
Net realized gains utilized for current operations	(6,589,914)	(45,354,222)	-	(51,944,136)	(69,588,314)
Actuarial changes and payments of annuities	-	184,233	(1,247,414)	(1,063,181)	(21,891,977)
Life income and endowment gifts, net	-	1,646,711	8,120,970	9,767,681	13,380,742
Fund retirements and gifts further designated and income to principal	817,516	910,197	(1,727,713)	-	-
Net gain (loss) on disposition of fixed assets and change in valuation of real estate held for resale	422,600	-	-	422,600	(15,196)
Net loss on financial contracts	(2,469,079)	-	-	(2,469,079)	(2,526,692)
Transfers between net asset categories	-	1,361,015	(1,361,015)	-	-
Non-recurring expenses associated with retirement incentive	(4,788,261)	-	-	(4,788,261)	-
Adjustment for endowment funds with fair value below historical cost	7,036,694	(7,036,694)	-	-	-
Change in net assets from non-operating activities	12,175,580	92,313,393	8,781,546	113,270,519	(427,513,985)
Total change in net assets	(4,309,971)	87,964,821	8,781,546	92,436,396	(419,606,518)
Beginning net assets	272,772,520	900,453,562	464,118,105	1,637,344,187	2,056,950,705
Ending net assets	$ 268,462,549	$ 988,418,383	$ 472,899,651	$ 1,729,780,583	$ 1,637,344,187

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

Williams College
Statement of Activities
Year Ended June 30, 2009

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue, gains and other				
Student revenues				
Tuition and fees	$ 77,052,277	$ -	$ -	$ 77,052,277
Room and board	18,098,098	-	-	18,098,098
Less: Financial aid	(36,497,650)	-	-	(36,497,650)
Net student revenues	58,652,725	-	-	58,652,725
Auxiliary enterprises - other	6,105,149	-	-	6,105,149
Special purpose grants expended	1,790,021	-	-	1,790,021
Gifts and grants, net	36,894,844	4,444,502	-	41,339,346
Investment income	7,353,269	1,056,888	-	8,410,157
Net realized gains utilized	9,312,199	60,276,115	-	69,588,314
Other	1,420,919	-	-	1,420,919
Net assets released from restrictions	69,673,720	(69,673,720)	-	-
Total operating revenue, gains, and other	191,202,846	(3,896,215)	-	187,306,631
Operating expenses and other				
Instructional and research	79,522,547	-	-	79,522,547
Academic support	16,020,534	-	-	16,020,534
Student services	22,974,353	-	-	22,974,353
Institutional support	30,784,065	-	-	30,784,065
Auxiliary enterprises	29,767,070	-	-	29,767,070
Other	330,595	-	-	330,595
Total operating expenses and other	179,399,164	-	-	179,399,164
Change in net assets from operating activities	11,803,682	(3,896,215)	-	7,907,467
Non-operating activities				
Net realized and unrealized losses on investments, investment income on split interest agreements, and reinvested investment income	(56,246,997)	(280,463,387)	(10,162,164)	(346,872,548)
Net realized gains utilized for current operations	(9,312,199)	(60,276,115)	-	(69,588,314)
Actuarial changes and payments of annuities	(2,607,972)	(10,471,112)	(8,812,893)	(21,891,977)
Life income and endowment gifts, net	-	(513,110)	13,893,852	13,380,742
Fund retirements and gifts further designated	2,546,084	(4,176,965)	1,630,881	-
Net loss on disposition of fixed assets	(15,196)	-	-	(15,196)
Net loss on financial contracts	(2,526,692)	-	-	(2,526,692)
Transfers between net asset categories	8,771,597	(20,369,459)	11,597,862	-
Adjustment for endowment funds with fair value below historical cost	(17,884,756)	17,884,756	-	-
Change in net assets from non-operating activities	(77,276,131)	(358,385,392)	8,147,538	(427,513,985)
Change in net assets	(65,472,449)	(362,281,607)	8,147,538	(419,606,518)
Beginning net assets	338,244,969	1,262,735,169	455,970,567	2,056,950,705
Ending net assets	$ 272,772,520	$ 900,453,562	$ 464,118,105	$ 1,637,344,187

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

Williams College
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash flow from operating activities		
Total change in net assets	$ 92,436,396	$ (419,606,518)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation, amortization and accretion	19,307,883	20,496,166
Provision for doubtful accounts receivable and student loans	38,019	121,135
Net unrealized and realized (gains) losses on investments and reinvested income	(160,876,604)	346,872,549
Loss on disposal of plant assets	326,324	15,196
Receipt of contributed securities	(9,011,333)	(1,954,061)
Gifts restricted for long-term investment	(9,738,411)	(14,474,930)
Gifts in kind	(525,885)	(936,168)
Changes in operating assets and liabilities		
Accounts receivable	335,467	(509,499)
Contributions receivable	11,835,659	3,260,199
Other assets and real property held for investment	(4,167,298)	(20,828,811)
Accounts payable and accrued liabilities	1,751,114	(477,745)
Present value of beneficiary payments	2,049,144	22,829,316
Accrued salaries and benefits	5,218,091	1,938,283
Deferred revenue and deposits	(82,716)	237,169
Net cash used in operating activities	(51,104,150)	(63,017,719)
Cash flow from investing activities		
Proceeds from sale of investments	811,186,270	860,217,587
Purchase of investments	(754,799,570)	(792,897,688)
Additions to land, buildings and equipment	(7,188,729)	(21,754,394)
Proceeds utilized from deposits with bond trustee	-	15,576,135
Additional student loans granted	(491,431)	(125,758)
Student loans repaid	809,377	916,267
Net cash provided by investing activities	49,515,917	61,932,149
Cash flow from financing activities		
Gifts restricted for endowments	9,738,411	14,474,930
Payments to beneficiaries	(4,448,908)	(4,986,868)
Payments of old debt	(36,000,000)	(36,000,000)
Issuance of new debt	36,000,000	36,000,000
Repayment of debt	(1,700,000)	(4,919,000)
U.S. Government advances for student loans	(77,281)	3,080
Net cash provided by financing activities	3,512,222	4,572,142
Net increase in cash and cash equivalents	1,923,989	3,486,572
Cash and cash equivalents at beginning of the year	6,613,630	3,127,058
Cash and cash equivalents at end of the year	$ 8,537,619	$ 6,613,630
Supplemental disclosures		
Cash paid during the year for interest	$ 7,214,494	$ 8,160,372
Noncash transactions		
Exchange of land for note receivable	370,000	90,000
Amounts included in accounts payable related to construction in progress	231,823	1,424,890

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

1. Summary of Significant Accounting Policies

Basis of Presentation

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 ("GAAP"). 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 as well as restricted purpose gifts 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 or reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

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

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 expenditure 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.

Non-operating activities include transactions of a capital nature including realized and unrealized gains and losses 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 to their fair value at a 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 change 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 $1,216,000 and $3,587,000 for the years ended June 30, 2010 and 2009, respectively.

Other Assets

Other assets consist of prepaid expenses, inventories, deposits with trustee, 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.

Real Property Held as an Investment

Real property held as an investment consists of real estate owned that the College is either actively marketing or intends to sell. This real estate includes residential houses and commercial property and is recorded at fair value.

Investments

The fair values of investments are determined as follows:

Investments	Value as Recorded
Temporary investments, principally money market funds and short-term notes	At amortized cost which approximates fair value
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 as determined by the asset manager
Real estate and faculty and staff mortgages	Estimated fair value as determined by the real estate partnership

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is likely 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 statements of financial position and statements of activities.

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

Alternative investment asset managers may invest in both publicly and privately owned securities; such securities are recorded at estimated fair value provided by the management of the partnerships or funds as of June 30, 2010 and 2009. 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 based upon the estimate of the investment's fair value.

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

The College pools the majority of its investments in a unitized account similar to an open-ended mutual fund. Pool participants are the individual endowed programs and certain unrestricted funds that invest in the investment pool. Funds added or withdrawn from the pool are recorded at their share of the then current fair value of the pool. Investment income is recognized and posted on a monthly basis.

The College utilizes a “total return” approach to managing the investment pool. This approach 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 determines an amount to spend from the endowment at the beginning of the year. The resulting 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 non-operating gains or losses.

Land, Buildings and Equipment
Capital expenditures for and gifts of land, buildings and equipment are recorded at cost at the date of acquisition or fair value at the date of donation. Depreciation is 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. The College does not capitalize the cost of library books and periodicals.

Conditional Asset Retirement Obligation
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 Accounting Standards Codification ("ASC") 410*, Asset Retirement and Environmental Obligations.* 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 statements of activities.

	2010	2009
Change in asset retirement obligation		
Asset retirement obligation at beginning of year	$ 4,169,967	$ 3,353,814
Settlement of obligation	(54,000)	(487,728)
Additional obligations	-	1,196,640
Accretion expense	131,479	107,241
Asset retirement obligation at end of year	$ 4,247,446	$ 4,169,967

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", respectively). Under this agreement, the College and plan participants make monthly contributions to TIAA and CREF.

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.

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. 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 as the present value of beneficiary payments, 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 recognition. 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 non-operating 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 fair value of these trusts, which is reported by the outside trustee, is included in investments. 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 non-operating gains or losses in permanently restricted net assets. The College has a remainder interest in other outside trusts; the present values of the estimated future cash receipts from these 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.

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Tax 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.

2. Contributions Receivable

Contributions receivable are as follows at June 30:

Expected Collection Period	2010	2009
Less than one year	$ 22,162,941	$ 23,798,843
One year to five years	28,099,542	41,933,421
Over five years	767,544	1,146,497
Less: Discount to present value	(6,113,738)	(8,233,246)
Allowance for uncollectible contributions	(4,860,228)	(5,805,870)
Net contributions receivable	40,056,061	52,839,645
Charitable remainder trusts held by others	28,760,577	27,812,652
Contributions receivable, net	$ 68,816,638	$ 80,652,297

At June 30, 2010 and 2009, the College had also received conditional promises to give of approximately $52,800,000 and $52,900,000, respectively. These conditional promises to give are not recognized as assets until the removal or lapse of the condition.

3. Loans to Students

The College is required to disclose the 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. Real Property Held as an Investment

The College owns the following real property which it intends to sell:

	2010	2009
New York City, NY real estate	$ 20,300,000	$ 21,000,000
Williamstown, MA real estate	3,338,143	1,437,740
Total real property held as an investment	$ 23,638,143	$ 22,437,740

5. Investments

Investments held by the College are comprised of:

	Fair Value	
	2010	2009
Investment pool	$ 1,526,571,483	$ 1,409,055,720
Split interest agreements	50,497,770	49,439,418
Faculty mortgages	10,687,743	11,038,709
Other investments	8,907,594	13,629,506
	$ 1,596,664,590	$ 1,483,163,353

As of June 30, 2010, accounts receivable and payable related to the unsettled sales and purchases of securities were $2,665,898 and $2,251,186, respectively. As of June 30, 2009, accounts receivable and payable related to the unsettled sales and purchases of securities were $0 and $1,277,782, respectively.

As of June 30, 2010 and 2009, temporary investments include accrued investment income of $983,161 and $144,866, respectively.

Governance
The Investment Committee, a standing committee of the Board of Trustees, is responsible for setting asset allocation, investment policy and the strategic direction of the Williams endowment. Committee members approve the operating budget and annual goals for the investment office and monitor investment results to ensure that policy objectives are met. In addition, three Advisory Committees (Marketable Assets, Non-Marketable Assets and Real Assets) that serve as sub-committees to the Investment Committee provide focused asset class advice. Reporting to the College President, the Chief Investment Officer ("CIO") oversees and manages the College's Investment Office, including the selection of investments, investment managers and consultants, subject to the approval of the Investment Committee and in accordance with the Committee's policies and procedures.

Asset Allocation

The asset allocation, asset class benchmarks and allowable ranges for each asset class for the Williams College Investment Pool is approved by the Investment Committee upon the recommendation of the CIO and reviewed every year. The target asset allocation for 2010 and 2009 is summarized below.

Policy Portfolio approved for FY11	Asset Class	Policy Portfolio at June 30, 2010	Policy Portfolio at June 30, 2009
	Public Equity		
	US Equity		24%
	Developed Non-US Equity		19%
	Emerging Markets Equity		5%
14%	Global Long/Short Equity	16%	
26%	Global Equity	26%	
14%	***Absolute Return***	12%	12%
6%	***Venture Capital***	6%	6%
9%	***Buyouts***	9%	9%
9%	***Real Assets***	9%	6%
6%	***Real Estate***	6%	6%
	Fixed Income		
10%	Investment Grade	10%	12%
5%	Non-Investment Grade	5%	
1%	***Cash***	1%	1%
100%		100%	100%

Investment Pool Mission, Objectives and Strategy

The mission of the Investment Pool is to contribute financial support to both the present and future needs of the College as well as to provide sufficient liquidity to meet such needs on a timely basis.

The College's overall investment objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. The College's risk tolerance is informed by the degree to which it relies on the Investment Pool to support its operations. A high degree of reliance may suggest a policy portfolio with reduced expected volatility which may, in turn, moderate the long-term expected return. Williams' policy portfolio, and long-term returns, may therefore look different from those of other institutions.

The College's investment strategy is designed to meet its investment objectives and has the following characteristics: an equity bias to help achieve the College's long-term return objective; diversification to dampen volatility; an emphasis on alternative investments; and a sufficient liquidity position.

Fair Value Measurements

In 2006, the Financial Accounting Standards Board ("FASB") issued Standard No. 157, *Fair Value Measurements* (SFAS 157), which was effective for the College's fiscal year beginning July 1, 2008. SFAS 157 defined fair value, established a framework used to measure fair value, and expanded disclosures about fair value measurements. The standard prioritized, within the measurement of fair value, the use of market-based information over entity-specific information and established a three-level hierarchy for fair value measurements based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date, June 30 for the College. In 2009, SFAS 157 was renamed as FASB ASC 820.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level I include listed equity securities held in the name of the College in separately managed accounts and exchange traded mutual fund investments.

Level II Pricing inputs, including broker quotes, other than exchange traded quoted prices in active markets. The inputs are either directly or indirectly observable as of the reporting date. The type of investments in Level II include institutional commingled funds that offer frequent (e.g. daily) liquidity and certain hedge fund investments that are valued using a net asset value per share (or its equivalent) that are redeemable within 90 days of the reporting date.

Level III Pricing inputs that are unobservable, including situations where there is little, if any, market activity for the investment. The type of investments in Level III includes the College’s investments in private equity, real estate and real estate partnerships, and certain hedge funds.

The levels presented above are designed to be measures of price transparency, not liquidity. Different investors may classify similar investments (e.g. an investment in a particular hedge fund) in different levels.

The College has various sources of internal liquidity at its disposal, including cash, cash equivalents, marketable equity and debt securities, commingled funds and hedge funds. At June 30, 2010 management estimates that it could have liquidated $490,000,000 (unaudited) or 32% (unaudited) of the investment pool with 30 days notice or less.

During the year ended June 30, 2010, the College transferred three hedge fund investments totaling $107,000,000 from Level III to Level II based upon market inputs.

The following table presents the College's financial instruments recorded at fair value as of June 30, 2010 and 2009, utilizing the ASC 820 valuation hierarchy defined above:

	June 30, 2010			
	Quoted Prices in Active Markets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total Fair Value
Assets				
Investment Pool				
Cash and Cash Equivalents	$ 36,741,588	$ -	$ -	$ 36,741,588
Common and Preferred Stocks	69,266,794	-	-	69,266,794
Fixed Income Securities	-	46,814,279	9,732,581	56,546,860
Equity Mutual/Commingled Funds	50,090,293	126,396,772	-	176,487,065
Fixed Income Mutual/Commingled Funds	64,286,059	32,786,822	-	97,072,881
Real Asset Commingled Funds	-	53,401,847	-	53,401,847
Real Estate Partnerships	-	-	86,103,856	86,103,856
Private Equity Partnerships	-	-	263,635,402	263,635,402
Private Fixed Income Funds	-	-	74,255,381	74,255,381
Real Asset Partnerships	-	-	25,934,445	25,934,445
Equity Hedge Funds	-	16,239,560	315,661,669	331,901,229
Absolute Return Hedge Funds	-	112,654,582	103,250,116	215,904,698
Real Asset Hedge Funds	-	-	39,319,437	39,319,437
Total Investment Pool	220,384,734	388,293,862	917,892,887	1,526,571,483
Split Interest Agreements				
Cash and Cash Equivalents	2,927,694	-	196,685	3,124,379
Common and Preferred Stocks	7,534,820	-	5,499,205	13,034,025
Fixed Income Mutual/Commingled Funds	22,100,593	-	3,713,821	25,814,414
Equity Mutual/Commingled Funds	5,915,771	-	1,950,799	7,866,570
Real Asset Commingled Funds	-	-	97,741	97,741
Real Estate Mutual Funds	200,989	-	16,067	217,056
Other Assets	-	-	343,585	343,585
Total Split Interest Agreements	38,679,867	-	11,817,903	50,497,770
Faculty Mortgages	-	-	10,687,743	10,687,743
Other	1,888,112	-	7,019,482	8,907,594
Total Investments	$ 260,952,713	$ 388,293,862	$ 947,418,015	$ 1,596,664,590
Liabilities				
Forward interest rate agreement	$ -	$ 4,052,461	$ -	$ 4,052,461

	June 30, 2009			
	Quoted Prices in Active Markets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total Fair Value
Assets				
Investment Pool				
Cash and Cash Equivalents	$ 76,270,464	$ -	$ -	$ 76,270,464
Common and Preferred Stocks	76,231,991	-	-	76,231,991
Equity Mutual/Commingled Funds	76,123,213	155,257,588	-	231,380,801
Fixed Income Mutual/Commingled Funds	56,735,768	47,460,292	-	104,196,060
Real Asset Commingled Funds	-	20,212,054	-	20,212,054
Real Estate Partnerships	-	-	84,571,464	84,571,464
Private Equity Partnerships	-	-	229,066,859	229,066,859
Private Fixed Income Funds	-	-	59,440,077	59,440,077
Real Asset Partnerships	-	-	20,088,362	20,088,362
Equity Hedge Funds	-	-	284,370,144	284,370,144
Absolute Return Hedge Funds	-	-	189,406,672	189,406,672
Real Asset Hedge Funds	-	-	33,820,772	33,820,772
Total Investment Pool	285,361,436	222,929,934	900,764,350	1,409,055,720
Split Interest Agreements				
Cash and Cash Equivalents	2,022,255	-	444,962	2,467,217
Common and Preferred Stocks	7,891,501	-	4,946,489	12,837,990
Fixed Income Mutual/Commingled Funds	22,257,502	-	3,764,291	26,021,793
Equity Mutual/Commingled Funds	5,429,949	-	2,452,547	7,882,496
Real Asset Commingled Funds	-	-	28,270	28,270
Real Estate Mutual Funds	190,488	-	11,164	201,652
Total Split Interest Agreements	37,791,695	-	11,647,723	49,439,418
Faculty Mortgages	-	-	11,038,709	11,038,709
Other	7,063,267	-	6,566,239	13,629,506
Total Investments	$ 330,216,398	$ 222,929,934	$ 930,017,021	$ 1,483,163,353
Liabilities				
Forward interest rate agreement	$ -	$ 2,628,328	$ -	$ 2,628,328

Beneficial and perpetual trusts held by third parties are recorded at the present value of the future distributions expected to be received over the term of the agreement. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Level III Rollforward

The following table is a rollforward of amounts for financial instruments classified by the College within Level III of the fair value hierarchy:

For the Year Ending June 30, 2010

Investment Pool

	Beginning	Transfers to/from Level III to Level II	Beginning Balance	Investment Income	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Net Transfers	Ending
Fixed Income Securities	$ -	$ -	$ -	$ -	$ 298,199	$ 106,303	$ 9,328,079	$ 9,732,581
Real Estate Partnerships	84,571,464	-	84,571,464	796,943	57,301	(17,013,751)	17,691,899	86,103,856
Private Equity Partnerships	229,066,859	-	229,066,859	2,278,857	15,998,644	16,964,592	(673,550)	263,635,402
Private Fixed Income Funds	59,440,077	2,624,165	62,064,242	-	1,608,443	12,096,721	(1,514,025)	74,255,381
Real Asset Partnerships	20,088,362	-	20,088,362	(17,007)	1,676,348	(61,360)	4,248,102	25,934,445
Equity Hedge Funds	284,370,144	(13,795,118)	270,575,026	43,540	(251,306)	26,440,905	18,853,504	315,661,669
Absolute Return Hedge Funds	189,406,672	(96,725,912)	92,680,760	-	3,188,289	13,371,337	(5,990,270)	103,250,116
Real Asset Hedge Funds	33,820,772	-	33,820,772	-	-	5,498,665	-	39,319,437
Total	$ 900,764,350	$ (107,896,865)	$ 792,867,485	$ 3,102,333	$ 22,575,918	$ 57,403,412	$ 41,943,739	$ 917,892,887

Faculty Mortgages

	Beginning	New Mortgages	Paid Mortgages	Annual Payroll Deductions	Ending
Faculty Mortgages	$ 11,038,709	$ 703,821	$ (512,311)	$ (542,476)	$ 10,687,743
Total	$ 11,038,709	$ 703,821	$ (512,311)	$ (542,476)	$ 10,687,743

Split Interest Agreements

	Beginning	Investment Income	Realized Gains	Change in Unrealized Gains	Gifts and Retirements	Ending
Outside Trusts	$ 27,812,652	$ -	$ -	$ 281,185	$ 666,740	$ 28,760,577
Perpetual Trusts	11,647,723	-	-	170,180	-	11,817,903
Total	$ 39,460,375	$ -	$ -	$ 451,365	$ 666,740	$ 40,578,480

Other

	Beginning	Investment Income	Realized Losses	Change in Unrealized Gains	Net Transfers	Ending
Common and Preferred Stocks	$ 4,538,674	$ -	$ -	$ 553,620	$ (73,663)	$ 5,018,631
Private Fixed Income Funds	1,347,565	-	(1,835,012)	-	1,828,298	1,340,851
Real Assets - Art	680,000	-	(13,200)	-	(6,800)	660,000
Total	$ 6,566,239	$ -	$ (1,848,212)	$ 553,620	$ 1,747,835	$ 7,019,482

For the Year Ending June 30, 2009

Investment Pool

	Beginning	Investment Income	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Net Transfers	Ending
Real Estate Partnerships	$ 112,755,328	$ 1,170,296	$ 1,407,532	$ (41,014,047)	$ 10,252,355	$ 84,571,464
Private Equity Partnerships	273,042,556	689,852	(1,591,661)	(58,699,374)	15,625,486	229,066,859
Private Fixed Income Funds	8,917,704	-	60,815	772,373	49,689,185	59,440,077
Real Asset Partnerships	57,681,011	1,230,204	(11,004,446)	(8,352,287)	(19,466,120)	20,088,362
Equity Hedge Funds	395,133,348	-	(3,734,055)	(77,023,584)	(30,005,565)	284,370,144
Absolute Return Hedge Funds	182,717,798	-	2,618,422	(8,061,709)	12,132,161	189,406,672
Real Asset Hedge Funds	50,347,577	-	1,518,630	(16,526,805)	(1,518,630)	33,820,772
Total	$ 1,080,595,322	$ 3,090,352	$ (10,724,763)	$ (208,905,433)	$ 36,708,872	$ 900,764,350

Faculty Mortgages

	Beginning	New Mortgages	Paid Mortgages	Annual Payroll Deductions	Ending
Faculty Mortgages	$ 10,743,148	$ 1,585,059	$ (658,531)	$ (630,967)	$ 11,038,709
Total	$ 10,743,148	$ 1,585,059	$ (658,531)	$ (630,967)	$ 11,038,709

Split Interest Agreements

	Beginning	Investment Income	Realized Gains	Change in Unrealized Losses	Gifts and Retirements	Ending
Outside Trusts	$ 30,037,103	$ -	$ -	$ (1,550,232)	$ (674,219)	$ 27,812,652
Perpetual Trusts	14,791,739	-	-	(3,144,016)	-	11,647,723
Total	$ 44,828,842	$ -	$ -	$ (4,694,248)	$ (674,219)	$ 39,460,375

Other

	Beginning	Investment Income	Realized Losses	Change in Unrealized Gains	Net Transfers	Ending
Common and Preferred Stocks	$ 4,324,175	$ -	$ (78,676)	$ 293,175	$ -	$ 4,538,674
Private Fixed Income Funds	1,699,801	-	(354,992)	-	2,756	1,347,565
Real Assets - Art	38,500	-	(4,200)	-	645,700	680,000
Total	$ 6,062,476	$ -	$ (437,868)	$ 293,175	$ 648,456	$ 6,566,239

Additional Fair Value Disclosures

The College uses Net Asset Value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value (e.g. private equity partnerships) and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Following are additional disclosures related to such investments:

Investment Pool	Strategy	NAV	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Timing to Draw Commitments	Redemption Terms	Redemption Restrictions in Place at Year End
Separate Accounts Fixed Income Securities	Specific Securities (e.g. bank notes)	$ 9,732,581	N/A	N/A	N/A	N/A	N/A	N/A
Real Estate Partnerships	Real Estate Investments	86,103,856	23	1 to 10 Years	$ 43,375,703	1 to 7 years	N/A	N/A
Private Equity Partnerships	Buyout and Venture Capital	263,635,402	100	1 to 10 Years	153,189,398	1 to 10 years	N/A	N/A
Private Fixed Income Funds	Private Investments in funds and hedge funds	74,255,381	9	1 to 10 Years	14,000,000	1 to 4 years	N/A	N/A
Real Asset Partnerships	Primarily Oil and Gas Partnerships	25,934,445	6	1 to 10 Years	18,607,816	1 to 10 years	N/A	N/A
Equity Hedge Funds	Equity Long/Short Hedge Funds	315,661,669	10	N/A	122,192	Life of investment	Ranges from semi-annually with 45 days notice to every 5 years with 30 days notice (have ability to redeem earlier but penalties may apply).	N/A
Absolute Return Hedge Funds	Fundamental Multi Strategy/Event Driven/Global Opportunities Funds	103,250,116	5	N/A	-	N/A	Ranges from quarterly redemption with 30 days notice to annual redemption with 180 days notice.	N/A
Real Asset Hedge Funds	Funds exposed to Commodities, TIPS and Energy Stocks	39,319,437	2	N/A	-	N/A	Quarterly with 90-days notice after December 31, 2010 with no more than 1/3 of assets redeemed in any 12 month period.	N/A
Total Investment Pool		$ 917,892,887	155		$ 229,295,109			
Faculty Mortgages	Mortgages on faculty and staff homes	$ 10,687,743	212	1 to 25 years	N/A	N/A	N/A	N/A
Other Assets								
Common and Preferred Stocks	Equity Securities	$ 5,018,631	42	N/A	N/A	N/A	N/A	N/A
Private Fixed Income Funds	Private Fixed Income Funds	1,340,851	3	N/A	N/A	N/A	N/A	N/A
Real Assets - Art	Art held for sale	660,000	1	N/A	N/A	N/A	N/A	N/A
Total Other		$ 7,019,482	46					
Total		$ 935,600,112	413					

*N/A: These investments are generally held to maturity and/or typically not redeemable.

The College is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels. The timing and amounts of the contributions are determined by the general partners. As of June 30, 2010, the College has unfunded commitments of approximately $229,000,000.

The College holds mortgages on residences of eligible faculty and staff members that amounted to $10,687,744 and $11,038,709 as of June 30, 2010 and 2009, respectively. The average interest rate on the mortgages as of June 30, 2010 was 4.38%.

Realized net gains (losses) were $31,148,931 and ($37,743,520) for the years ended June 30, 2010 and 2009, respectively. Unrealized gains (losses) for the years ended June 30, 2010 and 2009 were $128,129,412 and ($306,580,494), respectively. Investment income, other than reinvested amounts, was $7,296,436 and $9,704,959 for the years ended June 30, 2010 and 2009, respectively. Of this amount, $2,468,292 and $2,607,972, respectively, was investment income on split interest agreements. Reinvested income was $6,916,818 and $6,550,543, for the years ended June 30, 2010 and 2009, respectively. Investment income on split interest agreements and reinvested income is reflected as part of realized and unrealized gains (losses) on investments, investment income on split interest agreements, and reinvested income in the non-operating section of the statement of activities.

All investment management fees paid by the College are netted against investment gains reducing reported non-operating 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 the investment activity, including the effect of derivative financial instruments, in the aggregate.

For the years ended June 30, 2010 and June 30, 2009, the aggregate net realized gains on derivative transactions for direct investment accounts of the College were $28,472 and $236,599, respectively.

Under the "total return" approach, the College spent accumulated gains of $51,944,136 and $69,588,314 for the years ended June 30, 2010 and 2009, respectively. Total return in excess of the spending rate is reported as non-operating revenue or loss.

6. Land, Buildings and Equipment

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

	2010	2009
Land and land improvements	$ 43,684,365	$ 43,470,195
Buildings	455,211,586	451,458,773
Equipment	55,200,066	61,755,113
Art collections	35,256,026	34,711,391
	589,352,043	591,395,472
Less accumulated depreciation	(228,574,780)	(217,857,481)
	360,777,263	373,537,991
Construction in progress	10,145,814	10,272,200
	$ 370,923,077	$ 383,810,191

Approximately $100,000 and $43,487,000 was transferred from construction in progress to land, buildings and equipment in 2010 and 2009, respectively.

Depreciation expense was $19,452,337 and $19,468,218 for the years ended June 30, 2010 and 2009, respectively. During fiscal year 2010, the College disposed of certain assets with an original cost of $9,061,362 and accumulated depreciation of $8,735,038.

Interest costs of $292,818 and $332,192 were capitalized in 2010 and 2009, respectively.

Included in land and land improvements are costs incurred of approximately $1,814,940 at June 30, 2010 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.

7. Retirement Benefits

The College’s expense under defined contribution retirement plans amounted to approximately $6,712,000 and $6,645,000 for 2010 and 2009, respectively.

In the Spring of 2010, the College offered an optional retirement incentive program to employees who met certain age and length of service requirements. Approximately 50 employees elected to retire under this program. The expected costs associated with this program of approximately $4,800,000 are reflected as a non-operating expense and a liability at June 30, 2010.

8. Postretirement Benefits Other than Pensions

The College accounts for the funded status of its other postretirement plan and recognizes its benefit liability for the plan with an offsetting adjustment to unrestricted net assets.

Change in accumulated postretirement benefit obligation	**2010**	**2009**
Postretirement benefit obligation at beginning of year		
Actives not fully eligible to retire	$ 7,749,039	$ 6,598,159
Actives fully eligible to retire	4,738,002	3,623,903
Retirees	5,379,139	5,548,732
	$ 17,866,180	$ 15,770,794
Service cost	496,598	535,157
Interest cost	890,734	1,038,508
Plan participants' contributions	73,866	77,535
Actuarial loss (gain)	(405,927)	1,853,413
Benefits paid	(719,462)	(739,227)
Postretirement benefit obligation at end of year		
Actives not fully eligible to retire	$ 7,512,847	$ 7,749,039
Actives fully eligible to retire	3,042,258	4,738,002
Retirees	7,646,884	5,379,139
	$ 18,201,989	$ 17,866,180
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution, net of retiree contributions	645,596	661,692
Plan participants' contributions	73,866	77,535
Benefits paid	(719,462)	(739,227)
Fair value of plan assets at end of year	$ -	$ -
Reconciliation of funded status		
Funded status - postretirement benefit liability	$ 18,201,989	$ 17,866,180

The components of the liability include:

Current liability	$ 1,115,424	$ 957,403
Noncurrent liability	17,086,565	16,908,777
Total liability	$ 18,201,989	$ 17,866,180

Components of the net periodic postretirement benefit cost	**2010**	**2009**
Service cost	$ 496,598	$ 535,157
Interest cost	890,734	1,038,508
Amortization of prior service cost	392,396	392,396
Amortization of actuarial (gain) loss	(12,580)	25,787
	$ 1,767,148	$ 1,991,848

Amounts unrecognized and amortization amounts in following year		
Amounts unrecognized in net periodic postretirement cost benefit		
Prior service cost	$ 3,435,780	$ 3,828,176
Net actuarial loss	2,411,008	2,804,355
	$ 5,846,788	$ 6,632,531
Amortization amounts in following year		
Prior service cost	$ 392,396	$ 392,396
Net actuarial loss	54,660	21,112
	$ 447,056	$ 413,508

Assumptions and effects	**2010**	**2009**
Actuarial assumptions		
Medical/drug trend rate next year	9.0%/5.0%	8.5%/5.0%
Ultimate trend rate	5.0%/5.0%	5.0%/5.0%
Year ultimate trend rate is achieved	2016	2016
Discount rate used to value end of year accumulated postretirement benefit obligations	5.22%	6.78%
Discount rate used to value net periodic postretirement benefit cost	6.21%	6.78%
Effect of a 1% increase in health care cost trend rate on		
Interest cost plus service cost	$ 73,609	$ 90,199
Accumulated postretirement benefit obligation	$ 504,122	$ 596,937
Effect of a 1% decrease in health care cost trend rate on		
Interest cost plus service cost	$ (63,812)	$ (77,929)
Accumulated postretirement benefit obligation	$ (446,110)	$ (527,040)
Measurement date	6/30/10	6/30/09

Expected Future Benefit Payments

Fiscal Year	
2011	$ 960,000
2012	1,026,000
2013	1,056,000
2014	1,038,000
2015 through 2019	5,829,000

9. Bonds Payable

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

	2010	**2009**
Massachusetts Health and Educational Facilities Authority Bonds (Williams College)		
Series E, variable rate, due through 2014	$ 8,700,000	$ 10,400,000
Series H, 2.00% to 5.00%, due through 2033	37,128,149	37,201,475
Series I, variable rate, due through 2033	27,076,000	27,076,000
Series J, variable rate, due through 2026	32,307,000	32,307,000
Series K, 3.50% to 5.00%, due through 2033	37,712,159	37,735,551
Series L, 4.00% to 5.00%, due through 2036	75,909,211	76,088,426
Series M, 1-year put at .45% through April 10, 2011, variable thereafter, due through 2037	36,000,000	36,000,000
Total net bonds payable	$ 254,832,519	$ 256,808,452

The Series E bonds are variable rate demand revenue bonds issued on May 18, 2003. The annualized interest rate ranged from .10% to .32% during fiscal year 2010 with an average rate of .21% 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 over the repayment period of the bonds.

The Series H bonds are fixed rate revenue bonds issued on April 2, 2003, in the principal amount of $42,850,000 and a premium of $2,199,757. Subject to 30 days notice, the bonds may be called by the College on July 13, 2013 at 100% par. Annual principal payments are currently $1,475,000 and increase to $2,030,000 over the repayment period of the bonds.

The Series I bonds are variable rate demand revenue bonds issued on April 2, 2003. The annualized interest rate ranged from .05% to .35% during fiscal year 2010 with an average rate of .19% 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 $787,000 and increase to $1,552,000 over the repayment period of the bonds.

The Series J bonds are variable rate demand revenue bonds issued on April 3, 2006. The annualized interest rate ranged from .03% to .32% with an average rate of .18% 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 $170,000 and increase to $3,185,000 over the repayment period of the bonds.

The Series K bonds are fixed rate revenue bonds issued on April 3, 2006, in the principal amount of $39,700,000 and a premium of $631,573. 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 $900,000 and increase to $2,480,000 over the repayment period of the bonds.

The Series L bonds are fixed rate revenue bonds issued on January 4, 2007, in the principal amount 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.

On April 7, 2010, the Series M variable rate demand revenue bonds, issued on January 4, 2007 in a weekly auction rate mode with an original principal value of 36,000,000, were reisssued with a one year put at an annualized interest rate of .45%. 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 non callable in the first 5 years.

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, 2010 was approximately $253,300,000.

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

Bond issuance costs of $1,403,368 are amortized to other expense over the life of the respective bonds. Bond premiums of $6,949,519 at June 30, 2010, are amortized to other income over the life of the respective bonds. Aggregate debt principal payment requirements for the years 2011 through 2015 and thereafter would approximate $41,032,000, $5,221,000, $6,680,000, $6,880,000 and $7,471,000 and $215,624,000, respectively. The 2011 debt principal payment includes $36,000,000 original principal value of the Series M variable rate demand revenue bonds which the College expects to remarket in April 2011.

The Series E, I, and J bonds are subject to tender by bondholders. To the extent that tendered bonds cannot be remarketed, the College is required to repurchase the bonds.

The aggregate debt principal payment requirements above reflect the repayment of such bonds according to their scheduled maturity dates. If these bonds were fully tendered as of June 30, 2010, the debt principal payment requirements for the years 2011 through 2015 and thereafter would approximate $106,458,000, $2,485,000, $3,915,000, $4,080,000 and $4,640,000 and $126,305,000, respectively.

Interest expense for the years ended June 30, 2010 and 2009 was $7,214,494 and $8,160,372, respectively.

Forward Interest Rate Swap
In 2005, the College entered into a forward interest rate swap agreement related to the anticipated remarketing of the Series F Bonds. 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's objective for entering into the interest rate swap has been to reduce interest rate volatility on the outstanding debt. The College has historically not been a party to any other derivative instruments.

The following summarizes the terms of the agreement as of June 30, 2010:

	Morgan Stanley Capital Services, Inc.
Trade/effective date	January 19, 2005
Initial notional amount	$ 33,234,000
Termination date	July 1, 2026
Rate paid by University	3.457 %
Rate paid by Counterparty	68% of LIBOR
Fair Value Liability (included within accounts payable and accrued expenses in the statements of financial position)	
June 30, 2010	$ 4,052,461
June 30, 2009	$ 2,628,328

The impact of the change in fair value of the swap for the years ended June 30, 2010 and 2009 was ($1,424,133) and ($1,843,026), respectively, and has been reflected as part of loss on financial contracts in the statement of activities.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The interest rate swap arrangement has inputs which can generally be corroborated by market data and is therefore classified within Level II.

10. Lines of Credit

At June 30, 2010, the College maintained five lines of credit which total $173,100,000. Two lines totaling $104,100,000 are dedicated to supporting the College’s variable rate debt. These lines of credit bear interest at the bank’s prime rate. Additionally, the College pays a commitment fee equal to 30-45 basis points per year for any unused borrowing capacity. In addition there are three working capital lines totaling $69,000,000. Of this amount, $49,000,000 bears interest at the bank’s prime rate or at a LIBOR rate plus 50-80 basis points while the remaining $20,000,000 bears interest at a minimum of 2%. There were no amounts drawn on the lines of credit at June 30, 2010 or 2009.

11. Endowments

The College's endowment consists of donor restricted endowment funds and board-designated endowment funds for a variety of purposes. Split interest agreements that have been designated for endowment are not considered as part of the endowment until funds are received. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Trustees has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act statute as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The College considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the College and the donor restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the College

(7) The investment policies of the College

The College had the following endowment activities during the years ended June 30, 2010 and 2009, delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30 (in thousands):

	2010			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 864,059,409	$ 423,654,411	$ 1,287,713,820
Adjustment for funds underwater	(11,596,783)	11,596,783	-	-
Board-designated endowment funds	168,961,209	-	-	168,961,209
Total endowment funds	$ 157,364,426	$ 875,656,192	$ 423,654,411	$ 1,456,675,029

	2009			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 772,281,331	$ 417,563,792	$ 1,189,845,123
Adjustment for funds underwater	(18,633,477)	18,633,477	-	-
Board-designated endowment funds	166,538,414	-	-	166,538,414
Total endowment funds	$ 147,904,937	$ 790,914,808	$ 417,563,792	$ 1,356,383,537

Changes in endowment net assets for the years ended June 30 (in thousands):

	2010			
	Board Designated	**Donor Designated**		
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Net endowment assets, June 30, 2009	$ 147,904,937	$ 790,914,808	$ 417,563,792	$ 1,356,383,537
Gifts and transfers				
Gifts received & pledge activity	-	294,772	7,368,127	7,662,899
Transfers and gifts further designated	(10,667,389)	2,609,397	(1,883,648)	(9,941,640)
Investment return				
Net gains (losses)	19,236,515	134,271,568	-	153,508,083
Accumulated gains spent for operations	(6,148,490)	(45,795,626)	-	(51,944,116)
Income earned returned to principal	2,159	397,967	606,140	1,006,266
Underwater endowment				
Current year appropriation/recovery to cover permanent endowments where fair value is less than historical cost	7,036,694	(7,036,694)	-	-
Net endowment assets, June 30, 2010	$ 157,364,426	$ 875,656,192	$ 423,654,411	$ 1,456,675,029

	2009			
	Board Designated	**Donor Designated**		
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Net endowment assets, June 30, 2008	$ 225,970,665	$ 1,118,778,677	$ 396,419,245	$ 1,741,168,587
Gifts and transfers				
Gifts received	-	755,943	13,966,447	14,722,390
Transfers and gifts further designated	(6,351,085)	(4,386,791)	6,431,725	(4,306,151)
Investment return				
Net gains (losses)	(44,529,869)	(282,361,621)	-	(326,891,490)
Accumulated gains spent for operations	(9,312,199)	(60,276,115)	-	(69,588,314)
Income earned returned to principal	12,181	519,959	746,375	1,278,515
Underwater endowment				
Current year appropriation of funds to cover permanent endowments where fair value is less than historical cost	(17,884,756)	17,884,756	-	-
Net endowment assets, June 30, 2009	$ 147,904,937	$ 790,914,808	$ 417,563,792	$ 1,356,383,537

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reduced unrestricted net assets by $11,596,783 and $18,633,477 as of June 30, 2010 and 2009, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

Return Objectives and Risk Parameters
The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The College expects its endowment funds over time, to provide an average rate of return of approximately 8.0 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The College targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
Spending from the endowment to support operations, referred to as "asset use" at Williams, is expected to be at most 4.5-5.0% of the beginning-of-year total financial assets over the long run. This policy is based on the expectation that the endowment will grow by 8% annually and operating expenditures will increase by 4-5% each year. Using one-half of the annual growth to support operations allows for reinvestment of the other half to sustain the permanent nature of the endowment.

The Trustees' Budget and Financial Planning Committee approves the asset use rate each year. The asset use rate the last two fiscal years has been 4.5% and is budgeted at 5.1% for 2010-11.

12. Temporarily Restricted and Permanently Restricted Net Assets

Following is the composition of the College's temporarily restricted and permanently restricted net assets at June 30, 2010 and 2009:

	2010	2009
Temporarily restricted net assets		
Gifts for restricted purposes	$ 97,014,924	$ 93,045,136
Contributions to be paid in the future	13,007,632	17,780,330
Split-interest agreements, including outside managed trusts	29,464,221	23,679,899
Underwater funds	11,596,783	18,633,477
Endowment funds - unspent appreciation	837,334,823	747,314,720
	988,418,383	900,453,562
Permanently restricted net assets		
Student loan funds	474,735	475,361
Split-interest agreements and perpetual trusts, including outside managed trusts	48,770,505	46,078,952
Contributions to be paid in the future	27,048,428	35,822,979
Endowment funds - original principal	396,605,983	381,740,813
	$ 472,899,651	$ 464,118,105

13. Commitments and Contingencies

At June 30, 2010, the College has outstanding construction and purchase contracts totaling approximately $1,016,000. Completion of these projects is estimated to extend through December 2011.

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, 2010.

2011	$ 356,000
2012	231,000
2013	208,000
2014	206,000
2015	206,000
Thereafter	344,000
	$ 1,551,000

Total rental expense on operating leases was approximately $347,000 and $224,000 in 2010 and 2009, respectively.

14. Subsequent Events

The College has performed an evaluation of subsequent events through October 18, 2010, which is the date the financial statements were issued.