Williams College

Financial Statements
June 30, 2012 and 2011

Williams College
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June 30, 2012 and 2011

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, 2012 and 2011, 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 22, 2012

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Williams College
Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Cash	$ 13,024,791	$ 14,747,026
Accounts receivable, net of allowance of $120,158 ($136,735 in 2011)	801,703	755,384
Contributions receivable, net of allowance of $2,766,215 in 2012 ($2,542,226 in 2011) (Note 2)	66,567,415	61,523,003
Notes receivable - student loans, net of allowance of $153,609 in 2012 ($165,836 in 2011) (Note 3)	3,695,782	4,087,585
Notes receivable - other	2,094,000	2,325,000
On deposit with bond trustee	21,058,518	44,001,361
Other assets	10,342,634	6,325,216
Real property held for sale (Note 4)	5,068,143	17,568,144
Investments (Note 5)	1,866,169,096	1,860,653,352
Land, buildings and equipment, net (Note 6)	373,081,316	362,041,889
Total assets	$ 2,361,903,398	$ 2,374,027,960
Liabilities		
Accounts payable and accrued liabilities	$ 19,050,432	$ 13,240,230
Accrued salaries and benefits (Notes 7 and 8)	30,346,358	26,182,577
Deferred revenue and deposits	3,303,248	3,643,795
U. S. Government advances for student loans	3,361,296	3,417,776
Present value of beneficiary payments	52,256,225	52,182,894
Bonds payable (Note 10)	294,735,441	300,301,843
Total liabilities	403,053,000	398,969,115
Net Assets		
Unrestricted	296,982,181	323,426,872
Temporarily restricted	1,127,452,096	1,146,489,478
Permanently restricted	534,416,121	505,142,495
Total net assets	1,958,850,398	1,975,058,845
Total liabilities and net assets	$ 2,361,903,398	$ 2,374,027,960

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

Williams College
Statement of Activities
Year Ended June 30, 2012 (With Summarized Financial Information For the Year Ended June 30, 2011)

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenue, gains and other					
Student revenues					
Tuition and fees	$ 89,634,421	$ -	$ -	$ 89,634,421	$ 86,029,502
Room and board	20,554,398	-	-	20,554,398	19,509,648
Less: Financial aid	(44,071,977)	-	-	(44,071,977)	(42,879,075)
Net student revenues	66,116,842	-	-	66,116,842	62,660,075
Auxiliary enterprises - other	5,516,583	-	-	5,516,583	4,945,231
Special purpose grants expended	2,522,694	-	-	2,522,694	2,116,921
Gifts and grants, net	13,826,816	3,171,176		16,997,992	19,219,383
Investment income	527,724	-	-	527,724	650,927
Realized gains utilized	8,326,581	55,457,957	-	63,784,538	59,168,914
Other	1,221,016	-	-	1,221,016	1,189,032
Net assets released from restrictions	64,637,150	(64,637,150)	-	-	-
Total operating revenue, gains, and other	162,695,406	(6,008,017)	-	156,687,389	149,950,483
Operating expenses and other					
Instructional and research	82,445,644	-	-	82,445,644	77,430,950
Academic support	14,620,457	-	-	14,620,457	14,031,047
Student services	20,538,647	-	-	20,538,647	20,549,012
Institutional support	32,531,841	-	-	32,531,841	27,100,099
Auxiliary enterprises	32,086,291	-	-	32,086,291	29,301,630
Other	-	55,709	62,925	118,634	108,390
Total operating expenses and other	182,222,880	55,709	62,925	182,341,514	168,521,128
Change in net assets from operating activities	(19,527,474)	(6,063,726)	(62,925)	(25,654,125)	(18,570,645)
Nonoperating activities					
Realized and change in unrealized gains on investments, and investment income	5,649,551	42,780,762	(576,380)	47,853,933	305,633,330
Investment income on split interest agreements	-	1,253,090	730,515	1,983,605	2,117,803
Realized gains utilized for current operations	(8,326,581)	(55,457,957)	-	(63,784,538)	(59,168,914)
Actuarial changes and payments of annuities	-	(1,410,304)	(892,375)	(2,302,679)	(4,533,154)
Life income and endowment gifts, net	-	4,071,429	29,102,193	33,173,622	29,376,503
Fund retirements and gifts further designated and income to principal	3,078,478	(4,057,583)	979,105	-	-
(Loss) on disposition of fixed assets and change in valuation of real estate held for sale, net	(3,823,869)	-	-	(3,823,869)	(9,071,117)
(Loss) on financial contracts, net	(3,654,396)	-	-	(3,654,396)	(505,544)
Transfers between net asset categories	358,330	(351,823)	(6,507)	-	-
Adjustment for endowment funds with market value below book value	(198,730)	198,730	-	-	-
	-	-	-	-	-
Change in net assets from nonoperating activities	(6,917,217)	(12,973,656)	29,336,551	9,445,678	263,848,907
Total change in net assets	(26,444,691)	(19,037,382)	29,273,626	(16,208,447)	245,278,262
Beginning net assets	323,426,872	1,146,489,478	505,142,495	1,975,058,845	1,729,780,583
Ending net assets	$ 296,982,181	$ 1,127,452,096	$ 534,416,121	$ 1,958,850,398	$ 1,975,058,845

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

Williams College
Statement of Activities
Year Ended June 30, 2011

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue, gains and other				
Student revenues				
Tuition and fees	$ 86,029,502	$ -	$ -	$ 86,029,502
Room and board	19,509,648	-	-	19,509,648
Less: Financial aid	(42,879,075)	-	-	(42,879,075)
Net student revenues	62,660,075	-	-	62,660,075
Auxiliary enterprises - other	4,945,231	-	-	4,945,231
Special purpose grants expended	2,116,921	-	-	2,116,921
Gifts and grants, net	16,430,881	2,788,502	-	19,219,383
Investment income	639,337	11,590	-	650,927
Realized gains utilized	7,004,188	52,164,726	-	59,168,914
Other	1,189,032	-	-	1,189,032
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
Operating expenses and other				
Instructional and research	77,430,950	-	-	77,430,950
Academic support	14,031,047	-	-	14,031,047
Student services	20,549,012	-	-	20,549,012
Institutional support	27,100,099	-	-	27,100,099
Auxiliary enterprises	29,301,630	-	-	29,301,630
Other	108,390	-	-	108,390
Total operating expenses and other	168,521,128	-	-	168,521,128
Change in net assets from operating activities	(13,279,395)	(5,291,250)	-	(18,570,645)
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
Investment income on split interest agreements	-	1,407,542	710,261	2,117,803
Realized gains utilized for current operations	(7,004,188)	(52,164,726)	-	(59,168,914)
Actuarial changes and payments of annuities	-	(2,698,017)	(1,835,137)	(4,533,154)
Life income and endowment gifts, net	-	5,864,377	23,512,126	29,376,503
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 resale, net	(9,071,117)	-	-	(9,071,117)
Gain (loss) on financial contracts, net	(505,544)	-	-	(505,544)
Transfers between net asset categories	1,346,108	(68,014)	(1,278,094)	-
Nonrecurring expenses associated with retirement incentive	-	-	-	-
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
Total change in net assets	14,556,985	198,478,433	32,242,844	245,278,262
Beginning net assets	308,869,887	948,011,045	472,899,651	1,729,780,583
Ending net assets	$ 323,426,872	$ 1,146,489,478	$ 505,142,495	$ 1,975,058,845

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

Williams College
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flow from operating activities		
Total change in net assets	$ (16,208,447)	$ 245,278,262
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation, amortization and accretion	19,209,514	18,750,078
Provision for doubtful accounts receivable and student loans	(28,804)	14,328
Net change in realized and unrealized (gains) losses on investments and income	(47,853,933)	(305,633,330)
Loss on real property held for sale	3,525,477	7,800,000
Loss on disposal of plant assets	28,391	1,271,117
Receipt of contributed securities	(10,469,224)	(18,867,473)
Gifts restricted for long-term investment	(15,662,167)	(12,786,128)
Gifts in kind	(1,298,550)	(568,610)
Changes in operating assets and liabilities		
Accounts receivable	(29,742)	(127,983)
Contributions receivable	(5,044,412)	7,293,635
Other assets	231,000	(1,806,135)
Accounts payable and accrued liabilities	2,525,747	362,191
Present value of beneficiary payments	4,914,868	6,694,043
Accrued salaries and benefits	4,163,781	(1,896,295)
Deferred revenue and deposits	(340,547)	276,752
Net cash used in operating activities	(62,337,048)	(53,945,548)
Cash flow from investing activities		
Proceeds from sale of investments	953,382,231	685,172,852
Purchase of investments	(900,574,818)	(624,660,808)
Additions to land, buildings and equipment	(26,123,147)	(11,101,255)
Funds on deposit with bond trustee	22,942,843	(44,001,361)
Proceeds from sale of real estate	8,974,524	-
Additional student loans granted	(376,030)	(267,527)
Student loans repaid	780,060	801,081
Net cash provided by investing activities	59,005,663	5,942,982
Cash flow from financing activities		
Gifts restricted for endowments	15,662,167	12,786,128
Payments to beneficiaries	(4,841,537)	(4,291,594)
Deposits with bond trustee	(3,984,000)	-
Issuance of new debt	-	92,077,256
Repayment of debt	(5,171,000)	(46,332,000)
U.S. Government advances for student loans	(56,480)	(27,817)
Net cash provided by financing activities	1,609,150	54,211,973
Net (decrease) increase in cash	(1,722,235)	6,209,407
Cash at beginning of the year	14,747,026	8,537,619
Cash at end of the year	$ 13,024,791	$ 14,747,026
Supplemental disclosures		
Cash paid during the year for interest	$ 8,829,604	$ 7,617,404
Noncash transactions		
Exchange of land for notes receivable	231,000	-
Amounts included in accounts payable related to construction in progress	3,238,640	617,796
Receipt of contributed securities	10,469,224	18,867,473

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:

In connection with the original issuance of the College's 2012 financial statements, the 2011 Statement of Activities on page 4 contained a mathematical error which has been revised in these financial statements to reflect the corrected amounts. The totals for Change in net assets from nonoperating activities, Total change in net assets, and Ending net assets have been increased by the following amounts $36,465,993, $260,840,166, $8,327,171 and $305,633,330 for Unrestricted Net Assets, Temporarily Restricted Net Assets, Permanently Restricted Net Assets and Total Net Assets, respectively.

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 $(3,820,799) and $(610,555) for the years ended June 30, 2012 and 2011, 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 until 2012, 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, 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, 2012 and 2011.

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.

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.

	2012	2011
Change in asset retirement obligation		
Asset retirement obligation at beginning of year	$ 4,266,123	$ 4,247,446
Settlement of obligation	(349,889)	(113,381)
Additional obligations	610,660	-
Accretion expense	93,816	132,058
Asset retirement obligation at end of year	$ 4,620,710	$ 4,266,123

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.

2. Contributions Receivable

Contributions receivable are as follows at June 30:

	2012	2011
Expected collection period		
Less than one year	$ 13,521,390	$ 19,524,142
One year to five years	12,126,868	16,793,701
Over five years	1,520,833	383,932
Less: Discount to present value	(2,699,754)	(4,376,975)
Allowance for uncollectible contributions	(2,766,215)	(2,542,226)
Net contributions receivable	21,703,122	29,782,574
Charitable remainder trusts held by others	44,864,293	31,740,429
Contributions receivable, net	$ 66,567,415	$ 61,523,003

At June 30, 2012 and 2011, the College had also received conditional promises to give of approximately $57,896,000 and $51,035,000, 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 $44,864,293 and $31,740,429 at June 30, 2012 and 2011, 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:

	2012	2011
Beginning of year balance	$ 31,740,429	$ 28,760,577
Change in unrealized gains	14,208,369	2,984,395
Net additions/retirements	(1,084,505)	(4,543)
End of year balance	$ 44,864,293	$ 31,740,429

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 for Sale

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

	2012	2011
New York City, NY real estate	$ -	$ 12,500,000
Williamstown, MA real estate	5,068,143	5,068,144
Total real property held for sale	$ 5,068,143	$ 17,568,144

The New York City property was sold in June 2012. The related loss on that sale is shown as a non-operational expense. The carrying value of the real property is based upon external market appraisals and approximates fair value.

5. Investments

Investments held by the College are comprised of:

	2012	2011
Investment pool	$ 1,799,376,647	$ 1,784,304,604
Split interest agreements	49,617,101	53,537,768
Faculty mortgages	9,519,700	10,229,000
Other investments	7,655,648	12,581,980
	$ 1,866,169,096	$ 1,860,653,352

As of June 30, 2012, receivables and payables related to the unsettled sales and purchases of securities were $728,398 and $224,544, respectively. As of June 30, 2011, receivables and payables related to the unsettled sales and purchases of securities were $1,881,634 and $1,458,663, respectively.

As of June 30, 2012 and 2011, included in investments is accrued investment income of $208,806 and $978,133, 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 investment pool. 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 2012 and 2011 is summarized below.

Asset Class	Target Policy Portfolio at June 30, 2012	Target Policy Portfolio at June 30, 2011
Public Equity		
Global Equity	26 %	26 %
Global Long/Short Equity	14 %	14 %
Absolute Return	15 %	14 %
Venture Capital	6 %	6 %
Buyouts	9 %	9 %
Real Assets	9 %	9 %
Real Estate	6 %	6 %
Fixed Income		
Investment Grade	10 %	10 %
Non-Investment Grade	4 %	5 %
Cash	1 %	1 %
	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, 2012, management estimates that it could have liquidated $432 million or 24% of the investment pool with 30 days notice or less (unaudited).

The following table presents the College's financial instruments carried at fair value as of June 30, 2012 and 2011, by caption on the statements of financial position and by the ASC 820 fair value valuation hierarchy defined above:

	June 30, 2012			
	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	$ 54,700,663	$ -	$ -	$ 54,700,663
Common and preferred stocks	49,601,511	-	-	49,601,511
Equity mutual/commingled funds	-	167,938,621	-	167,938,621
Fixed income mutual/commingled funds	88,805,781	61,912,237	-	150,718,018
Real asset commingled funds	-	39,539,808	-	39,539,808
Real estate partnerships	-	-	98,053,088	98,053,088
Private equity partnerships	-	-	342,983,660	342,983,660
Private fixed income funds	-	-	78,982,584	78,982,584
Real asset partnerships	-	-	48,128,938	48,128,938
Equity hedge funds	-	1,190,467	426,146,082	427,336,549
Absolute return hedge funds	-	108,783,213	185,822,430	294,605,643
Real asset hedge funds			46,787,564	46,787,564
Total investment pool	193,107,955	379,364,346	1,226,904,346	1,799,376,647
Split interest agreements				
Cash and cash equivalents	2,876,432	-	263,191	3,139,623
Common and preferred stocks	10,281,648	-	2,818,496	13,100,144
Fixed income securities	15,375,078	-	-	15,375,078
Fixed income mutual/commingled funds	2,833,904	-	4,276,083	7,109,987
Equity mutual/commingled funds	4,563,186	-	4,500,916	9,064,102
Real asset commingled funds	-	-	140,742	140,742
Real estate mutual funds	1,171,561	-	32,797	1,204,358
Other assets	-	-	483,067	483,067
Total split interest agreements	37,101,809	-	12,515,292	49,617,101
Faculty mortgages	-	-	9,519,700	9,519,700
Other investments	945,816	-	6,709,832	7,655,648
Total	$ 231,155,580	$ 379,364,346	$ 1,255,649,170	$ 1,866,169,096

	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 investments	5,652,714	-	6,929,266	12,581,980
Total	$ 281,297,086	$ 467,128,720	$ 1,112,227,546	$ 1,860,653,352

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:

2011 to 2012

Investment Pool

	June 30, 2011 Balance	Realized & Change in Unrealized Gains	Purchases	Sales	June 30, 2012 Balance
Fixed income securities	$ 7,883,661	$ (522,288)	$ 1,540,950	$ (8,902,323)	$ -
Real estate partnerships	100,626,923	2,032,116	10,110,357	(14,716,308)	98,053,088
Private equity partnerships	346,140,573	29,047,038	46,308,314	(78,512,265)	342,983,660
Private fixed income funds	80,182,943	(5,454,255)	38,191,756	(33,937,860)	78,982,584
Real asset partnerships	39,044,213	(1,962,655)	47,926,375	(36,878,995)	48,128,938
Equity hedge funds	333,793,790	30,746,255	75,330,764	(13,724,727)	426,146,082
Absolute return hedge funds	126,745,744	(41,139)	65,828,473	(6,710,648)	185,822,430
Real asset hedge funds	47,250,621	(463,057)	-	-	46,787,564
	$ 1,081,668,468	$ 53,382,015	$ 285,236,989	$ (193,383,126)	$ 1,226,904,346

Split Interest Agreements

	Beginning	Realized Gains	Change in Unrealized Gains	Net Additions/ Retirements	Ending
Perpetual trusts	$ 13,400,812	$ -	$ (885,520)	$ -	$ 12,515,292

	Beginning	New Mortgages	Paid Mortgages	Annual Payroll Deductions	Ending
Faculty mortgages	$ 10,229,000	$ 866,000	$ (1,002,767)	$ (572,533)	$ 9,519,700

Other Investments

	Beginning	Realized Gains	Change in Unrealized Gains	Net Transfers	Ending
Other investments	$ 6,929,266	$ (455,000)	$ (179,843)	$ 415,409	$ 6,709,832

2010 to 2011

Investment Pool

	Beginning	Realized & Change in Unrealized Gains	Purchases	Sales	Ending
Fixed income securities	$ 9,732,581	$ 423,460	$ 14,488,901	$ (16,761,281)	$ 7,883,661
Real estate partnerships	86,103,855	9,738,768	17,634,029	(12,849,729)	100,626,923
Private equity partnerships	263,635,402	94,470,196	57,719,203	(69,684,228)	346,140,573
Private fixed income funds	74,255,381	6,707,136	6,000,000	(6,779,574)	80,182,943
Real asset partnerships	25,934,445	10,061,529	9,626,734	(6,578,495)	39,044,213
Equity hedge funds	283,537,889	59,802,583	91,428	(9,638,110)	333,793,790
Absolute return hedge funds	135,373,898	16,800,018	1,768,793	(27,196,965)	126,745,744
Real asset hedge funds	39,319,436	7,931,185	-	-	47,250,621
Total	$ 917,892,887	$ 205,934,875	$ 107,329,088	$ (149,488,382)	$ 1,081,668,468

	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

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

There have been no significant transfers of assets between levels for the year ended June 30, 2012 or June 30, 2011.

Total change in unrealized gains (losses) for assets classified within Level III as of June 30, 2012 and 2011 are $(1,045,875) and $151,159,834, 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	Remaining Life	Amount of Unfunded Commitments	Timing to Draw Commitments	Redemption Terms
Fixed Income Securities	Specific Securities (e.g. bank notes)	$ -	N/A	$ -	N/A	N/A
Real Estate Partnerships	Real Estate Investments	98,053,088	1 to 10 Years	35,481,978	1 to 7 years	N/A*
Private Equity Partnerships	Buyout and Venture Capital	342,983,660	1 to 10 Years	132,441,801	1 to 10 years	N/A*
Private Fixed Income Funds	Private Investments in funds and hedge funds	78,982,584	1 to 10 Years	2,500,000	1 to 4 years	N/A*
Real Asset Partnerships	Primarily Oil and Gas Partnerships	48,128,938	1 to 10 Years	20,506,593	1 to 10 years	N/A*
Equity Hedge Funds	Equity Long/Short Hedge Funds	426,146,082	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	185,822,430	N/A	20,519,675	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	46,787,564	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		$ 1,226,904,346		$ 211,450,047		
Split Interest Agreements	N/A	$ 12,515,292	N/A	$ -	N/A	N/A
Faculty Mortgages	Mortgages on faculty and staff homes	$ 9,519,700	N/A	$ -	N/A	N/A
Other Assets		$ -	N/A	$ -	N/A	N/A
Total		$ 1,248,939,338		$ 211,450,047		

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, 2012, the College has unfunded commitments of approximately $211,000,000.

The College holds mortgages on residences of eligible faculty and staff members that amounted to $9,519,700 and $10,229,000 as of June 30, 2012 and 2011, respectively. The average stated interest rate paid on the mortgages as of June 30, 2012 and 2011 were 3.44% and 3.58%, respectively.

Realized net gains were $78,423,652 and $58,803,878 for the years ended June 30, 2012 and 2011, respectively. Changes in unrealized appreciation for the years ended June 30, 2012 and 2011 was ($37,300,025) and $231,922,879, respectively. Net investment income, other than reinvested amounts, was $527,724 and $650,927 for the years ended June 30, 2012 and 2011, respectively. Of this amount, $1,983,605 and $2,117,803, respectively, was net investment income on split interest agreements. Reinvested income was $12,150,031 and $19,969,643, 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 direct overall investment strategy.

6. Land, Buildings and Equipment

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

	2012	2011
Land and land improvements	$ 44,482,453	$ 43,728,354
Buildings	464,585,875	456,471,795
Equipment	63,094,251	59,024,727
Art collections	36,748,122	36,009,572
	608,910,701	595,234,448
Less accumulated depreciation	(261,564,685)	(244,044,691)
	347,346,016	351,189,757
Construction in progress	25,735,300	10,852,132
	$ 373,081,316	$ 362,041,889

Depreciation expense was $18,900,439 and $18,893,965 for the years ended June 30, 2012 and 2011, respectively. During fiscal year 2012, the College disposed of certain assets with an original cost of $1,408,837 and accumulated depreciation of $1,380,445.

Interest costs of $463,791 and $232,646 were capitalized in 2012 and 2011, respectively.

7. Retirement Benefits

The College's expense under defined contribution retirement plans amounted to approximately $7,010,788 and $6,690,000 for 2012 and 2011, respectively.

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.

	2012	2011
Change in accumulated postretirement benefit obligation		
Postretirement benefit obligation at beginning of year		
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
Service cost	566,726	568,266
Interest cost	916,857	921,032
Plan participants' contributions	131,272	131,536
Actuarial loss (gain)	3,320,271	(1,233,713)
Benefits paid	(854,646)	(876,044)
Postretirement benefit obligation at end of year	$ 21,793,546	$ 17,713,066
Actives not fully eligible to retire	$ 9,925,652	$ 8,901,516
Actives fully eligible to retire	4,412,605	2,055,218
Retirees	7,455,289	6,756,332
	$ 21,793,546	$ 17,713,066
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution, net of retiree contributions	723,374	744,508
Plan participants' contributions	131,272	131,536
Benefits paid	(854,646)	(876,044)
Fair value of plan assets at end of year	$ -	$ -
Reconciliation of funded status		
Funded status - postretirement benefit liability	$ 21,793,546	$ 17,713,066

The components of the liability include:

Current liability	$ 1,033,676	$ 1,022,520
Non-current liability	20,759,870	16,690,546
Total liability	$ 21,793,546	$ 17,713,066

	2012	2011
Components of the net periodic postretirement benefit cost		
Service cost	$ 566,726	$ 568,266
Interest cost	916,857	921,032
Amortization of prior service cost	387,065	388,307
Amortization of actuarial loss	-	46,723
	$ 1,870,648	$ 1,924,328

Amounts unrecognized and amortization amounts in following year		
Amounts unrecognized in net periodic postretirement cost benefit		
Prior service cost	$ 2,660,408	$ 3,047,473
Net actuarial (gain) loss	4,450,843	1,130,572
	$ 7,111,251	$ 4,178,045
Amortization amounts in following year		
Prior service cost	$ 387,065	$ 387,065
Net actuarial (gain) loss	219,923	-
	$ 606,988	$ 387,065

Assumptions and Effects	**2012**	**2011**
Actuarial assumptions		
Medical/dental trend rate next year	8.0%/5.0%	8.5%/5.0%
Ultimate trend rate	5.0%/5.0%	5.0%/5.0%
Year ultimate trend rate is achieved	2018	2018
Discount rate used to value end of year accumulated postretirement benefit obligations	3.85%	5.33%
Discount rate used to value net periodic postretirement benefit cost	5.33%	5.22%
Effect of a 1% increase in health care cost trend rate on		
Interest cost plus service cost	$ 75,982	$ 75,595
Accumulated postretirement benefit obligation	$ 731,771	$ 536,411
Effect of a 1% decrease in health care cost trend rate on		
Interest cost plus service cost	$ (65,805)	$ (65,573)
Accumulated postretirement benefit obligation	$ (642,598)	$ (475,916)
Measurement date	6/30/12	6/30/11

Expected Future Benefit Payments

Fiscal Year	**Retiree Contribution**	**Employer Benefit Payment**
2013	$ 133,005	$ 1,046,226
2014	130,227	1,042,104
2015	118,170	1,015,935
2016	128,681	1,066,452
2017 through 2021	944,922	6,669,178

9. Commitments and Contingencies

Outstanding commitments related to investments amount to $211 million and $228 million as of June 30, 2012 and 2011, respectively.

At June 30, 2012, the College has outstanding construction and purchase contracts totaling approximately $55,044,000. Completion of these projects is estimated to extend through September 2014.

The College has entered into long-term non-cancelable 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 non-cancelable lease terms of one year or more as of June 30, 2012.

2013	$ 220,731
2014	209,608
2015	205,528
2016	197,748
2017	146,480
Thereafter	-
	$ 980,095

Total rental expense on operating leases was approximately $243,504 and $364,000 in 2012 and 2011, respectively.

10. Bonds Payable

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

	2012	2011
Massachusetts Health and Educational Facilities Authority Bonds (Williams College)		
Series E, variable rate, due through 2014	$ -	$ 1,700,000
Series H, 2.00% to 5.00%, due through 2033	33,956,499	35,579,824
Series I, variable rate, due through 2033	25,479,000	26,289,000
Series J, variable rate, due through 2026	31,961,000	32,137,000
Series K, 3.50% to 5.00%, due through 2033	35,830,376	36,788,767
Series L, 4.00% to 5.00%, due through 2036	75,550,780	75,729,995
variable thereafter, due through 2037	-	-
Series N, 3 yrs. At SIFMA plus .50%	50,470,000	50,470,000
Series O, 2.50%-5.00%, due through 2036	41,487,786	41,607,257
Total net bonds payable	$ 294,735,441	$ 300,301,843

The Series E bonds are variable rate demand revenue bonds and were retired 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 $1,550,000 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 .02% to .22% during fiscal year 2012 with an average rate of .10% 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 $810,000 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 .01% to .33% with an average rate of .16% 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. On July 1, 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, 2012, $21,058,518 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.

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, 2012 was approximately $305,561,036.

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

Bond issuance costs of $1,875,825 are amortized to other expense over the life of the respective bonds. Bond premiums of $9,145,441 at June 30, 2012, are amortized to other income over the life of the respective bonds. Combined debt principal payment requirements for the years 2013 through 2017 approximate $7,455,000, $7,680,000, 58,791,000, $8,720,000 and $9,122,000, 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 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 reflect the repayment of such bonds according to their scheduled maturity dates. If these bonds were fully tendered as of June 30, 2012, the debt principal payment requirements for the years 2013 through 2017 would approximate $65,580,000, $6,630,000, $57,710,000, $5,695,000 and $5,995,000, respectively.

Interest expense for the years ended June 30, 2012 and 2011 was $8,829,604 and $7,617,404, 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, 2012 and 2011, the fair value of the swap was a liability of approximately $6,144,958 and $3,503,131, respectively. The interest rate swap expires on July 1, 2026.

11. Lines of Credit

At June 30, 2012 the College has the following lines of credit:

Line of Credit Amount		Expiration Date
$	25,000,000	June 30, 2013
	47,400,000	November 1, 2013
	30,000,000	May 1, 2014
$	102,400,000	Total lines of credit

If drawn upon these lines would be assessed a spread to LIBOR fee depending on the duration of the loan. The unused annual fees range from 0 to 35 basis points. There were no outstanding amounts on the lines of credit at June 30, 2012 or 2011.

12. Endowments

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 $63,784,538 and $59,168,914 for the years ended June 30, 2012 and 2011, 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, 2012 delineated by net asset class and donor-restricted versus Board-designated funds:

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

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 1,048,721,779	$ 468,288,376	$ 1,517,010,155
Adjustment for funds underwater	(2,842,832)	2,842,832	-	-
Board-designated endowment funds	199,023,382	-	-	199,023,382
Total endowment funds	$ 196,180,550	$ 1,051,564,611	$ 468,288,376	$ 1,716,033,537

	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

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

	2012			
	Board Designated	Donor Designated		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, June 30, 2011	$ 220,189,769	$ 1,072,069,151	$ 449,758,046	$ 1,742,016,966
Gifts and transfers				
Gifts received & pledge activity	-	1,379,979	16,332,899	17,712,878
Transfers and gifts further designated	(22,091,355)	(8,412,033)	1,456,330	(29,047,058)
Investment return				
Net gains (losses)	5,754,968	42,364,038	-	48,119,006
Accumulated gains spent for operations	(7,476,656)	(56,307,882)	-	(63,784,538)
Income earned returned to principal	2,554	272,627	741,102	1,016,283
Underwater endowment				
Current year appropriation/recovery of funds to cover to cover permanent endowments where value is less than historic cost	(198,731)	198,731	-	-
Net endowment assets, June 30, 2012	$ 196,180,549	$ 1,051,564,611	$ 468,288,377	$ 1,716,033,537

	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	2,350	482,853	667,991	1,153,194
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	$ 220,189,770	$ 1,072,069,152	$ 449,758,046	$ 1,742,016,968

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 $2,842,832 and $2,644,102 as of June 30, 2012 and 2011, 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.

13. 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, 2012 and 2011:

	2012	2011
Temporarily restricted net assets		
Gifts for restricted purposes	$ 59,358,172	$ 59,813,764
Contributions to be paid in the future	4,638,307	7,867,926
Split-interest agreements, including outside managed trusts	35,251,313	35,449,866
Underwater funds	2,842,832	2,644,102
Endowment funds - unspent appreciation	1,025,361,472	1,040,713,820
	$ 1,127,452,096	$ 1,146,489,478
Permanently restricted net assets		
Student loan funds	$ 199,300	$ 474,120
Split-interest agreements and perpetual trusts, including outside managed trusts	65,793,010	54,910,330
Contributions to be paid in the future	17,064,819	21,947,565
Endowment funds - original principal	451,358,992	427,810,480
	$ 534,416,121	$ 505,142,495

14. Credit Loss Disclosures

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, 2012 and 2011 were as follows:

	June 30, 2012		June 30, 2011	
	Receivable Balance	Related Allowance	Receivable Balance	Related Allowance
Perkins loans	$ 2,775,479	$ -	$ 2,987,032	$ -
Other student loans	1,073,912	(153,609)	1,266,388	(165,836)
Faculty mortgages	9,519,700	(10,000)	10,229,000	(10,000)
Pine Cobble land notes	2,094,000	(2,000)	2,325,000	(2,000)
	$ 15,463,091	$ (165,609)	$ 16,807,420	$ (177,836)

15. Subsequent Events

The College has performed an evaluation of subsequent events through October 22, 2012, which is the date the financial statements are available to be 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.