Williams College

Consolidated Financial Statements

June 30, 2014 and 2013

Williams College
Index
June 30, 2014 and 2013

Independent Auditor's Report

To the Board of Trustees of Williams College:

We have audited the accompanying consolidated financial statements of Williams College (the “College”), which comprise the consolidated statements of financial position as of June 30, 2014 and June 30, 2013, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Williams College at June 30, 2014 and June 30, 2013, 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

October 29, 2014
Hartford, CT

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103-3404
860.241 7000, F: (860) 241 7590, www.pwc.com/us

Williams College
Consolidated Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 28,214,237	$ 9,193,872
Accounts receivable, net of allowance of $198,882 ($173,869 in 2013)	1,213,519	748,102
Contributions receivable, net of allowance of $2,684,348 in 2014 ($3,313,371 in 2013) (Note 2)	78,110,639	69,006,984
Notes receivable - student loans, net of allowance of $150,450 in 2014 ($137,655 in 2013) (Note 3)	4,304,285	3,792,343
Notes receivable - other (Note 4)	12,370,406	14,944,861
On deposit with bond trustee	17,812,321	59,623,769
Other assets	11,329,222	10,696,055
Real property held for sale (Note 5)	-	5,062,375
Investments (Note 6)	2,315,011,214	2,055,329,778
Land, buildings and equipment, net (Note 7)	442,681,123	395,262,731
Total assets	$ 2,911,046,966	$ 2,623,660,870
Liabilities		
Accounts payable and accrued liabilities	$ 28,726,570	$ 21,936,507
Accrued salaries and benefits (Note 8)	32,944,025	28,690,993
Deferred revenue and deposits	3,533,228	2,989,269
U. S. Government advances for student loans	3,339,912	3,305,953
Present value of beneficiary payments	56,283,673	53,476,847
Bonds payable (Note 10)	348,481,311	357,129,298
Total liabilities	473,308,719	467,528,867
Net Assets		
Unrestricted	327,599,175	306,460,404
Temporarily restricted (Note 13)	1,521,009,128	1,295,321,733
Permanently restricted (Note 13)	589,129,944	554,349,866
Total net assets	2,437,738,247	2,156,132,003
Total liabilities and net assets	$ 2,911,046,966	$ 2,623,660,870

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

Williams College
Consolidated Statement of Activities
Year Ended June 30, 2014

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenue, gains and other					
Student revenues					
Tuition and fees	$ 97,778,553	$ -	$ -	$ 97,778,553	$ 93,559,769
Room and board	22,975,133	-	-	22,975,133	21,812,478
Less: Financial aid	(46,372,981)	-	-	(46,372,981)	(46,197,227)
Net student revenues	74,380,705	-	-	74,380,705	69,175,020
Auxiliary enterprises - other	5,810,195	-	-	5,810,195	5,534,755
Special purpose grants expended	1,274,945	-	-	1,274,945	1,921,592
Gifts and grants, net	13,527,182	18,133,414	-	31,660,596	24,408,782
Investment income	574,646	1,986	-	576,632	510,266
Realized gains utilized	9,525,831	77,213,265	-	86,739,096	80,823,564
Other	902,739	-	-	902,739	1,022,559
Net assets released from restrictions	89,279,291	(89,279,291)	-		-
Total operating revenue, gains, and other	195,275,534	6,069,374	-	201,344,908	183,396,538
Operating expenses and other					
Instructional and research	85,062,961	-	-	85,062,961	83,850,597
Academic support	19,933,351	-	-	19,933,351	15,185,435
Student services	26,217,631	-	-	26,217,631	24,429,344
Institutional support	35,505,695	-	-	35,505,695	29,769,474
Auxiliary enterprises	31,986,514	-	-	31,986,514	31,538,116
Total operating expenses and other	198,706,152	-	-	198,706,152	184,772,966
Change in net assets from operating activities	(3,430,618)	6,069,374	-	2,638,756	(1,376,428)
Nonoperating activities					
Realized and change in unrealized gains on investments, and investment income	35,170,824	299,417,114	9,035,126	343,623,064	262,445,517
Investment income on split interest agreements	-	1,346,216	556,406	1,902,622	2,107,945
Realized gains utilized for current operations	(9,525,815)	(77,213,281)	-	(86,739,096)	(80,823,564)
Payments of annuities	-	(2,660,558)	(2,399,323)	(5,059,881)	(5,066,159)
Change in actuarial valuation of split interest agreements	-	(888,108)	606,089	(282,019)	380,835
Life income and endowment gifts, net	-	853,401	25,862,697	26,716,098	21,011,659
Gain (loss) on disposition of fixed assets and change in valuation of real estate held for sale, net	(1,486,550)	-	-	(1,486,550)	(428,671)
Gain (loss) on financial contracts	293,250	-	-	293,250	1,956,326
Gain (loss) on the retirement of long term debt	-	-	-	-	3,197,488
One time interest cost on long term debt	-	-	-	-	(6,123,343)
Fund retirements	591,640	(591,640)	-	-	-
Funds further designated and income to principal	(857,468)	(74,344)	931,812	-	-
Transfers between net asset categories	(295,277)	108,006	187,271	-	-
Adjustment for endowment funds with fair value below historical cost	678,785	(678,785)	-	-	-
Change in net assets from nonoperating activities	24,569,389	219,618,021	34,780,078	278,967,488	198,658,033
Total change in net assets	21,138,771	225,687,395	34,780,078	281,606,244	197,281,605
Beginning net assets	306,460,404	1,295,321,733	554,349,866	2,156,132,003	1,958,850,398
Ending net assets	$ 327,599,175	$ 1,521,009,128	$ 589,129,944	$ 2,437,738,247	$ 2,156,132,003

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

Williams College
Statement of Activities
Year Ended June 30, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenue, gains and other				
Student revenues				
Tuition and fees	$ 93,559,769	$ -	$ -	$ 93,559,769
Room and board	21,812,478	-	-	21,812,478
Less: Financial aid	(46,197,227)	-	-	(46,197,227)
Net student revenues	69,175,020	-	-	69,175,020
Auxiliary enterprises - other	5,534,755	-	-	5,534,755
Special purpose grants expended	1,921,592	-	-	1,921,592
Gifts and grants, net	13,621,231	10,787,551	-	24,408,782
Investment income	508,033	2,233	-	510,266
Realized gains utilized	9,480,304	71,343,260	-	80,823,564
Other	1,022,559		-	1,022,559
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
Operating expenses and other				
Instructional and research	83,850,597	-	-	83,850,597
Academic support	15,185,435	-	-	15,185,435
Student services	24,429,272	-	72	24,430,764
Institutional support	29,769,474	-	-	29,769,474
Auxiliary enterprises	31,538,116	-	-	31,538,116
Total operating expenses and other	184,772,894	-	72	184,772,966
Change in net assets from operating activities	(11,952,719)	10,576,363	(72)	(1,376,428)
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
Investment income on split interest agreements	-	1,483,332	624,613	2,107,945
Realized gains utilized for current operations	(9,109,961)	(71,713,603)		(80,823,564)
Payments of annuities	-	(2,602,859)	(2,463,300)	(5,066,159)
Change in actuarial valuation of split interest agreements	-	(46,359)	427,194	380,835
Life income and endowment gifts, net	-	3,434,633	17,577,026	21,011,659
Gain (loss) on disposition of fixed assets change in valuation of real estate held for sale, net	(428,671)	-	-	(428,671)
Gain (loss) on financial contracts and	1,956,326	-	-	1,956,326
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
Total change in net assets	9,478,223	167,869,637	19,933,745	197,281,605
Beginning net assets	296,982,181	1,127,452,096	534,416,121	1,958,850,398
Ending net assets	$ 306,460,404	$ 1,295,321,733	$ 554,349,866	$ 2,156,132,003

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

Williams College
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flow from operating activities		
Total change in net assets	$ 281,606,244	$ 197,281,605
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation, amortization and accretion	19,112,196	19,647,235
Provision for doubtful accounts receivable and student loans	33,572	88,653
Net change in realized and unrealized gains on investments and income	(345,853,197)	(262,445,517)
Loss on real property held for sale	-	483,143
Loss on disposal of plant assets	1,426,071	75,929
Gifts restricted for long-term investment	(25,760,234)	(21,967,456)
Gifts in kind	(106,171)	(405,840)
Changes in operating assets and liabilities		
Accounts receivable	(490,431)	(110)
Contributions receivable	(9,103,655)	(2,439,569)
Other assets	7,636,830	(2,163,028)
Accounts payable and accrued liabilities	(651,702)	(1,625,322)
Present value of beneficiary payments	7,840,528	6,261,863
Accrued salaries and benefits	4,253,033	(1,655,367)
Deferred revenue and deposits	543,958	(313,979)
Net cash used in operating activities	(59,512,958)	(69,177,760)
Cash flow from investing activities		
Proceeds from sale of investments	723,990,538	648,787,225
Purchase of investments	(637,818,777)	(586,190,224)
Additions to land, buildings and equipment	(61,433,876)	(38,050,305)
Funds on deposit with bond trustee	41,811,448	(38,565,251)
Additional student loans granted	(1,072,915)	(697,075)
Student loans repaid	552,414	565,574
Net cash provided by (used in) investing activities	66,028,832	(14,150,056)
Cash flow from financing activities		
Gifts restricted for endowments	25,760,234	21,967,456
Payments to beneficiaries	(5,033,702)	(5,041,241)
Retirement of bond premium	-	(3,659,394)
Deposits with bond trustee	(576,000)	(225,000)
Issuance of new debt	-	148,355,419
Repayment of debt	(7,680,000)	(81,845,000)
U.S. Government advances for student loans	33,959	(55,343)
Net cash provided by financing activities	12,504,491	79,496,897
Net (decrease) increase in cash	19,020,365	(3,830,919)
Cash at beginning of the year	9,193,872	13,024,791
Cash at end of the year	$ 28,214,237	$ 9,193,872
Supplemental disclosures		
Cash paid during the year for interest	$ 11,651,758	$ 10,131,775
Noncash transactions		
Donated Securities	$ 15,381,767	$ 10,009,961
Exchange of land for notes receivable	-	(109,000)
Amounts included in accounts payable related to construction in progress	13,481,052	6,205,484

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

1. Summary of Significant Accounting Policies

Basis of Presentation
The consolidated 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 consolidated 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 permits 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 and Cash Equivalents
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 at the date of purchase.

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 as revenue 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 $161,285 and $2,687,589 for the years ended June 30, 2014 and 2013, 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. In fiscal year 2014, all real property held for sale as of June 30, 2013 was reclassified as fixed assets subject to depreciation.

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; 2) investments in venture capital, buyout, real asset and real estate partnerships; and certain other commingled funds. 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, 2014 and 2013. 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).

Interest is capitalized on capital projects in process until the project is substantially complete.

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 consolidated statements of activities.

	2014	2013
Change in asset retirement obligation		
Asset retirement obligation at beginning of year	$ 5,392,780	$ 4,614,470
Settlement of obligation	(57,950)	(160,448)
Additional obligations	-	796,675
Accretion expense	166,980	142,083
Asset retirement obligation at end of year	$ 5,501,810	$ 5,392,780

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 $7,476,820 and $7,075,264 for 2014 and 2013, 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 consolidated 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 the consolidated 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 consolidated 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 consolidated financial statements.

2. Contributions Receivable

Contributions receivable are as follows at June 30:

	2014	2013
Expected collection period		
Less than one year	$ 12,519,678	$ 10,245,268
One year to five years	23,553,048	13,302,825
Over five years	1,921,429	2,216,665
Less: Discount to present value	(2,851,334)	(2,225,833)
Allowance for uncollectible contributions	(2,684,348)	(3,313,371)
Net contributions receivable	32,458,473	20,225,554
Charitable remainder trusts held by others	45,652,166	48,781,430
Contributions receivable, net	$ 78,110,639	$ 69,006,984

At June 30, 2014 and 2013, the College had also received conditional promises to give of approximately $56,598,406 and $66,021,000, 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 $45,652,166 and $48,781,430 at June 30, 2014 and 2013, 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:

	2014	2013
Beginning of year balance	$ 48,781,430	$ 44,864,293
Change in unrealized (loss)/gain	(3,319,800)	4,886,400
Net additions (retirements)	190,536	(969,263)
End of year balance	$ 45,652,166	$ 48,781,430

3. Notes Receivable – (Student Loans)

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 – (Other)

The College holds mortgages on residences of eligible faculty and staff members that amounted to $9,137,664 and $9,160,433 as of June 30, 2014 and 2013, respectively. The average stated interest rate paid on the mortgages as of June 30, 2014 and 2013 were 3.18% and 3.30%, respectively. The College holds other notes receivable totaling $3,232,742 and $5,784,428 as of June 30, 2014 and 2013, respectively.

5. Real Property Held for Sale

The College reclassified all real properties held for resale to land, buildings and equipment in 2014.

	2014	2013
Williamstown, MA real estate	$ -	$ 5,062,375

Changes in the presentation and valuation of real estate held for sale amounted to ($5,062,375) and ($483,143) for 2014 and 2013, respectively.

6. Investments

Investments held by the College are comprised of:

	2014	2013
Investment pool	$ 2,253,330,449	$ 1,996,680,964
Split interest agreements	52,033,418	50,991,537
Other investments	9,647,347	7,657,277
	$ 2,315,011,214	$ 2,055,329,778

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 of 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 institutions.

The College's investment strategy is designed to meet its investment objectives and has the following characteristics: an equity bias to help achieve the College's long-term return objective; diversification to dampen volatility; an emphasis on alternative investments; and 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 2014 and 2013 is summarized below.

	Target Policy Portfolio at June 30,	
Asset Class	**2014**	**2013**
Public equity		
Global equity	27%	27%
Global long/short equity	15%	15%
Absolute return	17%	17%
Venture capital	6%	6%
Buyouts	9%	9%
Real assets	5%	5%
Real estate	6%	6%
Investment grade fixed income	4%	4%
Noninvestment grade fixed income	10%	10%
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 has 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 and the College's ability to redeem, 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, 2014, management estimates approximately $884 million or 39% of the investment pool could be liquidated on a quarterly basis with varying notice periods (unaudited).

The following table presents the College's consolidated financial instruments carried at fair value as of June 30, 2014 and 2013, by caption on the consolidated statements of financial position and by the ASC 820 fair value valuation hierarchy defined above:

	June 30, 2014			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investment pool				
Global long equity funds	$ -	$ 299,605,102	$ 260,732,772	$ 560,337,874
Common and preferred stocks	71,119,517	-	-	71,119,517
Global long/short equity funds	-	216,535,246	58,274,454	274,809,700
Absolute return funds	-	139,089,189	199,769,285	338,858,474
Venture capital funds	-	-	194,657,810	194,657,810
Buyout funds	-	-	207,577,249	207,577,249
Real asset funds	-	4,339,716	99,737,969	104,077,685
Real estate funds	-	-	102,862,341	102,862,341
Investment grade fixed income funds	84,033,219	-	-	84,033,219
Non-investment grade fixed income funds	-	136,543,971	110,858,536	247,402,507
Cash and cash equivalents	35,223,880	-	-	35,223,880
Total	190,376,616	796,113,224	1,234,470,416	2,220,960,256
Investment pool - other				
Redemption receivable from underlying fund	32,193,710	-	-	32,193,710
Due from brokers	374,847	-	-	374,847
Other assets and liabilities	(198,364)	-	-	(198,364)
Total	32,370,193	-	-	32,370,193
Total investment pool	222,746,809	796,113,224	1,234,470,416	2,253,330,449
Split interest agreements				
Cash and cash equivalents	4,087,985	-	338,220	4,426,205
Common and preferred stocks	10,456,539	-	465,186	10,921,725
Fixed income securities	12,594,660	-	-	12,594,660
Fixed income mutual/commingled funds	2,118,343	-	3,550,133	5,668,476
Equity mutual/commingled funds	7,292,369	-	9,260,299	16,552,668
Real asset commingled funds	-	-	124,694	124,694
Real estate mutual funds	1,241,387	-	71,023	1,312,410
Other assets	-	-	432,580	432,580
Total split interest agreements	37,791,283	-	14,242,135	52,033,418
Other investments	1,733,940	-	7,913,407	9,647,347
Total	$ 262,272,032	$ 796,113,224	$ 1,256,625,958	$ 2,315,011,214

	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				
Global long equity funds	-	$ 259,355,393	$ 219,122,741	$ 478,478,134
Common and preferred stocks	$ 59,816,867	-	-	59,816,867
Global long/short equity funds	-	256,230,516	49,838,461	306,068,977
Absolute return funds	-	94,427,629	229,447,698	323,875,327
Venture capital funds	-	-	128,708,807	128,708,807
Buyout funds	-	4,154,523	205,592,355	209,746,878
Real asset funds	-	-	77,652,246	77,652,246
Real estate funds	-	-	97,133,978	97,133,978
Investment grade fixed income funds	80,121,518	51,398,798	-	131,520,316
Non-investment grade fixed income funds	-	-	133,163,164	133,163,164
Cash and cash equivalents	36,517,902	-	-	36,517,902
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
Equity mutual/commingled funds	3,013,254	-	3,289,649	6,302,903
Fixed income 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

Level 3 Rollforward

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

2013 to 2014

Investment Pool

	Reclassified June 30, 2013 Balance	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Transfers In	Transfers Out	Purchases	Sales	June 30, 2014 Balance
Global long equity funds	$ 219,122,741	$ 39,546,101	$ 6,404,512	$ -	$ -	$ 60,000,000	$ (64,340,582)	$ 260,732,772
Common and preferred stocks	-	-	-	-	-	-	-	-
Global long/short equity funds	49,838,461	-	93,711	-	-	10,000,000	(1,657,718)	58,274,454
Absolute return funds	229,447,698	14,641,995	10,894,513	-	(30,996,526)	2,057,309	(26,275,704)	199,769,285
Venture capital funds	128,708,807	10,203,467	45,660,629	-	-	26,919,312	(16,834,405)	194,657,810
Buyout funds	205,592,355	32,218,181	14,011,642	-	-	21,053,123	(65,298,052)	207,577,249
Real asset funds	77,652,246	6,186,879	10,300,277	-	-	17,955,381	(12,356,814)	99,737,969
Real estate funds	97,133,978	7,656,146	3,024,793	-	-	11,169,877	(16,122,453)	102,862,341
Investment grade fixed income funds	-	-	-	-	-	-	-	-
Non-investment grade fixed income funds	133,163,164	5,762,778	6,153,902	-	(53,879,765)	40,412,717	(20,754,260)	110,858,536
Cash and cash equivalents	-	-	-	-	-	-	-	-
	$ 1,140,659,450	$ 116,215,547	$ 96,543,979	$ -	$ (84,876,291)	$ 189,567,719	$ (223,639,988)	$ 1,234,470,416

Split Interest Agreements

	Beginning	Realized Gains (Losses)	Change in Unrealized Gains	Additions/ Retirements	Ending
Perpetual trusts	$ 12,929,583	$ -	$ 1,312,553	$ -	$ 14,242,136

Other Investments

	Beginning	Realized Gains (Losses)	Change in Unrealized Gains	Transfers In	Transfers Out	Ending
Other investments	$ 6,797,043	$ (26,418)	$ 284,291	$ 8,181,116	$ (7,322,625)	$ 7,913,407

Transfers out of Level 3 in the table 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, 2014.

2012 to 2013

Investment Pool

	Reclassified June 30, 2012 Balance	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Transfers In	Transfers Out	Purchases	Sales	Reclassified June 30, 2013 Balance
Global long equity funds	$ 213,292,703	$ 5,743,643	$ 43,391,554	$ -	$ -	$ -	$ (43,305,159)	$ 219,122,741
Common and preferred stocks	-	-	-	-	-	-	-	-
Global long/short equity funds	212,115,370	(100,843)	13,634,150	738,009	(200,657,833)	25,000,000	(890,392)	49,838,461
Absolute return funds	152,469,935	9,996,255	23,552,615	26,039,513		44,779,404	(27,390,024)	229,447,698
Venture capital funds	135,197,617	10,015,078	(13,727,964)	-	-	12,666,975	(15,442,899)	128,708,807
Buyout funds	207,786,043	32,118,023	1,084,002	-	-	21,776,321	(57,172,034)	205,592,355
Real asset funds	95,654,511	12,717,118	(11,864,315)	-	-	14,769,351	(33,624,419)	77,652,246
Real estate funds	98,053,088	8,278,275	(772,300)	-	-	11,739,745	(20,164,830)	97,133,978
Investment grade fixed income funds	-	-	-	-	-	-	-	-
Non-investment grade fixed income fund:	112,335,079	576,916	15,947,074	-	(35,114,263)	65,473,708	(26,055,350)	133,163,164
Cash and cash equivalents	-	-	-	-	-	-	-	-
	$ 1,226,904,346	$ 79,344,465	$ 71,244,816	$ 26,777,522	$ (235,772,096)	$ 196,205,504	$ (224,045,107)	$ 1,140,659,450

Split Interest Agreements

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

Other Investments

	Beginning	Realized Gains (Losses)	Change in Unrealized Gains	Transfers In	Transfers Out	Ending
Other investments	$ 6,797,043	$ (26,418)	$ 284,291	$ 8,181,116	$ (7,322,625)	$ 7,913,407

Transfers into Level 3 in the table 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 table 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.

Total change in unrealized gains (losses) for assets classified within Level 3 as of June 30, 2014 and 2013 are $97,454,102 and $71,244,816, 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 consolidated 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.

2014

Investment Pool	Fair Value	Remaining Life	Amount of Unfunded Commitments	Redemption Terms
Absolute return funds	$ 199,769,285	1 to 37 Years/ Some funds have an undefined life.	$ 4,000,000	Ranges from quarterly to annual redemptions with 30 to 180 days notice required for redemption. One fund is commitment based with no ability to be redeemed.
Buyout funds	207,577,249	1 to 11 Years	80,265,431	N/A
Global long equity funds	260,732,772	1 to 28 Years Some funds have an undefined life.	-	Ranges from quarterly to annual redemptions with 30 to 120 days notice required for redemption. One fund is subject to a 3 year rolling lock-up.
Global long/short equity funds	58,274,454	All funds have an undefined life.	-	Ranges from monthly to annual redeptions with 30 to 75 days notice required for redemption.
Non-investment grade fixed income funds	110,858,536	1 to 30 Years/ One fund has an undefined life.	13,918,587	Ranges from quarterly to annual redemptions with 60 to 90 days notice required for redemption. Some funds are commitment based with no ability to redeem.
Real asset funds	99,737,969	1 to 10 Years/ Some funds have an undefined life.	29,440,808	Quarterly redemptions with 45 to 60 days noticed required for redemption.
Real estate funds	102,862,341	1 to 14 Years	46,769,098	N/A
Venture capital funds	194,657,810	1 to 12 Years	63,353,530	N/A
Total Investment Pool	1,234,470,416		237,747,454	
Split Interest Agreements	14,242,136		-	
Total	$ 1,248,712,552		$ 237,747,454	

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 $238,000,000 and $244,000,000 as of June 30, 2014 and 2013, respectively.

Realized net gains were $155,579,721 and $124,549,987 for the years ended June 30, 2014 and 2013, respectively. Changes in unrealized appreciation (depreciation) for the years ended June 30, 2014 and 2013 was $190,552,297 and $137,952,335, respectively. Net investment income, other than reinvested amounts, was $576,633 and $510,266 for the years ended June 30, 2014 and 2013, respectively. Of this amount, $1,902,622 and $2,107,945, respectively, was net investment income earned on split interest agreements. Reinvested income was $3,069,751 and $4,642,698, 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 consolidated 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, 2014, receivables and payables related to the unsettled sales and purchases of securities were $47,793 and $0, respectively. 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, 2014 and 2013, included in investments is accrued investment income of $56,552 and $56,723, 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 consolidated 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:

	2014	2013
Land and land improvements	$ 47,332,357	$ 45,173,009
Buildings	550,137,232	469,887,614
Equipment	75,006,861	66,431,428
Art collections	37,377,168	37,153,962
	709,853,618	618,646,013
Less: Accumulated depreciation	(284,834,871)	(280,484,045)
	425,018,747	338,161,968
Construction in progress	17,662,376	57,100,763
	$ 442,681,123	$ 395,262,731

Depreciation expense was $19,971,151 and $19,165,645 for the years ended June 30, 2014 and 2013, respectively. During fiscal year 2014, the College disposed of certain assets with an original cost of $17,046,395 and accumulated depreciation of $15,620,324.

Interest costs of $1,898,120 and $1,070,709 were capitalized in 2014 and 2013, 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.

	2014	2013
Change in accumulated postretirement benefit obligation		
Postretirement benefit obligation at beginning of year		
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
Service cost	709,926	763,739
Interest cost	938,541	839,638
Plan participants' contributions	108,975	102,423
Amendments		
Actuarial loss (gain)	828,250	(1,073,221)
Benefits paid	(1,015,411)	(980,289)
Postretirement benefit obligation at end of year	$ 23,016,117	$ 21,445,836
Actives not fully eligible to retire	$ 10,272,729	$ 10,625,521
Actives fully eligible to retire	5,472,577	4,266,656
Retirees	7,270,811	6,553,659
	$ 23,016,117	$ 21,445,836
Change in plan assets		
Fair value of plan assets at beginning of year	$ -	$ -
Employer contribution, net of retiree contributions	746,906	693,206
Implicit subsidy from active benefit payments	159,530	184,660
Plan participants' contributions	108,975	102,423
Benefits paid	(1,015,411)	(980,289)
Fair value of plan assets at end of year	$ -	$ -
Reconciliation of funded status		
Funded status - postretirement benefit liability	$ 23,016,117	$ 21,445,836

The components of the liability include:

	2014	2013
Current liability	$ 960,149	$ 992,522
Noncurrent liability	22,055,968	20,453,314
Total liability	$ 23,016,117	$ 21,445,836

	2014	2013
Components of the net periodic postretirement benefit cost		
Service cost	$ 709,926	$ 763,739
Interest cost	938,541	839,638
Amortization of prior service cost	387,065	387,065
Amortization of actuarial loss	82,846	181,421
	$ 2,118,378	$ 2,171,863
Amounts unrecognized and amortization amounts in following year		
Amounts unrecognized in net periodic postretirement cost benefit		
Prior service cost	$ 1,886,278	$ 2,273,343
Net actuarial loss	3,941,605	3,196,201
	$ 5,827,883	$ 5,469,544
Amortization amounts in following year		
Prior service cost	$ 387,065	$ 387,065
Net actuarial loss	112,505	98,034
	$ 499,570	$ 485,099

Assumptions and Effects

	2014	2013
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	2020	2020
Discount rate used to value end of year accumulated postretirement benefit obligations	4.03%	4.48%
Discount rate used to value net periodic postretirement benefit cost	4.48%	3.85%
Effect of a 1% increase in health care cost trend rate on		
Interest cost plus service cost	$ 93,137	$ 87,709
Accumulated postretirement benefit obligation	693,817	746,310
Effect of a 1% decrease in health care cost trend rate on		
Interest cost plus service cost	$ (80,302)	$ (75,258)
Accumulated postretirement benefit obligation	(614,342)	(658,695)
Measurement date	June 30, 2014	June 30, 2013

Expected Future Benefit Payments

	Retiree Contribution	Employer Benefit Payment
Fiscal Year		
2015	$ 111,500	$ 960,149
2016	103,673	978,235
2017	124,093	1,071,529
2018	157,522	1,214,989
2019	182,458	1,304,441
2020 through 2024	1,155,050	7,681,533

Expected Employer Contribution for Next Fiscal Year

For non-funded plans, employer contributions equal benefit payments (above) for the next fiscal year.

2015	$960,149

9. Commitments and Contingencies

Outstanding commitments related to investments amount to approximately $238,000,000 and $244,000,000 as of June 30, 2014 and 2013, respectively.

At June 30, 2014, the College has outstanding construction and purchase contracts totaling approximately $22,000,000. Completion of these projects is estimated to extend through June 2018.

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, 2014.

2015	$ 205,528
2016	197,748
2017	146,480
2018	-
2019	
Thereafter	
	$ 549,756

Total rental expense on operating leases was approximately $209,608 and $220,731 in 2014 and 2013, respectively.

10. Bonds Payable

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

	2014	2013
Massachusetts Health and Educational Facilities Authority Bonds (Williams College)		
Series H, 2.00% to 5.00%, due through 2033	$ -	$ 1,690,000
Series I, variable rate, due through 2033	23,785,000	24,646,000
Series J, variable rate, due through 2026	31,590,000	31,779,000
Series K, 3.50% to 5.00%, due through 2033	22,597,414	23,623,276
Series L, 4.00% to 5.00%, due through 2036	36,312,604	37,784,053
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	36,173,848	38,843,317
Series P, 2.00% to 5.00% due through 2043	147,552,445	148,293,652
Total net bonds payable	$ 348,481,311	$ 357,129,298

The above net bond payable represents $322,205,000 in principal and $26,276,311 in premium for fiscal year 2014, $329,885,000 and $27,244,298 for fiscal year ending 2013, respectively.

The Series I bonds are variable rate demand revenue bonds. The annualized interest rate ranged from .02% to .11% during fiscal year 2014 with an average rate of .05% 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 .02% to .11% with an average rate of .05% 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 $196,000 and increase to $3,185,000 over the repayment period of the bonds.

The Series K bonds are fixed rate revenue bonds. Annual principal payments are currently $1,055,000 to $2,480,000 over the repayment period of the bonds.

Series L bonds are fixed rate revenue bonds. Annual principal payments are currently $1,830,000 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 were remarketed on June 18, 2014 as an additional 3 year floating rate note. The new reset rate will be .28% spread to SIFMA. 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, 2017 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, 2014 was approximately $347,773,655.

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

Bond issuance costs of $2,103,980 are amortized to other expense over the life of the respective bonds. Bond premiums of $26,276,311 at June 30, 2014, are amortized to other income over the life of the respective bonds. Combined debt principal payment requirements for the years 2015 through 2019 approximate $8,256,000, $8,610,000, $8,987,000, $59,824,000, and $8,566,000, respectively.

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, 2014, the debt principal payment requirements for the years 2015 through 2019 would approximate $62,550,000, $5,585,000, 5,860,000, $56,585,000, and $5,210,000, respectively.

Interest expense for the years ended June 30, 2014 and 2013 was $11,651,758 and $10,131,775, 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, 2014 and 2013, the fair value of the swap was a liability of approximately $3,895,382 and $4,188,632, respectively. The interest rate swap expires on July 1, 2026.

11. Lines of Credit

At June 30, 2014 the College has the following lines of credit:

	Line of Credit Amount
Expiration Date	
September 26, 2014	$ 25,000,000
January 31, 2015	46,000,000
May 1, 2016	30,000,000
Total lines of credit	$ 101,000,000

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, 2014 or 2013.

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 $86,739,096 and $80,823,564 for the years ended June 30, 2014 and 2013, 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. 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, 2014 delineated by net asset class and donor-restricted versus Board-designated funds:

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

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 1,421,711,212	$ 510,005,240	$ 1,931,716,452
Adjustment for funds underwater	-	-	-	-
Board-designated endowment funds	214,536,473	-	-	214,536,473
Total endowment funds	$ 214,536,473	$ 1,421,711,212	$ 510,005,240	$ 2,146,252,925

	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

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

	2014			
	Board Designated	Donor Designated		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net endowment assets, June 30, 2013	$ 205,492,761	$ 1,202,999,594	$ 480,689,677	$ 1,889,182,032
Gifts and transfers				
Gifts received & pledge activity	-	497,938	26,897,191	27,395,129
Transfers and gifts further designated	(17,285,319)	3,515,820	1,643,260	(12,126,239)
Investment return				
Net gains (losses)	35,172,327	292,241,012	-	327,413,339
Accumulated gains spent for operations	(9,525,815)	(77,213,281)	-	(86,739,096)
Income earned returned to principal	3,734	348,914	775,112	1,127,760
Underwater endowment				
Current year appropriation/recovery of funds to cover to cover permanent endowments where value is less than historic cost	678,785	(678,785)		-
Net endowment assets, June 30, 2014	$ 214,536,473	$ 1,421,711,212	$ 510,005,240	$ 2,146,252,925

	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

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 $0 and $678,785 as of June 30, 2014 and 2013, 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, 2014 and 2013:

	2014	2013
Temporarily restricted net assets		
Gifts for restricted purposes	$ 68,828,556	$ 68,483,967
Contributions to be paid in the future	15,381,349	9,481,110
Split-interest agreements, including outside managed trusts	41,941,594	38,376,723
Underwater funds	-	678,784
Endowment funds - unspent appreciation	1,394,857,629	1,178,301,149
	$ 1,521,009,128	$ 1,295,321,733
Permanently restricted net assets		
Student loan funds	$ 159,040	$ 159,040
Split-interest agreements and perpetual trusts, including outside managed trusts	78,812,391	73,365,715
Contributions to be paid in the future	17,077,120	10,720,982
Endowment funds - original principal	493,081,393	470,104,129
	$ 589,129,944	$ 554,349,866

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, 2014 and 2013 were as follows:

	June 30, 2014		June 30, 2013	
	Receivable Balance	Related Allowance	Receivable Balance	Related Allowance
Perkins loans	$ 3,563,606	$ -	$ 2,970,925	$ -
Other student loans	891,128	(150,450)	959,072	(137,655)
Faculty and staff mortgages	9,137,664	(10,000)	9,160,433	(10,000)
Pine Cobble land notes	1,889,000	(2,000)	1,889,000	(2,000)
Other notes receivable	1,193,741		3,895,428	-
	$ 16,675,139	$ (162,450)	$ 18,874,858	$ (149,655)

15. Subsequent Events

The College has performed an evaluation of subsequent events through October 29, 2014, which is the date the consolidated financial statements are available to be issued, and determined that there have been no subsequent events that would require recognition in the consolidated financial statements or disclosed in the consolidated notes of the financial statements.