# Williams College
## Financial Statements
## June 30, 2011 and 2010

# Williams College
## Index
## June 30, 2011 and 2010

pwc

**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, 2011 and 2010, 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 24, 2011

*PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103*
*T: (860) 241 7000, F: (860) 241 7590,* www.pwc.com/us

# Williams College
## Statements of Financial Position
## June 30, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| **Assets** | | |
| Cash | $ 14,747,026 | $ 8,537,619 |
| Accounts receivable, net of allowance of $136,735 ($116,936 in 2010) | 755,384 | 647,200 |
| Contributions receivable, net of allowance of $2,542,226 in 2011 ($4,860,228 in 2010) (Note 3) | 61,523,003 | 68,816,638 |
| Notes receivable - student loans, net of allowance of $165,836 in 2011 ($171,307 in 2010) (Note 4) | 4,087,585 | 4,615,668 |
| Notes receivable - other | 2,325,000 | 2,763,000 |
| On deposit with bond trustee | 44,001,361 | - |
| Other assets | 6,325,216 | 5,811,076 |
| Real property held for sale (Note 5) | 17,568,144 | 23,638,143 |
| Investments (Note 6) | 1,860,653,352 | 1,596,664,590 |
| Land, buildings and equipment, net (Note 7) | 362,041,889 | 370,923,077 |
| Total assets | $ 2,374,027,960 | $ 2,082,417,011 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 13,240,230 | $ 13,131,956 |
| Accrued salaries and benefits (Notes 8 and 9) | 26,182,577 | 28,078,872 |
| Deferred revenue and deposits | 3,643,795 | 3,367,043 |
| U. S. Government advances for student loans | 3,417,776 | 3,445,593 |
| Present value of beneficiary payments | 52,182,894 | 49,780,445 |
| Bonds payable (Note 11) | 300,301,843 | 254,832,519 |
| Total liabilities | 398,969,115 | 352,636,428 |
| **Net Assets** | | |
| Unrestricted, 2010 as revised (Note 2) | 323,426,872 | 308,869,887 |
| Temporarily restricted, 2010 as revised (Note 2) | 1,146,489,478 | 948,011,045 |
| Permanently restricted | 505,142,495 | 472,899,651 |
| Total net assets | 1,975,058,845 | 1,729,780,583 |
| Total liabilities and net assets | $ 2,374,027,960 | $ 2,082,417,011 |

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

# Williams College
## Statement of Activities
## Year Ended June 30, 2011 (With Summarized Financial Information For the Year Ended June 30, 2010)

| | 2011 Unrestricted | 2011 Temporarily Restricted | 2011 Permanently Restricted | 2011 Total | 2010 Total |
|---|---|---|---|---|---|
| **Operating revenue, gains and other** | | | | | |
| Student revenues | | | | | |
| Tuition and fees | $ 86,029,502 | $ - | $ - | $ 86,029,502 | $ 82,680,026 |
| Room and board | 19,509,648 | | | 19,509,648 | 19,202,753 |
| Less: Financial aid | (42,879,075) | | | (42,879,075) | (40,273,890) |
| Net student revenues | 62,660,075 | - | - | 62,660,075 | 61,608,889 |
| Auxiliary enterprises - other | 4,945,231 | - | - | 4,945,231 | 5,735,714 |
| Special purpose grants expended | 2,116,921 | - | - | 2,116,921 | 2,266,976 |
| Gifts and grants, net | 16,430,881 | 2,788,502 | - | 19,219,383 | 17,972,757 |
| Investment income | 639,337 | 11,590 | - | 650,927 | 4,828,144 |
| Realized gains utilized | 7,004,188 | 52,164,726 | - | 59,168,914 | 51,944,136 |
| Other | 1,189,032 | - | - | 1,189,032 | 2,527,014 |
| Net assets released from restrictions | 60,256,068 | (60,256,068) | - | - | - |
| Total operating revenue, gains, and other | 155,241,733 | (5,291,250) | - | 149,950,483 | 146,883,630 |
| **Operating expenses and other** | | | | | |
| Instructional and research | 77,430,950 | - | - | 77,430,950 | 76,349,775 |
| Academic support | 14,031,047 | - | - | 14,031,047 | 14,312,226 |
| Student services | 20,549,012 | - | - | 20,549,012 | 20,487,840 |
| Institutional support | 27,100,099 | - | - | 27,100,099 | 27,745,369 |
| Auxiliary enterprises | 29,301,630 | - | - | 29,301,630 | 28,507,674 |
| Other | 108,390 | - | - | 108,390 | 314,869 |
| Total operating expenses and other | 168,521,128 | - | - | 168,521,128 | 167,717,753 |
| Change in net assets from operating activities | (13,279,395) | (5,291,250) | - | (18,570,645) | (20,834,123) |
| **Nonoperating activities** | | | | | |
| Realized and change in unrealized gains on investments, and investment income | 36,465,993 | 260,840,166 | 8,327,171 | 305,633,330 | 160,876,603 |
| Investment income on split interest agreements | - | 1,407,542 | 710,261 | 2,117,803 | 2,468,292 |
| Realized gains utilized for current operations | (7,004,188) | (52,164,726) | | (59,168,914) | (51,944,136) |
| Actuarial changes and payments of annuities | - | (2,698,017) | (1,835,137) | (4,533,154) | (1,063,181) |
| Life income and endowment gifts, net | - | 5,864,377 | 23,512,126 | 29,376,503 | 9,767,681 |
| Fund retirements and gifts further designated and income to principal | (2,347,553) | (458,964) | 2,806,517 | - | - |
| Gain (loss) on disposition of fixed assets and change in valuation of real estate held for sale, net | (9,071,117) | - | - | (9,071,117) | 422,600 |
| Gain (loss) on financial contracts, net | (505,544) | - | - | (505,544) | (2,469,079) |
| Transfers between net asset categories | 1,346,108 | (68,014) | (1,278,094) | - | - |
| Nonrecurring expenses associated with retirement incentive | - | - | - | - | (4,788,261) |
| Adjustment for endowment funds with market value below book value | 8,952,681 | (8,952,681) | - | - | - |
| Change in net assets from nonoperating activities | 27,836,380 | 203,769,683 | 32,242,844 | 263,848,907 | 113,270,519 |
| Total change in net assets | 14,556,985 | 198,478,433 | 32,242,844 | 245,278,262 | 92,436,396 |
| Beginning net assets, as revised (Note 2) | 308,869,887 | 948,011,045 | 472,899,651 | 1,729,780,583 | 1,637,344,187 |
| Ending net assets | $ 323,426,872 | $ 1,146,489,478 | $ 505,142,495 | $ 1,975,058,845 | $ 1,729,780,583 |

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

# Williams College
## Statement of Activities
## Year Ended June 30, 2010

| | 2010 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Operating revenue, gains and other** | | | | |
| Student revenues | | | | |
| Tuition and fees | $ 82,680,026 | $ - | $ - | $ 82,680,026 |
| Room and board | 19,202,753 | - | - | 19,202,753 |
| Less: Financial aid | (40,273,890) | - | - | (40,273,890) |
| Net student revenues | 61,608,889 | - | - | 61,608,889 |
| Auxiliary enterprises - other | 5,735,714 | - | - | 5,735,714 |
| Special purpose grants expended | 2,266,976 | - | - | 2,266,976 |
| Gifts and grants, net | 15,770,320 | 2,202,437 | - | 17,972,757 |
| Investment income | 3,916,244 | 911,900 | - | 4,828,144 |
| Realized gains utilized | 6,589,914 | 45,354,222 | - | 51,944,136 |
| Other | 2,527,014 | - | - | 2,527,014 |
| 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 |
| **Operating expenses and other** | | | | |
| Instructional and research | 76,349,775 | - | - | 76,349,775 |
| Academic support | 14,312,226 | - | - | 14,312,226 |
| Student services | 20,487,840 | - | - | 20,487,840 |
| Institutional support | 27,745,369 | - | - | 27,745,369 |
| Auxiliary enterprises | 28,507,674 | - | - | 28,507,674 |
| Other | 314,869 | - | - | 314,869 |
| Total operating expenses and other | 167,717,753 | - | - | 167,717,753 |
| Change in net assets from operating activities | (16,485,551) | (4,348,572) | - | (20,834,123) |
| **Nonoperating activities** | | | | |
| Realized and change in unrealized gains on investments, and investment income | 17,746,024 | 139,035,420 | 4,095,159 | 160,876,603 |
| Investment income on split interest agreements | - | 1,566,733 | 901,559 | 2,468,292 |
| Realized gains utilized for current operations | (6,589,914) | (45,354,222) | - | (51,944,136) |
| Actuarial changes and payments of annuities | - | 184,233 | (1,247,414) | (1,063,181) |
| Life income and endowment gifts, net | - | 1,646,711 | 8,120,970 | 9,767,681 |
| Fund retirements and gifts further designated and income to principal | 817,516 | 910,197 | (1,727,713) | - |
| Gain (loss) on disposition of fixed assets | - | - | - | - |
| and change in valuation of real estate held for resale, net | 422,600 | - | - | 422,600 |
| Gain (loss) on financial contracts, net | (2,469,079) | - | - | (2,469,079) |
| Transfers between net asset categories | - | 1,361,015 | (1,361,015) | - |
| Nonrecurring expenses associated with retirement incentive | (4,788,261) | - | - | (4,788,261) |
| Adjustment for endowment funds with market value below book value | 7,036,694 | (7,036,694) | - | - |
| Change in net assets from nonoperating activities | 12,175,580 | 92,313,393 | 8,781,546 | 113,270,519 |
| Total change in net assets | (4,309,971) | 87,964,821 | 8,781,546 | 92,436,396 |
| Beginning net assets, as revised (Note 2) | 313,179,858 | 860,046,224 | 464,118,105 | 1,637,344,187 |
| Ending net assets, as revised (Note 2) | $ 308,869,887 | $ 948,011,045 | $ 472,899,651 | $ 1,729,780,583 |

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

# Williams College
## Statements of Cash Flows
## Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Total change in net assets | $ 245,278,262 | $ 92,436,396 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation, amortization and accretion | 18,750,078 | 19,307,883 |
| Provision for doubtful accounts receivable and student loans | 14,328 | 38,019 |
| Net change in realized and unrealized (gains) losses on investments and income | (305,633,330) | (160,876,604) |
| Loss on Real Property Held for Sale | 7,800,000 | 700,000 |
| Loss on disposal of plant assets | 1,271,117 | 326,324 |
| Receipt of contributed securities | (18,867,473) | (9,011,333) |
| Gifts restricted for long-term investment | (12,786,128) | (9,738,411) |
| Gifts in kind | (568,610) | (525,885) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (127,983) | 335,467 |
| Contributions receivable | 7,293,635 | 11,835,659 |
| Other assets | (1,806,135) | (4,867,298) |
| Accounts payable and accrued liabilities | 362,191 | 1,751,114 |
| Present value of beneficiary payments | 6,694,043 | 2,049,144 |
| Accrued salaries and benefits | (1,896,295) | 5,218,091 |
| Deferred revenue and deposits | 276,752 | (82,716) |
| Net cash used in operating activities | (53,945,548) | (51,104,150) |
| **Cash flow from investing activities** | | |
| Proceeds from sale of investments | 685,172,852 | 811,186,270 |
| Purchase of investments | (624,660,808) | (754,799,570) |
| Additions to land, buildings and equipment | (11,101,255) | (7,188,729) |
| Funds on deposit with bond trustee | (44,001,361) | - |
| Additional student loans granted | (267,527) | (491,431) |
| Student loans repaid | 801,081 | 809,377 |
| Net cash provided by investing activities | 5,942,982 | 49,515,917 |
| **Cash flow from financing activities** | | |
| Gifts restricted for endowments | 12,786,128 | 9,738,411 |
| Payments to beneficiaries | (4,291,594) | (4,448,908) |
| Deposits with bond trustee | - | (36,000,000) |
| Issuance of new debt | 92,077,256 | 36,000,000 |
| Repayment of debt | (46,332,000) | (1,700,000) |
| U.S. Government advances for student loans | (27,817) | (77,281) |
| Net cash provided by financing activities | 54,211,973 | 3,512,222 |
| Net increase in cash | 6,209,407 | 1,923,989 |
| Cash at beginning of the year | 8,537,619 | 6,613,630 |
| Cash at end of the year | $ 14,747,026 | $ 8,537,619 |
| **Supplemental disclosures** | | |
| Cash paid during the year for interest | $ 7,617,404 | $ 7,214,494 |
| Noncash transactions | | |
| Exchange of land for notes receivable | - | 370,000 |
| Amounts included in accounts payable related to construction in progress | 617,796 | 231,823 |
| Receipt of contributed securities | 18,867,473 | 9,011,933 |

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***

The College considers permanently restricted net assets to be net assets which are 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***

The College considers temporarily restricted net assets to be net assets which are 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 changes in 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***

The College considers unrestricted net assets to be net assets which 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 reclassifications between the applicable classes of net assets.

### Cash

Cash included in the College's investment pool is reported as part of investments. Cash 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 returns 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.

Nonoperating activities include transactions of a capital nature including realized and changes in 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 measured at fair value using 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 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 income of $(610,555) and a provision of $1,216,000 for the years ended June 30, 2011 and 2010, 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.

**Real Property Held for Sale**
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 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 determined by the general partner |
| Real estate and faculty and staff mortgages | Estimated fair value determined by the real estate partnership or appraisals, if available, otherwise at cost, which approximates fair value. |

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 statements of financial position and statements of activities.

The College measures its investments at fair value in accordance with GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date.

Cash and cash equivalents are valued at cost, which approximates fair value.

Stocks, bonds, mutual funds, and other publicly traded securities are generally valued based on the closing price listed on public securities pricing services.

Investments in privately held partnerships, including alternative investments, such as private equity, real estate and hedge fund limited partnerships are valued at fair value based on the NAV reported by the managers as described under Basis of Reporting – Alternative Investments, below.

**Basis of Reporting – Alternative Investments**
Marketable alternative investments include investments in absolute return strategies, distressed debt and hedge funds. Private equity, real estate, real asset and marketable alternative investments generally consist of funds and limited partnerships managed by external managers. These external investment vehicles often do not have quoted market prices. In the absence of quoted market prices, the fair value is determined by the external managers. Most of these external managers calculate the College's capital account or net asset value (NAV) in accordance with, or in a manner consistent with, US GAAP. As a practical expedient, the College is permitted under US GAAP to estimate the fair value of its investments managed by these external managers using the reported NAV provided by the external managers. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly from the values that would have been realized had a readily available market for these investments existed, and these differences could be material.

The College has performed due diligence around its private equity and marketable alternative investments to ensure they are recorded at fair value as of June 30, 2011 and 2010.

Furthermore, while the College believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different estimate of fair value at the reporting date.

**Valuation**
The College carries its investments at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement data.

**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 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.

| | 2011 | 2010 |
|---|---|---|
| **Change in asset retirement obligation** | | |
| Asset retirement obligation at beginning of year | $ 4,247,446 | $ 4,169,967 |
| Settlement of obligation | (113,381) | (54,000) |
| Additional obligations | - | - |
| Accretion expense | 132,058 | 131,479 |
| Asset retirement obligation at end of year | $ 4,266,123 | $ 4,247,446 |

### 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 in present value of beneficiary payments on the statements 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 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 nonoperating gains or losses in temporarily and 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 may 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.

**Income Taxes/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 have been made to 2010 amounts to conform to the 2011 presentation.

## 2. Revision to the Financial Statements

In 2011 the College determined that a correction to prior period financial statements was required. This correction was necessary because a detailed analysis of the components of temporarily and unrestricted net assets showed that certain funds were misclassified in prior periods. Total net assets were not impacted and the College believes the impact is not material and accordingly has reflected the correction as a revision. Certain net asset classifications were impacted as detailed in the table below. At June 30, 2009, temporarily restricted net assets were overstated by $40,407,338 and unrestricted net assets were understated by the same amount.

| | As Previously Reported | As Revised |
|---|---|---|
| **June 30, 2009** | | |
| Unrestricted net assets, June 30, 2009 | $ 272,772,520 | $ 313,179,858 |
| Temporarily restricted net assets, June 30, 2009 | 900,453,562 | 860,046,224 |
| Permanently restricted net assets, June 30, 2009 | 464,118,105 | 464,118,105 |
| Total net assets, June 30, 2009 | $ 1,637,344,187 | $ 1,637,344,187 |
| **June 30, 2010** | | |
| Unrestricted net assets, June 30, 2010 | $ 268,462,549 | $ 308,869,887 |
| Temporarily restricted net assets, June 30, 2010 | 988,418,383 | 948,011,045 |
| Permanently restricted net assets, June 30, 2010 | 472,899,651 | 472,899,651 |
| Total net assets, June 30, 2010 | $ 1,729,780,583 | $ 1,729,780,583 |

## 3. Contributions Receivable

Contributions receivable are as follows at June 30:

| | 2011 | 2010 |
|---|---|---|
| **Expected collection period** | | |
| Less than one year | $ 19,524,142 | $ 22,162,941 |
| One year to five years | 16,793,701 | 28,099,542 |
| Over five years | 383,932 | 767,544 |
| Less: Discount to present value | (4,376,975) | (6,113,738) |
| Allowance for uncollectible contributions | (2,542,226) | (4,860,228) |
| Net contributions receivable | 29,782,574 | 40,056,061 |
| Charitable remainder trusts held by others | 31,740,429 | 28,760,577 |
| Contributions receivable, net | $ 61,523,003 | $ 68,816,638 |

At June 30, 2011 and 2010, the College had also received conditional promises to give of approximately $51,035,000 and $52,800,000, respectively. These conditional promises to give are not recognized as assets until the removal or lapse of the condition.

Funds held in trust by others totaled $31,740,429 and $28,760,577 at June 30, 2011 and 2010, respectively, and are considered Level 3 inputs (see Note 6 for discussion on classification of fair value measurements). Following is a reconciliation of funds held in trust by others in which significant unobservable inputs (Level 3) were used in determining value:

| | 2011 | 2010 |
|---|---|---|
| **Beginning of year balance** | $ 28,760,577 | $ 27,812,652 |
| Change in unrealized gains | 2,984,395 | 281,185 |
| Net additions/retirements | (4,543) | 666,740 |
| **End of year balance** | $ 31,740,429 | $ 28,760,577 |

## 4. 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.

## 5. Real Property Held for Sale

The College owns the following real property which it intends to sell. The carrying value of the real property is based upon external market appraisals and approximates fair value.

| | 2011 | 2010 |
|---|---|---|
| New York City, NY real estate | $ 12,500,000 | $ 20,300,000 |
| Williamstown, MA real estate | 5,068,144 | 3,338,143 |
| Total real property held as an investment | $ 17,568,144 | $ 23,638,143 |

## 6. Investments

Investments held by the College are comprised of:

| | Fair Value | |
|---|---|---|
| | 2011 | 2010 |
| Investment pool | $ 1,784,304,604 | $ 1,526,571,483 |
| Split interest agreements | 53,537,768 | 50,497,770 |
| Faculty mortgages | 10,229,000 | 10,687,743 |
| Other investments | 12,581,980 | 8,907,594 |
| | $ 1,860,653,352 | $ 1,596,664,590 |

As of June 30, 2011, accounts receivable and payable related to the unsettled sales and purchases of securities were $1,881,634 and $1,458,663, respectively. 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, 2011 and 2010, included in the investment totals is accrued investment income of $978,133 and $983,161, 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 College 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 2011 and 2010 is summarized below.

| Policy Portfolio Approved for FY12 | Asset Class | Target Policy Portfolio at June 30, 2011 | Target Policy Portfolio at June 30, 2010 |
|---|---|---|---|
| | ***Public Equity*** | | |
| 26% | Global Equity | 26 % | 26 % |
| 14% | Global Long/Short Equity | 14 % | 16 % |
| 15% | ***Absolute Return*** | 14 % | 12 % |
| 6% | ***Venture Capital*** | 6 % | 6 % |
| 9% | ***Buyouts*** | 9 % | 9 % |
| 9% | ***Real Assets*** | 9 % | 9 % |
| 6% | ***Real Estate*** | 6 % | 6 % |
| | ***Fixed Income*** | | |
| 10% | Investment Grade | 10 % | 10 % |
| 4% | Non-Investment Grade | 5 % | 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 schools.

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 an advantageous liquidity position.

**Fair Value Measurements**

U.S. GAAP has established a framework to measure fair value, and defined the required disclosures about fair value measurements. *FASB Accounting Standards Codification ASC 820 on Fair Value Measurements*, previously known as SFAS 157, favors the use of market-based information over entity-specific information. The standard prescribes 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 as of the measurement date.

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 and includes 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 for which the College has measured fair value using NAV as a practical expedient that are redeemable over 90 days from the reporting date. |

The categories presented above (e.g. Level III) are designed to be measures of price transparency, not liquidity. Different investors may classify similar or even identical investments in different categories.

The College has various sources of internal liquidity at its disposal, including cash, marketable equity and debt securities, commingled funds and hedge funds. At June 30, 2011, management estimates that it could have liquidated $537 million or 30% of the investment pool with 30 days notice or less (unaudited).

The following table presents the financial instruments carried at fair value as of June 30, 2011 and 2010, by caption on the statements of financial position by the ASC 820 fair value valuation hierarchy defined above:

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| **Investment pool** | | | | |
| Cash and cash equivalents | $ 23,598,532 | $ - | $ - | $ 23,598,532 |
| Common and preferred stocks | 83,699,341 | - | - | 83,699,341 |
| Fixed income securities | 4,150,337 | 49,346,335 | 7,883,661 | 61,380,333 |
| Equity mutual/commingled funds | 37,775,172 | 162,424,830 | - | 200,200,002 |
| Fixed income mutual/commingled funds | 86,284,034 | 34,244,187 | - | 120,528,221 |
| Real asset commingled funds | - | 47,987,208 | - | 47,987,208 |
| Real estate partnerships | - | - | 100,626,923 | 100,626,923 |
| Private equity partnerships | - | - | 346,140,573 | 346,140,573 |
| Private fixed income funds | - | - | 80,182,943 | 80,182,943 |
| Real asset partnerships | - | - | 39,044,213 | 39,044,213 |
| Equity hedge funds | - | 52,502,758 | 333,793,790 | 386,296,548 |
| Absolute return hedge funds | - | 120,623,402 | 126,745,744 | 247,369,146 |
| Real asset hedge funds | - | - | 47,250,621 | 47,250,621 |
| Total investment pool | 235,507,416 | 467,128,720 | 1,081,668,468 | 1,784,304,604 |
| **Split interest agreements** | | | | |
| Cash and cash equivalents | 2,939,208 | - | 604,195 | 3,543,403 |
| Common and preferred stocks | 11,279,935 | - | 3,360,094 | 14,640,029 |
| Fixed income mutual/commingled funds | 18,867,983 | - | 3,739,926 | 22,607,909 |
| Equity mutual/commingled funds | 5,729,358 | - | 5,098,154 | 10,827,512 |
| Real asset commingled funds | - | - | 168,202 | 168,202 |
| Real estate mutual funds | 1,320,472 | - | 38,415 | 1,358,887 |
| Other assets | - | - | 391,826 | 391,826 |
| Total split interest agreements | 40,136,956 | - | 13,400,812 | 53,537,768 |
| Faculty mortgages | - | - | 10,229,000 | 10,229,000 |
| Other | 5,652,714 | - | 6,929,266 | 12,581,980 |
| Total | $ 281,297,086 | $ 467,128,720 | $ 1,112,227,546 | $ 1,860,653,352 |

| | June 30, 2010 | | | |
|---|---|---|---|---|
| | **Quoted Prices in Active Markets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total Fair Value** |
| **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 | $ 260,952,713 | $ 388,293,862 | $ 947,418,015 | $ 1,596,664,590 |

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 result in a fair value measurement 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 the statement of financial position amounts for financial instruments classified by the College within Level III of the fair value hierarchy defined above:

**2010 to 2011**

### Investment Pool

| | June 30, 2010 Balance | Change in Realized & Unrealized Gains | Purchases and Sales | June 30, 2011 Balance |
|---|---|---|---|---|
| Fixed income securities | $ 9,732,581 | $ 423,460 | $ (2,272,380) | $ 7,883,661 |
| Real estate partnerships | 86,103,856 | 9,738,768 | 4,784,300 | 100,626,924 |
| Private equity partnerships | 263,635,402 | 94,470,196 | (11,965,025) | 346,140,573 |
| Private fixed income funds | 74,255,381 | 6,707,136 | (779,574) | 80,182,943 |
| Real asset partnerships | 25,934,445 | 10,061,529 | 3,048,239 | 39,044,213 |
| Equity hedge funds | 315,661,669 | 59,802,583 | (9,546,682) | 365,917,570 |
| Absolute return hedge funds | 103,250,116 | 16,800,018 | (25,428,172) | 94,621,962 |
| Real asset hedge funds | 39,319,437 | 7,931,185 | - | 47,250,622 |
| | $ 917,892,887 | $ 205,934,875 | $ (42,159,294) | $ 1,081,668,468 |

### Split Interest Agreements

| | Beginning | Realized Gains | Change in Unrealized Gains | Net Additions/ Retirements | Ending |
|---|---|---|---|---|---|
| Perpetual trusts | $ 11,817,903 | $ - | $ 1,582,909 | $ - | $ 13,400,812 |

| | Beginning | New Mortgages | Paid Mortgages | Annual Payroll Deductions | Ending |
|---|---|---|---|---|---|
| Faculty mortgages | $ 10,687,743 | $ 501,141 | $ (314,096) | $ (645,788) | $ 10,229,000 |

### Other Investments

| | Beginning | Realized Gains | Change in Unrealized Gains | Net Transfers | Ending |
|---|---|---|---|---|---|
| Other investments | $ 7,019,482 | $ (198,200) | $ 391,221 | $ (283,237) | $ 6,929,266 |

## 2009 to 2010

### Investment Pool

| | Beginning | Change in Realized & Unrealized Gains | Purchases and Sales | Transfers in (out) of Level III | Ending |
|---|---|---|---|---|---|
| Fixed income securities | $ - | $ 404,502 | $ 9,328,079 | $ - | $ 9,732,581 |
| Real estate partnerships | 84,571,464 | (16,159,507) | 17,691,899 | - | 86,103,856 |
| Private equity partnerships | 229,066,859 | 35,242,093 | (673,550) | - | 263,635,402 |
| Private fixed income funds | 59,440,077 | 13,705,164 | (1,514,025) | 2,624,165 | 74,255,381 |
| Real asset partnerships | 20,088,362 | 1,597,981 | 4,248,102 | - | 25,934,445 |
| Equity hedge funds | 284,370,144 | 26,233,139 | 18,853,504 | (13,795,118) | 315,661,669 |
| Absolute return hedge funds | 189,406,672 | 16,559,626 | (5,990,270) | (96,725,912) | 103,250,116 |
| Real asset hedge funds | 33,820,772 | 5,498,665 | - | - | 39,319,437 |
| Total | $ 900,764,350 | $ 83,081,663 | $ 41,943,739 | $ (107,896,865) | $ 917,892,887 |

### Split Interest Agreements

| | Beginning | Realized Gains | Change in Unrealized Gains | Net Additions/ Retirements | Ending |
|---|---|---|---|---|---|
| Perpetual trusts | $ 11,647,723 | $ - | $ 170,180 | $ - | $ 11,817,903 |

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

### Other Investments

| | Beginning | Realized Gains | Change in Unrealized Gains | Net Transfers | Ending |
|---|---|---|---|---|---|
| Other investments | $ 6,566,239 | $ (1,848,212) | $ 553,620 | $ 1,747,835 | $ 7,019,482 |

During the year ended June 30, 2010, the College transferred three hedge fund investments totaling $107 million from Level III to Level II due to clarification from a FASB technical practice aid issued in January 2010.

There have been no significant transfers of assets between levels for the year ended June 30, 2011.

Total unrealized gains (losses) for assets classified within Level III as of June 30, 2011 and 2010 are $151,159,834 and $58,127,212, respectively.

### Additional Fair Value Disclosure

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 principals of an investment company or have the attributes of an investment company. Per ASU 2009-12, the following required disclosure lists investments in other investments by major category.

| Investment Pool | Strategy | Fair Value | # of Funds / Vehicles | Remaining Life | Timing to Draw Commitments | Redemption Terms |
|---|---|---|---|---|---|---|
| Fixed Income Securities | Specific Securities (e.g. bank notes) | $ 7,883,661 | N/A | N/A | N/A | N/A |
| Real Estate Partnerships | Real Estate Investments | 100,626,923 | 24 | 1 to 10 Years | 1 to 7 years | N/A* |
| Private Equity Partnerships | Buyout and Venture Capital | 346,140,573 | 104 | 1 to 10 Years | 1 to 10 years | N/A* |
| Private Fixed Income Funds | Private Investments in funds and hedge funds | 80,182,943 | 8 | 1 to 10 Years | 1 to 4 years | N/A* |
| Real Asset Partnerships | Primarily Oil and Gas Partnerships | 39,044,213 | 8 | 1 to 10 Years | 1 to 10 years | N/A* |
| Equity Hedge Funds | Equity Long/Short Hedge Funds | 333,793,790 | 8 | N/A | 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). |
| Absolute Return Hedge Funds | Fundamental Multi Strategy/ Event Driven/ Global Opportunities Funds | 126,745,744 | 7 | 7 N/A | N/A | Ranges from quarterly redemption with 30 days notice to annual redemption with 180 days notice. |
| Real Asset Hedge Funds | Funds exposed to Commodities, TIPS and Energy Stocks | 47,250,621 | 2 | 2 N/A | N/A | Quarterly with 90-days notice with no more than 1/3 of assets redeemed in any 12 month period. |
| Total Investment Pool | | $ 1,081,668,468 | 161 | | | |
| Split Interest Agreements | | $ 13,400,812 | 62 | N/A | N/A | N/A |
| Faculty Mortgages | Mortgages on faculty and staff homes | $ 10,229,000 | 205 | N/A | N/A | N/A |
| Other Assets | | $ 6,929,266 | 38 | N/A | N/A | N/A |
| Total | | $ 1,112,227,546 | 466 | | | |

*N/A: These funds are in private equity structure, with no ability to be redeemed.

### Other Investment-Related Disclosures

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, 2011, the College has unfunded commitments of approximately $228,000,000.

The College holds mortgages on residences of eligible faculty and staff members that amounted to $10,229,000 and $10,687,744 as of June 30, 2011 and 2010, respectively. The average stated interest rate paid on the mortgages as of June 30, 2011 and 2010 were 3.58% and 3.64%, respectively.

Realized net gains were $58,803,878 and $31,148,931 for the years ended June 30, 2011 and 2010, respectively. Changes in unrealized appreciation for the years ended June 30, 2011 and 2010 was $231,922,879 and $128,129,412, respectively. Investment income, other than reinvested amounts, was $650,927 and $4,828,144 for the years ended June 30, 2011 and 2010, respectively. Of this amount, $2,117,803 and $2,468,292, respectively, was investment income on split interest agreements. Reinvested income was $19,969,643 and $6,916,818, respectively. Investment income on split interest agreements and reinvested income is reflected as part of realized and change in unrealized gains (losses) on investments, investment income on split interest agreements, and reinvested income in the nonoperating section of the statements 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 the investment activity, including the effect of derivative financial instruments, in the aggregate.

For the years ended June 30, 2011 and June 30, 2010, the aggregate realized gains (losses) on derivative transactions for direct investment accounts of the College were $0 and $28,472, respectively. As of June 30, 2011 and June 30, 2010, there were no open positions in derivative financial transactions.

## 7. Land, Buildings and Equipment

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

| | 2011 | 2010 |
|---|---|---|
| Land and land improvements | $ 43,728,354 | $ 43,684,365 |
| Buildings | 456,471,795 | 455,211,586 |
| Equipment | 59,024,727 | 55,200,066 |
| Art collections | 36,009,572 | 35,256,026 |
| | 595,234,448 | 589,352,043 |
| Less accumulated depreciation | (244,044,691) | (228,574,780) |
| | 351,189,757 | 360,777,263 |
| Construction in progress | 10,852,132 | 10,145,814 |
| | $ 362,041,889 | $ 370,923,077 |

Depreciation expense was $18,893,965 and $19,452,337 for the years ended June 30, 2011 and 2010, respectively. During fiscal year 2011, the College disposed of certain assets with an original cost of $4,695,171 and accumulated depreciation of $3,424,054.

Interest costs of $232,646 and $292,818 were capitalized in 2011 and 2010, respectively.

Included in land and land improvements are costs incurred of approximately $1,814,940 at June 30, 2011 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.

## 8. Retirement Benefits

The College's expense under defined contribution retirement plans amounted to approximately $6,690,000 and $6,712,000 for 2011 and 2010, respectively.

## 9. 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.

| | 2011 | 2010 |
|---|---|---|
| **Change in accumulated postretirement benefit obligation** | | |
| Postretirement benefit obligation at beginning 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 |
| Service cost | 568,266 | 496,598 |
| Interest cost | 921,032 | 890,734 |
| Plan participants' contributions | 131,536 | 73,866 |
| Actuarial loss (gain) | (1,233,713) | (405,927) |
| Benefits paid | (876,044) | (719,462) |
| Postretirement benefit obligation at end of year | $ 17,713,066 | $ 18,201,989 |
| Actives not fully eligible to retire | $ 8,901,516 | $ 7,512,847 |
| Actives fully eligible to retire | 2,055,218 | 3,042,258 |
| Retirees | 6,756,332 | 7,646,884 |
| | $ 17,713,066 | $ 18,201,989 |
| **Change in plan assets** | | |
| Fair value of plan assets at beginning of year | $ - | $ - |
| Employer contribution, net of retiree contributions | 744,508 | 645,596 |
| Plan participants' contributions | 131,536 | 73,866 |
| Benefits paid | (876,044) | (719,462) |
| Fair value of plan assets at end of year | $ - | $ - |
| **Reconciliation of funded status** | | |
| Funded status - postretirement benefit liability | $ 17,173,066 | $ 18,201,989 |

The components of the liability include:

| | | |
|---|---|---|
| Current liability | $ 1,022,520 | $ 1,115,424 |
| Concurrent liability | 16,690,546 | 17,086,565 |
| Total liability | $ 17,713,066 | $ 18,201,989 |

| | 2011 | 2010 |
|---|---|---|
| **Components of the net periodic postretirement benefit cost** | | |
| Service cost | $ 568,266 | $ 496,598 |
| Interest cost | 921,032 | 890,734 |
| Amortization of prior service cost | 388,307 | 392,396 |
| Amortization of actuarial loss | 46,723 | (12,580) |
| | $ 1,924,328 | $ 1,767,148 |

| | | |
|---|---|---|
| **Amounts unrecognized and amortization amounts in following year** | | |
| Amounts unrecognized in net periodic postretirement cost benefit | | |
| Prior service cost | $ 3,047,473 | $ 3,435,780 |
| Net actuarial (gain) loss | 1,130,572 | 2,411,008 |
| | $ 4,178,045 | $ 5,846,788 |
| Amortization amounts in following year | | |
| Prior service cost | $ 387,065 | $ 392,396 |
| Net actuarial (gain) loss | - | 54,660 |
| | $ 387,065 | $ 447,056 |

| **Assumptions and Effects** | **2011** | **2010** |
|---|---|---|
| Actuarial assumptions | | |
| Medical/dental trend rate next year | 8.5%/5.0% | 9.0%/5.0% |
| Ultimate trend rate | 5.0%/5.0% | 5.0%/5.0% |
| Year ultimate trend rate is achieved | 2018 | 2016 |
| Discount rate used to value end of year accumulated postretirement benefit obligations | 5.33% | 5.22% |
| Discount rate used to value net periodic postretirement benefit cost | 5.22% | 6.21% |
| Effect of a 1% increase in health care cost trend rate on | | |
| Interest cost plus service cost | $ 75,595 | $ 73,609 |
| Accumulated postretirement benefit obligation | $ 536,411 | $ 504,122 |
| Effect of a 1% decrease in health care cost trend rate on | | |
| Interest cost plus service cost | $ (65,573) | $ (63,812) |
| Accumulated postretirement benefit obligation | $ (475,916) | $ (446,110) |
| Measurement date | 6/30/11 | 6/30/10 |

**Expected Future Benefit Payments**

| Fiscal Year | Retiree Contribution | Employer Benefit Payment |
|---|---|---|
| 2012 | $ 131,272 | $ 1,033,674 |
| 2013 | 133,005 | 1,046,226 |
| 2014 | 130,227 | 1,042,104 |
| 2015 | 118,170 | 1,015,935 |
| 2016 through 2020 | 852,412 | 6,236,285 |

## 10. Commitments and Contingencies

Outstanding commitments related to investments amount to $228 million and $222 million as of June 30, 2011 and 2010, respectively.

At June 30, 2011, the College has outstanding construction and purchase contracts totaling approximately $67,478,000. Completion of these projects is estimated to extend through September 2014.

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, 2011.

| | |
|---|---|
| 2012 | $ 243,504 |
| 2013 | 220,731 |
| 2014 | 209,608 |
| 2015 | 205,528 |
| 2016 | 197,748 |
| Thereafter | 146,480 |
| | $ 1,223,599 |

Total rental expense on operating leases was approximately $364,000 and $347,000 in 2011 and 2010, respectively.

## 11. Bonds Payable

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

| | 2011 | 2010 |
|---|---|---|
| **Massachusetts Health and Educational Facilities Authority Bonds (Williams College)** | | |
| Series E, variable rate, due through 2014 | $ 1,700,000 | $ 8,700,000 |
| Series H, 2.00% to 5.00%, due through 2033 | 35,579,824 | 37,128,149 |
| Series I, variable rate, due through 2033 | 26,289,000 | 27,076,000 |
| Series J, variable rate, due through 2026 | 32,137,000 | 32,307,000 |
| Series K, 3.50% to 5.00%, due through 2033 | 36,788,767 | 37,712,159 |
| Series L, 4.00% to 5.00%, due through 2036 | 75,729,995 | 75,909,211 |
| Series M, 1-year put at .45% through April 10, 2011, variable thereafter, due through 2037 | - | 36,000,000 |
| Series N, 3 yrs. At SIFMA plus .50% | 50,470,000 | - |
| Series O, 2.50%-5.00%, due through 2036 | 41,607,257 | - |
| Total net bonds payable | $ 300,301,843 | $ 254,832,519 |

The Series E bonds are variable rate demand revenue bonds. The annualized interest rate ranged from .09% to .35% during fiscal year 2011 with an average rate of .23% 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. There is one remaining principal payment of $1,700,000 due in August 2011.

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% 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. The annualized interest rate ranged from .06% to .30% during fiscal year 2011 with an average rate of .20% 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. The annualized interest rate ranged from .04% to .33% with an average rate of .22% 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 $176,000 and increase to $3,185,000 over the repayment period of the bonds.

The Series K bonds are fixed rate revenue bonds. Subject to 30 days notice, the bonds may be called by the College on July 1, 2016 at 100% of par. Annual principal payments are currently $935,000 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.

The Series N bonds are variable rate revenue bonds with an original principal value of $50,470,000. The bonds bear interest at a rate .50% above the weekly SIFMA resets. On July 1, 2037 the College will make its first principal payment of $9,940,000. Remaining annual principal payments range from $10,015,000 to $10,250,000. The bonds are callable beginning on January 1, 2014 at 100% of par. At June 30, 2011, $44,001,361 of bond proceeds from Series N was on deposit with Trustee.

The Series O bonds are fixed rate revenue bonds issued on March 24, 2011, with an original principal value of $38,740,000 and a premium of $2,867,256. On July 1, 2013 the College will make its first principal payment of $2,525,000. Remaining annual principal payments range from $850,000 to $2,600,000. The bonds are callable beginning on January 1, 2021 at 100% of par.

As part of the issuance of the Series O bonds the Series M bonds were fully refunded on April 7, 2011.

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, 2011 was approximately $302,192,000.

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

Bond issuance costs of $1,955,323 are amortized to other expense over the life of the respective bonds. Bond premiums of $9,540,843 at June 30, 2011, are amortized to other income over the life of the respective bonds. Combined debt principal payment requirements for the years 2012 through 2016 approximate $5,171,000, $7,455,000, $7,680,000, 58,791,000 and $8,720,000, respectively. The 2015 debt principal payment includes $50,470,000 original principal value of the Series N variable rate demand revenue bonds which the College plans to remarket in July 2014.

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 combined debt principal payment requirements above reflects the repayment of such bonds according to their scheduled maturity dates. If these bonds were fully tendered as of June 30, 2011, the debt principal payment requirements for the years 2012 through 2016 would approximate $64,361,000, $6,440,000, $6,630,000, $57,710,000 and $5,695,000, respectively.

Interest expense for the years ended June 30, 2011 and 2010 was $7,617,404 and $7,214,494, 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 agreement has a notional amount of $33,234,000. Under the terms of the agreement, the College pays a fixed rate of 3.457% to a third party who in turn pays 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, 2011 and 2010, the fair value of the swap was a liability of approximately $3,503,131 and $4,052,000, respectively. The interest rate swap expires on July 1, 2026.

## 12. Lines of Credit

At June 30, 2011 the College maintained four lines of credit which totaled $117,100,000. Two of these lines totaling $68,100,000 (which expire on May 1, 2012) are dedicated to supporting the College's variable rate debt in the event the federal bonds were not remarketed. These lines of credit if drawn upon would bear interest at the bank's prime rates; there is also an unused annual fee equal to 25 & 30 basis points. The remaining $49,000,000 (of which $16,000,000 expires on July 1, 2011 and was not to be renewed and the remaining balance expires on July 1, 2012) is structured as a working capital line of credit. Interest on this line bears a 50 basis point spread to LIBOR with an unused fee equal to 40 basis points. There were no outstanding amounts on the lines of credit at June 30, 2011 or 2010.

## 13. Endowments

In 2009, the College adopted FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1), which provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to a Uniform Prudent Management of Institutional Funds Act (UPMIFA) as well as requires enhanced disclosures for endowment fund net assets, spending policies and related investment policies.

The College's endowment consists of donor restricted endowment funds and board-designated endowment funds for a variety of purposes. Pledges receivable and 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 College pools the majority of its investments in a unitized account similar to an open-ended mutual fund. Funds added or withdrawn from the pool are recorded at their share of the then current fair 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 approach emphasizes total return, which consists of current yield (interest and dividends) as well as the net appreciation (realized and change in unrealized gains) in the fair value of pooled investments.

Under the "total return" approach and using the spending rate described in Note 1, the College spent accumulated gains of $59,168,914 and $51,944,136 for the years ended June 30, 2011 and 2010, respectively. Total return in excess of the spending rate is reported as nonoperating revenue or loss.

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 or decreases 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 Board of Trustees has interpreted the Massachusetts "Uniform Prudent Management of Institutional Funds Act" statute, which was effective June 2009 ("UPMIFA"), 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 year ended June 30, 2011 delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30:

| | 2011 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Donor-restricted endowment funds | $ - | $ 1,069,425,050 | $ 449,758,046 | $ 1,519,183,096 |
| Adjustment for funds underwater | (2,644,102) | 2,644,102 | - | - |
| Board-designated endowment funds | 222,833,872 | - | - | 222,833,872 |
| Total endowment funds | $ 220,189,770 | $ 1,072,069,152 | $ 449,758,046 | $ 1,742,016,968 |

| | 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 |

Changes in endowment net assets for the year ended June 30:

| | 2011 | | | |
|---|---|---|---|---|
| | Board Designated | Donor Designated | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Net endowment assets, June 30, 2010** | $ 157,364,426 | $ 875,656,191 | $ 423,654,412 | $ 1,456,675,029 |
| Gifts and transfers | | | | |
| Gifts received & pledge activity | - | 2,084,427 | 22,678,159 | 24,762,586 |
| Transfers and gifts further designated | 27,320,639 | 651,384 | 2,757,484 | 30,729,507 |
| Investment return | | | | |
| Net gains (losses) | 34,219,867 | 253,645,699 | - | 287,865,566 |
| Accumulated gains spent for operations | (7,670,193) | (51,498,721) | - | (59,168,914) |
| Income earned returned to principal | 2,349 | 482,852 | 667,991 | 1,153,192 |
| Underwater endowment | | | | |
| Current year appropriation/recovery of funds to cover to cover permanent endowments where value is less than historic cost | 8,952,681 | (8,952,681) | - | - |
| **Net endowment assets, June 30, 2011** | $ 220,189,769 | $ 1,072,069,151 | $ 449,758,046 | $ 1,742,016,966 |

| | 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 of funds to cover to cover permanent endowments where value is less than historic 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 |

### Endowment Funds With Deficits (Underwater Endowment)

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 $2,644,102 and $11,596,783 as of June 30, 2011 and 2010, 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 (Unaudited)**
Spending from the endowment to support operations, referred to as asset use at Williams, is expected to be 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 4.6% and 4.5%, respectively.

## 14. 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, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| **Temporarily restricted net assets** | | |
| Gifts for restricted purposes | $ 59,813,764 | $ 98,444,274 |
| Contributions to be paid in the future | 7,867,926 | 13,007,632 |
| Split-interest agreements, including outside managed trusts | 35,449,866 | 29,464,221 |
| Underwater funds | 2,644,102 | 11,596,783 |
| Endowment funds - unspent appreciation, 2010 as revised (Note 2) | 1,040,713,820 | 795,498,135 |
| | $ 1,146,489,478 | $ 948,011,045 |
| **Permanently restricted net assets** | | |
| Student loan funds | $ 474,120 | $ 474,735 |
| Split-interest agreements and perpetual trusts, including outside managed trusts | 54,910,330 | 48,770,505 |
| Contributions to be paid in the future | 21,947,565 | 27,048,428 |
| Endowment funds - original principal | 427,810,480 | 396,605,983 |
| | $ 505,142,495 | $ 472,899,651 |

## 15. Credit Loss Disclosures

The College records an allowance for doubtful accounts (credit losses) for the following long term receivables:

| | Institutional Student Loans | Faculty Mortgages | Pine Cobble Notes |
|---|---|---|---|
| **Beginning balance, July 1, 2010** | $ (171,307) | $ (10,000) | $ (2,000) |
| Provision for credit losses | (30,000) | - | - |
| Net Charge-offs | 35,471 | - | - |
| Recoveries | - | - | - |
| **Ending balance, June 30, 2011** | $ (165,836) | $ (10,000) | $ (2,000) |

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers and the value of collateral. The College's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan balance is guaranteed.

The College prepares an analysis of all outstanding receivables which includes a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years.

A reserve is established for all delinquent student loans. Delinquent loans over 360 days are fully reserved while loans under 360 days delinquent are reserved at 50%. The College's policy is to write off a student loan when the loan is more than 360 days delinquent and all efforts to collect the loan have been exhausted.

Changes in the allowance for credit losses for the year ended June 30, 2011 were as follows:

| | June 30, 2011 | | June 30, 2010 | |
|---|---|---|---|---|
| | Receivable Balance | Related Allowance | Receivable Balance | Related Allowance |
| Perkins loans | $ 2,987,032 | $ - | $ 3,291,589 | $ - |
| Other student loans | 1,266,388 | (165,836) | 1,495,385 | (171,307) |
| Faculty mortgages | 10,229,000 | (10,000) | 10,687,745 | (10,000) |
| Pine Cobble land notes | 2,325,000 | (2,000) | 2,763,000 | (2,000) |
| | $ 16,807,420 | $ (177,836) | $ 18,237,719 | $ (183,307) |

## 16. Subsequent Events

The College has performed an evaluation of subsequent events through October 24, 2011, which is the date the financial statements were issued, and determined that there have been no subsequent events that would require recognition in the financial statements or disclosed in the notes of the financial statements.