Williams College

Financial Statements

June 30, 2013 and 2012

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Independent Auditor's Report

To the Board of Trustees of
Williams College:

We have audited the accompanying financial statements of Williams College (the "College"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Williams College at June 30, 2013 and 2012, and the statement of activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

November 6, 2013

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Williams College
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Cash	$ 9,193,872	$ 13,024,791
Accounts receivable, net of allowance of $173,869 ($120,158 in 2012)	748,102	801,703
Contributions receivable, net of allowance of $3,313,371 in 2013 ($2,766,215 in 2012) (Note 2)	69,006,984	66,567,415
Notes receivable - student loans, net of allowance of $137,655 in 2013 ($153,609 in 2012) (Note 3)	3,792,343	3,695,782
Notes receivable - other (Note 4)	14,944,861	12,781,833
On deposit with bond trustee	59,623,769	21,058,518
Other assets	10,696,055	10,342,634
Real property held for sale (Note 5)	5,062,375	5,068,143
Investments (Note 6)	2,055,329,778	1,855,481,263
Land, buildings and equipment, net (Note 7)	395,262,731	373,081,316
Total assets	$ 2,623,660,870	$ 2,361,903,398
Liabilities		
Accounts payable and accrued liabilities	$ 21,936,507	$ 19,050,432
Accrued salaries and benefits (Note 8)	28,690,993	30,346,358
Deferred revenue and deposits	2,989,269	3,303,248
U. S. Government advances for student loans	3,305,953	3,361,296
Present value of beneficiary payments	53,476,847	52,256,225
Bonds payable (Note 10)	357,129,298	294,735,441
Total liabilities	467,528,867	403,053,000
Net Assets		
Unrestricted	306,460,404	296,982,181
Temporarily restricted	1,295,321,733	1,127,452,096
Permanently restricted	554,349,866	534,416,121
Total net assets	2,156,132,003	1,958,850,398
Total liabilities and net assets	$ 2,623,660,870	$ 2,361,903,398

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

Williams College
Statement of Activities
Year Ended June 30, 2013

	2013 Unrestricted	2013 Temporarily Restricted	2013 Permanently Restricted	2013 Total	2012 Total
Operating revenue, gains and other					
Student revenues					
Tuition and fees	$ 93,559,769	$ -	$ -	$ 93,559,769	$ 89,634,421
Room and board	21,812,478	-	-	21,812,478	20,554,398
Less: Financial aid	(46,197,227)	-	-	(46,197,227)	(44,071,977)
Net student revenues	69,175,020	-	-	69,175,020	66,116,842
Auxiliary enterprises - other	5,534,755	-	-	5,534,755	5,516,583
Special purpose grants expended	1,921,592	-	-	1,921,592	2,522,694
Gifts and grants, net	13,621,231	10,787,551	-	24,408,782	16,997,992
Investment income	508,033	2,233	-	510,266	527,724
Realized gains utilized	9,480,304	71,343,260	-	80,823,564	63,784,538
Other	1,022,559		-	1,022,559	1,221,016
Net assets released from restrictions	71,556,681	(71,556,681)	-	-	-
Total operating revenue, gains, and other	172,820,175	10,576,363	-	183,396,538	156,687,389
Operating expenses and other					
Instructional and research	83,850,597	-	-	83,850,597	83,238,688
Academic support	15,185,435	-	-	15,185,435	14,112,540
Student services	24,427,996	-	-	24,427,996	21,973,711
Institutional support	29,769,474	-	-	29,769,474	31,604,694
Auxiliary enterprises	31,538,116	-	-	31,538,116	32,305,816
Other	1,276	-	72	1,348	118,634
Total operating expenses and other	184,772,894	-	72	184,772,966	183,354,083
Change in net assets from operating activities	(11,952,719)	10,576,363	(72)	(1,376,428)	(26,666,694)
Nonoperating activities					
Realized and change in unrealized gains on investments, and investment income	29,074,152	227,427,169	5,944,196	262,445,517	47,853,933
Investment income on split interest agreements	-	1,483,332	624,613	2,107,945	1,983,605
Realized gains utilized for current operations	(9,109,961)	(71,713,603)		(80,823,564)	(63,784,538)
Payments of annuities	-	(2,602,859)	(2,463,300)	(5,066,159)	(4,748,660)
Change in actuarial valuation of split interest agreements	-	(46,359)	427,194	380,835	2,445,981
Life income and endowment gifts, net	-	3,434,633	17,577,026	21,011,659	33,173,622
Gain (loss) on disposition of fixed assets change in valuation of real estate held for sale, net	(428,671)	-	-	(428,671)	(3,823,869)
Gain (loss) on financial contracts and	1,956,326	-	-	1,956,326	(2,641,827)
Gain (loss) on the retirement of long term debt	3,197,488	-	-	3,197,488	-
One time interest cost on long term debt	(6,123,343)	-	-	(6,123,343)	-
Fund retirements	1,332,947	(1,332,947)	-	-	-
Funds further designated and income to principal	(486,046)	2,338,656	(1,852,610)	-	-
Transfers between net asset categories	(145,998)	469,300	(323,302)	-	-
Adjustment for endowment funds with fair value below historical cost	2,164,048	(2,164,048)	-	-	-
Change in net assets from nonoperating activities	21,430,942	157,293,274	19,933,817	198,658,033	10,458,247
Total change in net assets	9,478,223	167,869,637	19,933,745	197,281,605	(16,208,447)
Beginning net assets	296,982,181	1,127,452,096	534,416,121	1,958,850,398	1,975,058,845
Ending net assets	$ 306,460,404	$ 1,295,321,733	$ 554,349,866	$ 2,156,132,003	$ 1,958,850,398

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

Williams College
Statement of Activities
Year Ended June 30, 2012

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue, gains and other				
Student revenues				
Tuition and fees	$ 89,634,421	$ -	$ -	$ 89,634,421
Room and board	20,554,398	-	-	20,554,398
Less: Financial aid	(44,071,977)	-	-	(44,071,977)
Net student revenues	66,116,842	-	-	66,116,842
Auxiliary enterprises - other	5,516,583	-	-	5,516,583
Special purpose grants expended	2,522,694	-	-	2,522,694
Gifts and grants, net	13,826,816	3,171,176	-	16,997,992
Investment income	527,724	-	-	527,724
Realized gains utilized	8,326,581	55,457,957	-	63,784,538
Other	1,221,016	-	-	1,221,016
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
Operating expenses and other				
Instructional and research	83,238,688	-	-	83,238,688
Academic support	14,112,540	-	-	14,112,540
Student services	21,973,711	-	-	21,973,711
Institutional support	31,604,694	-	-	31,604,694
Auxiliary enterprises	32,305,816	-	-	32,305,816
Other	-	55,709	62,925	118,634
Total operating expenses and other	183,235,449	55,709	62,925	183,354,083
Change in net assets from operating activities	(20,540,043)	(6,063,726)	(62,925)	(26,666,694)
Nonoperating activities				
Realized and change in unrealized gains on investments, and investment income	5,649,551	42,780,762	(576,380)	47,853,933
Investment income on split interest agreements	-	1,253,090	730,515	1,983,605
Realized gains utilized for current operations	(8,326,581)	(55,457,957)	-	(63,784,538)
Actuarial changes and payments of annuities	-	(1,410,304)	(892,375)	(2,302,679)
Life income and endowment gifts, net	-	4,071,429	29,102,193	33,173,622
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)
(Loss) on financial contracts, net	(2,641,827)	-	-	(2,641,827)
Transfers between net asset categories	358,330	(351,823)	(6,507)	-
Adjustment for endowment funds	(198,730)	198,730	-	-
with market value below book value	-	-	-	-
Change in net assets from nonoperating activities	(5,904,648)	(12,973,656)	29,336,551	10,458,247
Total change in net assets	(26,444,691)	(19,037,382)	29,273,626	(16,208,447)
Beginning net assets	323,426,872	1,146,489,478	505,142,495	1,975,058,845
Ending net assets	$ 296,982,181	$ 1,127,452,096	$ 534,416,121	$ 1,958,850,398

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

Williams College
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flow from operating activities		
Total change in net assets	$ 197,281,605	$ (16,208,447)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation, amortization and accretion	19,647,235	19,209,514
Provision for doubtful accounts receivable and student loans	88,653	(28,804)
Net change in realized and unrealized (gains) losses on investments and income	(262,445,517)	(47,853,933)
Loss on real property held for sale	483,143	3,525,477
Loss on disposal of plant assets	75,929	28,391
Gifts restricted for long-term investment	(21,967,456)	(26,131,391)
Gifts in kind	(405,840)	(1,298,550)
Changes in operating assets and liabilities		
Accounts receivable	(110)	(29,742)
Contributions receivable	(2,439,569)	(5,044,412)
Other assets	(2,163,028)	231,000
Accounts payable and accrued liabilities	(1,625,322)	2,525,747
Present value of beneficiary payments	6,261,863	4,914,868
Accrued salaries and benefits	(1,655,367)	4,163,781
Deferred revenue and deposits	(313,979)	(340,547)
Net cash used in operating activities	(69,177,760)	(62,337,048)
Cash flow from investing activities		
Proceeds from sale of investments	648,787,225	953,382,231
Purchase of investments	(586,190,224)	(900,574,818)
Additions to land, buildings and equipment	(38,050,305)	(26,123,147)
Funds on deposit with bond trustee	(38,565,251)	22,942,843
Proceeds from sale of real estate	-	8,974,524
Additional student loans granted	(697,075)	(376,030)
Student loans repaid	565,574	780,060
Net cash provided by investing activities	(14,150,056)	59,005,663
Cash flow from financing activities		
Gifts restricted for endowments	21,967,456	15,662,167
Payments to beneficiaries	(5,041,241)	(4,841,537)
Retirement of bond premium	(3,659,394)	-
Deposits with bond trustee	(225,000)	(3,984,000)
Issuance of new debt	148,355,419	-
Repayment of debt	(81,845,000)	(5,171,000)
U.S. Government advances for student loans	(55,343)	(56,480)
Net cash provided by financing activities	79,496,897	1,609,150
Net (decrease) increase in cash	(3,830,919)	(1,722,235)
Cash at beginning of the year	13,024,791	14,747,026
Cash at end of the year	$ 9,193,872	$ 13,024,791
Supplemental disclosures		
Cash paid during the year for interest	$ 10,131,775	$ 8,829,604
Noncash transactions		
Exchange of land for notes receivable	(109,000)	231,000
Amounts included in accounts payable related to construction in progress	6,205,484	3,238,640
Receipt of contributed securities	-	10,469,224

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 ($2,687,589) and ($3,820,799) for the years ended June 30, 2013 and 2012, 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 residential real estate owned that the College is either actively marketing or intends to sell. This real estate is recorded at fair value.

Investments

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

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 investments with managers managing global long/short equities, absolute return strategies, venture capital, buyouts, real estate, real assets and other strategies	Estimated fair value determined by the general partner of the privately held partnership
Real estate partnerships	Estimated fair value determined by the real estate partnership, otherwise at cost, which approximates fair value

Certain investment vehicles do not have quoted market prices. These include 1) hedge fund investments with managers of global long/short equities and absolute return strategies; and 2) investments in venture capital, buyout, real asset and real estate partnerships. In the absence of quoted market prices of these investment vehicles, 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. The College has performed due diligence procedures related to these investments to support recognition at fair value as of June 30, 2013 and 2012. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly under specific criteria from the values that would have been reported had a readily available market for these investments existed, and these differences could be material.

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.

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.

	2013	2012
Change in asset retirement obligation		
Asset retirement obligation at beginning of year	$ 4,614,470	$ 4,266,123
Settlement of obligation	(160,448)	(356,129)
Additional obligations	796,675	610,660
Accretion expense	142,083	93,816
Asset retirement obligation at end of year	$ 5,392,780	$ 4,614,470

Employee Benefits
Retirement benefits for substantially all full-time employees are individually funded and vested under a defined contribution retirement 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 periodic contributions to TIAA and CREF. The College's expense under defined contribution retirement plans amounted to approximately $7,075,264 and $7,010,788 for 2013 and 2012, respectively.

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 postemployment benefits which may include, 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 fair 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:

	2013	2012
Expected collection period		
Less than one year	$ 10,245,268	$ 13,521,390
One year to five years	13,302,825	12,126,868
Over five years	2,216,665	1,520,833
Less: Discount to present value	(2,225,833)	(2,699,754)
Allowance for uncollectible contributions	(3,313,371)	(2,766,215)
Net contributions receivable	20,225,554	21,703,122
Charitable remainder trusts held by others	48,781,430	44,864,293
Contributions receivable, net	$ 69,006,984	$ 66,567,415

At June 30, 2013 and 2012, the College had also received conditional promises to give of approximately $66,021,000 and $57,896,000, 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 $48,781,430 and $44,864,293 at June 30, 2013 and 2012, 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:

	2013	2012
Beginning of year balance	$ 44,864,293	$ 31,740,429
Change in unrealized gains	4,886,400	14,208,369
Net additions/retirements	(969,263)	(1,084,505)
End of year balance	$ 48,781,430	$ 44,864,293

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. Notes Receivable

The College holds mortgages on residences of eligible faculty and staff members that amounted to $9,160,433 and $9,519,700 as of June 30, 2013 and 2012, respectively. The average stated interest rate paid on the mortgages as of June 30, 2013 and 2012 were 3.30% and 3.44%, respectively. The College holds other notes receivable totaling $5,784,428 and $3,262,133 as of June 30, 2013 and 2012, respectively.

5. Real Property Held for Sale

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

	2013	2012
Williamstown, MA real estate	$ 5,062,375	$ 5,068,143

The carrying value of the real property is based upon external market appraisals and approximates fair value. Changes in the valuation of real estate held for sale amounted to ($483,143) and $0 for 2013 and 2012, respectively.

6. Investments

Investments held by the College are comprised of:

	2013	2012
Investment pool	$ 1,996,680,964	$ 1,799,376,647
Split interest agreements	50,991,537	49,617,101
Other investments	7,657,277	6,487,515
	$ 2,055,329,778	$ 1,855,481,263

Investment Pool 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.

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.

Investment Pool 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 2013 and 2012 is summarized below.

	Target Policy Portfolio at June 30,	
Asset Class	**2013**	**2012**
Public equity		
Global equity	27%	26%
Global long/short equity	15%	14%
Absolute return	17%	15%
Venture capital	6%	6%
Buyouts	9%	9%
Real assets	5%	9%
Real estate	6%	6%
Investment grade fixed income	4%	10%
Noninvestment grade fixed income	10%	4%
Cash	1%	1%
	100%	100%

In addition to the asset class diversification presented above, the College diversifies its investments among various investment strategies. The investments are managed by a select group of external investment management firms and held in custody by a major commercial bank, except for assets structured as partnerships, LLCs and comingled funds, which have separate arrangements appropriate to their legal structure.

ASC 820 Disclosure - Fair Value Hierachy
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 1	Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 include listed equity securities held in the name of the College in separately managed accounts and exchange traded mutual fund investments.
Level 2	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 2 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 3	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 3 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 3) are designed to be measures of price transparency, not liquidity. Different investors may classify similar or even identical investments in different categories. In certain instances, an investment may offer quarterly liquidity (and hence have observable inputs at the reporting date), however, the amount that may be redeemed may be limited (e.g. one-third of the College's capital account balance on any given quarter). In such instances, the College has elected to categorize the entire asset as a Level 3 investment. Further, the ASC 820 categories may not be indicative of the College's transparency into the underlying portfolio holdings of many of the College's fund investments. The College generally obtains significant transparency into the underlying positions of the venture capital, buyouts, real assets, and real estate partnership (e.g. drawdown) investments

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, 2013, management estimates that it could have liquidated $495 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, 2013 and 2012, by caption on the statements of financial position and by the ASC 820 fair value valuation hierarchy defined above:

	June 30, 2013			
	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	$ 36,517,902	$ -	$ -	$ 36,517,902
Common and preferred stocks	59,816,867	-	-	59,816,867
Equity mutual/commingled funds	-	259,355,393	-	259,355,393
Fixed income funds	80,121,518	51,398,798	53,879,765	185,400,081
Real asset commingled funds	-	4,154,523	-	4,154,523
Real estate partnerships	-	-	97,133,978	97,133,978
Private equity partnerships	-	-	334,301,162	334,301,162
Private fixed income funds	-	-	37,010,027	37,010,027
Real asset partnerships	-	-	55,316,846	55,316,846
Equity hedge funds	-	256,230,516	269,658,262	525,888,778
Absolute return hedge funds	-	94,427,629	271,721,070	366,148,699
Real asset hedge funds	-		21,638,340	21,638,340
Total	176,456,287	665,566,859	1,140,659,450	1,982,682,596
Investment pool - other				
Advance contribution to underlying fund	7,000,000	-	-	7,000,000
Redemption receivable from underlying fund	7,161,597	-	-	7,161,597
Other assets and liabilities	(163,229)	-	-	(163,229)
Total	13,998,368	-	-	13,998,368
Total investment pool	190,454,655	665,566,859	1,140,659,450	1,996,680,964
Split interest agreements				
Cash and cash equivalents	2,011,854	-	338,399	2,350,253
Common and preferred stocks	11,670,422	-	3,152,133	14,822,555
Fixed income securities	14,746,530	-	367,059	15,113,589
Fixed income mutual/commingled funds	3,013,254	-	3,289,649	6,302,903
Equity mutual/commingled funds	5,397,877	-	4,836,412	10,234,289
Real asset commingled funds	-	-	459,418	459,418
Real estate mutual funds	1,222,017	-	58,309	1,280,326
Other assets	-	-	428,204	428,204
Total split interest agreements	38,061,954	-	12,929,583	50,991,537
Other investments	860,234	-	6,797,043	7,657,277
Total	$ 229,376,843	$ 665,566,859	$ 1,160,386,076	$ 2,055,329,778

	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
Other investments	945,816	-	5,541,699	6,487,515
Total	$ 231,155,580	$ 379,364,346	$ 1,244,961,337	$ 1,855,481,263

Level 3 Rollforward

The following table is a rollforward of the statement of financial position amounts for financial instruments classified by the College within Level 3 of the fair value hierarchy defined above:

2012 to 2013

Investment Pool

	June 30, 2012 Balance	Realized & Change in Unrealized Gains (Losses)	Transfers In	Transfers Out	Purchases	Sales	June 30, 2013 Balance
Fixed income funds	$ -	$ 3,879,765	$ -	$ -	$ 50,000,000	$ -	$ 53,879,765
Real estate partnerships	98,053,088	7,505,975	-	-	11,739,745	(20,164,830)	97,133,978
Private equity partnerships	342,983,660	29,489,139	-	-	34,443,296	(72,614,933)	334,301,162
Private fixed income funds	78,982,584	6,930,212	-	(35,114,263)	5,900,000	(19,688,506)	37,010,027
Real asset partnerships	48,128,938	3,249,567	-	-	14,769,351	(10,831,010)	55,316,846
Equity hedge funds	426,146,082	62,641,560	738,009	(200,657,833)	25,000,000	(44,209,556)	269,658,262
Absolute return hedge funds	185,822,430	39,262,883	26,039,513	-	54,353,112	(33,756,868)	271,721,070
Real asset hedge funds	46,787,564	(2,369,820)	-	-	-	(22,779,404)	21,638,340
	$ 1,226,904,346	$ 150,589,281	$ 26,777,522	$ (235,772,096)	$ 196,205,504	$ (224,045,107)	$ 1,140,659,450

Split Interest Agreements

	Beginning	Realized Gains	Change in Unrealized Gains	Net Additions/ Retirements	Ending
Perpetual trusts	$ 12,515,292	$ -	$ 414,291	$ -	$ 12,929,583

Other Investments

	Beginning	Realized Gains	Change in Unrealized Gains	Transfers In	Transfers Out	Ending
Other investments	$ 5,541,699	$ -	$ 495,832	$ 848,175	$ (88,663)	$ 6,797,043

Transfers into Level 3 in the tables presented above are primarily due to financial instruments which had reduced transparency of market data or less observable trading activity during the year ended June 30, 2013. Transfers out of Level 3 in the tables presented above are primarily due to financial instruments which had increased transparency of market data or additional observable trading activity during the year ended June 30, 2013.

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 (Losses)	Net Additions/ Retirements	Ending
Perpetual trusts	$ 13,400,812	$ -	$ (885,520)	$ -	$ 12,515,292

Other Investments

	Beginning	Realized Gains	Change in Unrealized Gains (Losses)	Net Transfers	Ending
Other investments	$ 5,753,206	$ (455,000)	$ (179,843)	$ 423,336	$ 5,541,699

There were no significant transfers of assets between levels for the year ended June 30, 2012.

Total change in unrealized gains (losses) for assets classified within Level 3 as of June 30, 2013 and 2012 are $71,244,816 and ($1,045,875), respectively.

Additional Fair Value Disclosure

The College uses 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. In accordance with US GAAP, the following required disclosure lists specified investment types by major category.

2013

Investment Pool	Strategy	Fair Value	Remaining Life	Amount of Unfunded Commitments	Redemption Terms
Fixed Income Securities	Specific Securities (e.g. bank notes)	$ 53,879,765	N/A	$ -	Monthly with 30 days notice
Real Estate Partnerships	Real Estate Investments	97,133,978	1 to 13 years	32,844,093	N/A
Private Equity Partnerships	Buyout and Venture Capital	334,301,162	1 to 10 years	131,791,010	N/A
Private Fixed Income Funds	Private Investments in funds and hedge funds	37,010,027	2 to 10 years	20,058,478	One fund has the ability to be redeemed annually with 90 days notice. The remaining funds are commitment based with no ability to be redeemed.
Real Asset Partnerships	Partnerships	55,316,846	2 to 11 years	43,804,590	N/A
Equity Hedge Funds	Equity Long/Short Hedge	269,658,262	29 years		Ranges from monthly redemption to annual redemption with 30 to 120 days notice required for redemption.
Absolute Return Hedge Funds	Fundamental Multi Strategy/ Event Driven/ Global Opportunities Funds	271,721,070	4 to 38 years	15,312,811	Ranges from quarterly redemption to annual redemption with 30 days to 180 days notice required for redemption. Some funds are commitment based with no ability to be redeemed.
Real Asset Hedge Funds	Funds exposed to Commodities, TIPS and Energy Stocks	21,638,340	N/A	N/A	Quarterly with 65 days notice
Total Investment Pool		1,140,659,450		243,810,982	
Split Interest Agreements	N/A	12,929,583	N/A	-	N/A
Total		$ 1,153,589,033		$ 243,810,982	

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. The College has unfunded commitments of approximately $244,000,000 and $211,000,000 as of June 30, 2013 and 2012, respectively.

Realized net gains were $124,549,987 and $78,423,652 for the years ended June 30, 2013 and 2012, respectively. Changes in unrealized appreciation (depreciation) for the years ended June 30, 2013 and 2012 was $137,952,335 and ($37,300,025), respectively. Net investment income, other than reinvested amounts, was $510,266 and $527,724 for the years ended June 30, 2013 and 2012, respectively. Of this amount, $2,107,945 and $1,983,605, respectively, was net investment income earned on split interest agreements. Reinvested income was $4,642,698 and $12,150,031, 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.

As of June 30, 2013, receivables and payables related to the unsettled sales and purchases of securities were $7,200,269 and $100, respectively. 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, 2013 and 2012, included in investments is accrued investment income of $56,723 and $208,806, respectively.

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.

7. Land, Buildings and Equipment

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

	2013	2012
Land and land improvements	$ 45,173,009	$ 44,482,453
Buildings	469,887,614	464,585,875
Equipment	66,431,428	63,094,251
Art collections	37,153,962	36,748,122
	618,646,013	608,910,701
Less: Accumulated depreciation	(280,484,045)	(261,564,685)
	338,161,968	347,346,016
Construction in progress	57,100,763	25,735,300
	$ 395,262,731	$ 373,081,316

Depreciation expense was $19,165,645 and $18,900,439 for the years ended June 30, 2013 and 2012, respectively. During fiscal year 2013, the College disposed of certain assets with an original cost of $322,214 and accumulated depreciation of $246,285.

Interest costs of $1,070,709 and $463,791 were capitalized in 2013 and 2012, 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.

	2013	2012
Change in accumulated postretirement benefit obligation		
Postretirement benefit obligation at beginning of year		
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
Service cost	763,739	566,726
Interest cost	839,638	916,857
Plan participants' contributions	102,423	131,272
Amendments		
Actuarial loss (gain)	(1,073,221)	3,320,271
Benefits paid	(980,289)	(854,646)
Postretirement benefit obligation at end of year	$ 21,445,836	$ 21,793,546
Actives not fully eligible to retire	$ 10,625,521	$ 9,925,652
Actives fully eligible to retire	4,266,656	4,412,605
Retirees	6,553,659	7,455,289
	$ 21,445,836	$ 21,793,546
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution, net of retiree contributions	693,206	723,374
Implicit subsidy from active benefit payments	184,660	N/A
Plan participants' contributions	102,423	131,272
Benefits paid	(980,289)	(854,646)
Fair value of plan assets at end of year	$ -	$ -
Reconciliation of funded status		
Funded status - postretirement benefit liability	$ 21,445,836	$ 21,793,546

The components of the liability include:

	2013	2012
Current liability	$ 992,522	$ 1,033,676
Noncurrent liability	20,453,314	20,759,870
Total liability	$ 21,445,836	$ 21,793,546

	2013	2012
Components of the net periodic postretirement benefit cost		
Service cost	$ 763,739	$ 566,726
Interest cost	839,638	916,857
Amortization of prior service cost	387,065	387,065
Amortization of actuarial loss	181,421	-
	$ 2,171,863	$ 1,870,648
Amounts unrecognized and amortization amounts in following year		
Amounts unrecognized in net periodic postretirement cost benefit		
Prior service cost	$ 2,273,343	$ 2,660,408
Net actuarial (gain) loss	3,196,201	4,450,843
	$ 5,469,544	$ 7,111,251
Amortization amounts in following year		
Prior service cost	$ 387,065	$ 387,065
Net actuarial (gain) loss	98,034	219,923
	$ 485,099	$ 606,988

Assumptions and Effects

	2013	2012
Actuarial assumptions		
Medical/dental trend rate next year	8.5%/5.0%	8.0%/5.0%
Ultimate trend rate	5.0%/5.0%	5.0%/5.0%
Year ultimate trend rate is achieved	2020	2018
Discount rate used to value end of year accumulated postretirement benefit obligations	4.48%	3.85%
Discount rate used to value net periodic postretirement benefit cost	3.85%	5.33%
Effect of a 1% increase in health care cost trend rate on		
Interest cost plus service cost	$ 87,709	$ 75,982
Accumulated postretirement benefit obligation	746,310	731,771
Effect of a 1% decrease in health care cost trend rate on		
Interest cost plus service cost	$ (75,258)	$ (65,805)
Accumulated postretirement benefit obligation	(658,695)	(642,598)
Measurement date	June 30, 2013	June 30, 2012

Expected Future Benefit Payments

	Retiree Contribution	Employer Benefit Payment
Fiscal Year		
2014	$ 108,975	$ 992,522
2015	117,763	1,025,442
2016	112,830	1,022,094
2017	129,287	1,094,020
2018	156,185	1,215,439
2019 through 2023	1,081,190	7,558,389

9. Commitments and Contingencies

Outstanding commitments related to investments amount to approximately $244,000,000 and $211,000,000 as of June 30, 2013 and 2012, respectively.

At June 30, 2013, the College has outstanding construction and purchase contracts totaling approximately $30,705,000. Completion of these projects is estimated to extend through June 2015.

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, 2013.

2014	$ 209,608
2015	205,528
2016	197,748
2017	146,480
2018	-
Thereafter	-
	$ 759,364

Total rental expense on operating leases was approximately $220,731and $243,504 in 2013 and 2012, respectively.

10. Bonds Payable

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

	2013	2012
Massachusetts Health and Educational Facilities Authority Bonds (Williams College)		
Series H, 2.00% to 5.00%, due through 2033	$ 1,690,000	$ 33,956,499
Series I, variable rate, due through 2033	24,646,000	25,479,000
Series J, variable rate, due through 2026	31,779,000	31,961,000
Series K, 3.50% to 5.00%, due through 2033	23,623,276	35,830,376
Series L, 4.00% to 5.00%, due through 2036	37,784,053	75,550,780
Series N, 3 yrs. At SIFMA plus .50% variable thereafter, due through 2037	50,470,000	50,470,000
Series O, 2.50% to 5.00%, due through 2036	38,843,317	41,487,786
Series P, 2.00% to 5.00% due through 2043	148,293,652	-
Total net bonds payable	$ 357,129,298	$ 294,735,441

The above net bond payable represents $329,885,000 in principal and $27,244,298 in premium for fiscal year 2013, $285,590,000 and $9,145,441 for fiscal year ending 2012, respectively.

The Series H bonds are a fixed rate revenue bond. The College enacted its call provision in FY 2013 and refunded the principal totaling $29,125,000 with the May issuance of the Series P bonds. The remaining balance of $1,690,000 was paid on July 1.

The Series I bonds are variable rate demand revenue bonds. The annualized interest rate ranged from .04% to .21% during fiscal year 2013 with an average rate of .12% 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 $861,000 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 .05% to .23% with an average rate of .13% 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 $189,000 and increase to $3,185,000 over the repayment period of the bonds.

The Series K bonds are fixed rate revenue bonds. With the Series P issuance the College advanced refunded $11,065,000 in various coupons leaving a balance of $23,310,000 as of June 30th. Annual principal payments are currently $1,010,000 to $2,480,000 over the repayment period of the bonds.

Series L bonds are fixed rate revenue bonds. With the Series P issuance the College advanced refunded $34,200,000 in various coupons leaving a balance of $35,635,000 as of June 30th. Annual principal payments are currently $1,380,000 and increase to $4,235,000 over the repayment period of the bonds.

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.

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. Annual principal payments range from $850,000 to $2,600,000. The bonds are callable beginning on January 1, 2021 at 100% of par.

The Series P bonds are a fixed rate revenue bond issued on May 30, 2013 with an original principal value of $126,140,000 and a premium of $22,215,419. The first principal payment will be in July of 2014 for $1,690,000 and increase to 15,310,000 in 2043. The bonds are callable beginning July 1, 2023 at 100 percent 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, 2013 was approximately $350,400,072.

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

Bond issuance costs of $2,200,627 are amortized to other expense over the life of the respective bonds. Bond premiums of $27,244,298 at June 30, 2013, are amortized to other income over the life of the respective bonds. Combined debt principal payment requirements for the years 2014 through 2018 approximate $7,680,000, 58,726,000, $8,610,000, $8,987,000 and $9,354,000, 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, 2013, the debt principal payment requirements for the years 2014 through 2018 would approximate $63,055,000, $57,645,000, $5,585,000, 5,860,000 and $6,115,000, respectively.

Interest expense for the years ended June 30, 2013 and 2012 was $10,131,775 and $9,842,173, 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, 2013 and 2012, the fair value of the swap was a liability of approximately $4,188,632 and $6,144,958, respectively. The interest rate swap expires on July 1, 2026.

11. Lines of Credit

At June 30, 2013 the College has the following lines of credit:

Expiration Date	Line of Credit Amount
September 27, 2013	$ 25,000,000
December 11, 2013	47,400,000
May 1, 2014	30,000,000
Total lines of credit	$ 102,400,000

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, 2013 or 2012.

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, the College spent accumulated gains of $80,823,564 and $63,784,538 for the years ended June 30, 2013 and 2012, 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 trailing twelve quarter fair value of the investment pool. Prior to fiscal year 2013, this rate was expressed as a percentage of the beginning of year fair value of the investment pool and increased or decreased 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, 2013 delineated by net asset class and donor-restricted versus Board-designated funds:

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

	2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 1,202,320,809	$ 480,689,677	$ 1,683,010,486
Adjustment for funds underwater	(678,785)	678,785	-	-
Board-designated endowment funds	206,171,546	-	-	206,171,546
Total endowment funds	$ 205,492,761	$ 1,202,999,594	$ 480,689,677	$ 1,889,182,032

	2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 1,048,721,779	$ 468,288,377	$ 1,517,010,156
Adjustment for funds underwater	(2,842,832)	2,842,832	-	-
Board-designated endowment funds	199,023,381	-	-	199,023,381
Total endowment funds	$ 196,180,549	$ 1,051,564,611	$ 468,288,377	$ 1,716,033,537

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

	2013			
	Board Designated	Donor Designated		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, June 30, 2012	$ 196,180,549	$ 1,051,564,611	$ 468,288,377	$ 1,716,033,537
Gifts and transfers				
Gifts received & pledge activity		2,161,626	12,742,368	14,903,994
Transfers and gifts further designated	(13,053,832)	972,894	(1,004,987)	(13,085,925)
Investment return				
Net gains (losses)	29,308,609	221,849,144	-	251,157,753
Accumulated gains spent for operations	(9,109,961)	(71,713,603)	-	(80,823,564)
Income earned returned to principal	3,348	328,970	663,919	996,237
Underwater endowment				
Current year appropriation/recovery of funds to cover to cover permanent endowments where value is less than historic cost	2,164,048	(2,164,048)	-	-
Net endowment assets, June 30, 2013	$ 205,492,761	$ 1,202,999,594	$ 480,689,677	$ 1,889,182,032

	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

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 $678,785 and $2,842,832 as of June 30, 2013 and 2012, 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 5.0 percent real, that is after adjusting for inflation, 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 twelve quarter trailing average of the end of year investment pool over the long run. This policy is based on the expectation that the endowment will grow by 5% real, that is after adjusting for inflation, 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, 2013 and 2012:

	2013	2012
Temporarily restricted net assets		
Gifts for restricted purposes	$ 68,483,967	$ 59,358,172
Contributions to be paid in the future	9,481,110	4,638,307
Split-interest agreements, including outside managed trusts	38,376,723	35,251,313
Underwater funds	678,784	2,842,832
Endowment funds - unspent appreciation	1,178,301,149	1,025,361,472
	$ 1,295,321,733	$ 1,127,452,096
Permanently restricted net assets		
Student loan funds	$ 159,040	$ 199,300
Split-interest agreements and perpetual trusts, including outside managed trusts	73,365,715	65,793,010
Contributions to be paid in the future	10,720,982	17,064,819
Endowment funds - original principal	470,104,129	451,358,992
	$ 554,349,866	$ 534,416,121

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 years ended June 30, 2013 and 2012 were as follows:

	June 30, 2013		June 30, 2012	
	Receivable Balance	Related Allowance	Receivable Balance	Related Allowance
Perkins loans	$ 2,970,925	$ -	$ 2,775,479	$ -
Other student loans	959,072	(137,655)	1,073,912	(153,609)
Faculty and Staff mortgages	9,160,433	(10,000)	9,519,700	(10,000)
Pine Cobble land notes	1,889,000	(2,000)	2,094,000	(2,000)
Other notes receivable	3,895,428	-	1,168,132	-
	$ 18,874,858	$ (149,655)	$ 16,631,223	$ (165,609)

15. Subsequent Events

The College has performed an evaluation of subsequent events through November 6, 2013, 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.