# Williams College

## Consolidated Financial Statements

## June 30, 2016 and 2015

# Williams College
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## June 30, 2016 and 2015

## Report of Independent Auditors

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 statement of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets 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.

### *Auditors' 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 College'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 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Williams College as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Hartford, CT
October 17, 2016

# Williams College
## Consolidated Statements of Financial Position
## June 30, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 18,563,534 | $ 13,631,785 |
| Accounts receivable, net of allowance of $135,002 ($192,366 in 2015) | 1,176,191 | 800,862 |
| Contributions receivable, net of allowance of $4,405,212 in 2016 ($5,082,751 in 2015) (Note 2) | 140,841,594 | 147,220,340 |
| Notes receivable - student loans, net of allowance of $147,641 in 2016 ($152,920 in 2015) (Note 3) | 3,875,189 | 4,110,873 |
| Notes receivable - other (Note 4) | 12,237,367 | 11,864,888 |
| On deposit with bond trustee | - | 6,622,174 |
| Other assets | 9,926,921 | 10,445,222 |
| Investments (Note 5) | 2,313,700,815 | 2,454,986,004 |
| Land, buildings and equipment, net (Note 6) | 495,680,604 | 462,281,402 |
| Total assets | $ 2,996,002,215 | $ 3,111,963,550 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 29,653,643 | $ 20,851,759 |
| Accrued salaries and benefits (Note 7) | 42,516,664 | 36,764,116 |
| Deferred revenue and deposits | 1,848,731 | 2,639,744 |
| U. S. Government advances for student loans | 3,269,830 | 3,305,041 |
| Present value of beneficiary payments | 58,458,322 | 56,216,388 |
| Bonds payable (Note 9) | 327,710,857 | 337,221,093 |
| Total liabilities | 463,458,047 | 456,998,141 |
| **Net Assets** | | |
| Unrestricted | 326,063,381 | 345,196,584 |
| Temporarily restricted (Note 12) | 1,577,534,394 | 1,703,083,845 |
| Permanently restricted (Note 12) | 628,946,393 | 606,684,980 |
| Total net assets | 2,532,544,168 | 2,654,965,409 |
| Total liabilities and net assets | $ 2,996,002,215 | $ 3,111,963,550 |

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

# Williams College
## Consolidated Statement of Activities
## Year Ended June 30, 2016 with Summarized Comparative Totals for 2015

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| **Operating revenue, gains and other** | | | | | |
| Student revenues | | | | | |
| Tuition and fees | $ 107,478,632 | $ - | $ - | $ 107,478,632 | $ 101,178,295 |
| Room and board | 25,171,835 | - | - | 25,171,835 | 23,931,347 |
| Less: Financial aid | (48,410,658) | - | - | (48,410,658) | (45,760,382) |
| Net student revenues | 84,239,809 | - | - | 84,239,809 | 79,349,260 |
| Auxiliary enterprises - other | 8,116,466 | - | - | 8,116,466 | 8,035,140 |
| Special purpose grants expended | 2,042,135 | - | - | 2,042,135 | 2,201,395 |
| Gifts and grants, net | 20,162,459 | 16,055,896 | - | 36,218,355 | 36,129,608 |
| Investment income | 392,860 | 7,136 | - | 399,996 | 470,519 |
| Realized gains utilized | 9,508,275 | 90,427,980 | - | 99,936,255 | 92,533,233 |
| Other | 906,091 | - | - | 906,091 | 1,133,239 |
| Net assets released from restrictions | 103,356,572 | (103,356,572) | - | - | - |
| Total operating revenue, gains, and other | 228,724,667 | 3,134,440 | - | 231,859,107 | 219,852,394 |
| **Operating expenses and other** | | | | | |
| Instructional and research | 97,208,614 | - | - | 97,208,614 | 90,586,313 |
| Academic support | 26,081,302 | - | - | 26,081,302 | 26,306,220 |
| Student services | 31,875,149 | - | - | 31,875,149 | 29,733,705 |
| Institutional support | 45,444,827 | - | - | 45,444,827 | 37,465,859 |
| Auxiliary enterprises | 34,229,809 | - | - | 34,229,809 | 34,070,245 |
| Other | 2,158,723 | - | - | 2,158,723 | 422,873 |
| Total operating expenses and other | 236,998,424 | - | - | 236,998,424 | 218,585,215 |
| Change in net assets from operating activities | (8,273,757) | 3,134,440 | - | (5,139,317) | 1,267,179 |
| **Nonoperating activities** | | | | | |
| Realized and change in unrealized gains (losses) on investments, and investment income | (4,026,800) | (37,029,374) | (2,077,959) | (43,134,133) | 214,773,321 |
| Investment income on split interest agreements | - | 1,347,240 | 497,166 | 1,844,406 | 1,933,532 |
| Realized gains utilized for current operations | (9,508,316) | (90,427,939) | - | (99,936,255) | (92,533,233) |
| Payments of annuities | - | (2,637,743) | (2,513,604) | (5,151,347) | (5,119,150) |
| Change in actuarial valuation of split interest agreements | - | 4,084 | 165,107 | 169,191 | 1,711,617 |
| Life income and endowment gifts, net | - | 8,965,558 | 21,543,435 | 30,508,993 | 94,876,637 |
| Gain (loss) on financial contracts | (1,582,779) | - | - | (1,582,779) | 317,259 |
| Fund retirements | 2,425,544 | (2,425,544) | - | - | - |
| Funds further designated | 1,832,905 | (5,566,071) | 3,733,166 | - | - |
| Income to principal | - | (914,102) | 914,102 | - | - |
| Change in net assets from nonoperating activities | (10,859,446) | (128,683,891) | 22,261,413 | (117,281,924) | 215,959,983 |
| Total change in net assets | (19,133,203) | (125,549,451) | 22,261,413 | (122,421,241) | 217,227,162 |
| Beginning net assets | 345,196,584 | 1,703,083,845 | 606,684,980 | 2,654,965,409 | 2,437,738,247 |
| Ending net assets | $ 326,063,381 | $ 1,577,534,394 | $ 628,946,393 | $ 2,532,544,168 | $ 2,654,965,409 |

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

# Williams College
## Consolidated Statement of Activities
## Year Ended June 30, 2015

| | 2015 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Operating revenue, gains and other** | | | | |
| Student revenues | | | | |
| Tuition and fees | $ 101,178,295 | $ - | $ - | $ 101,178,295 |
| Room and board | 23,931,347 | - | - | 23,931,347 |
| Less: Financial aid | (45,760,382) | - | - | (45,760,382) |
| Net student revenues | 79,349,260 | - | - | 79,349,260 |
| Auxiliary enterprises - other | 8,035,140 | - | - | 8,035,140 |
| Special purpose grants expended | 2,201,395 | - | - | 2,201,395 |
| Gifts and grants, net | 22,660,131 | 13,469,477 | - | 36,129,608 |
| Investment income | 471,019 | (500) | - | 470,519 |
| Realized gains utilized | 9,317,059 | 83,216,174 | - | 92,533,233 |
| Other | 1,133,239 | - | - | 1,133,239 |
| Net assets released from restrictions | 101,116,271 | (101,116,271) | - | - |
| Total operating revenue, gains, and other | 224,283,514 | (4,431,120) | - | 219,852,394 |
| **Operating expenses and other** | | | | |
| Instructional and research | 90,586,313 | - | - | 90,586,313 |
| Academic support | 26,306,220 | - | - | 26,306,220 |
| Student services | 29,733,705 | - | - | 29,733,705 |
| Institutional support | 37,465,859 | - | - | 37,465,859 |
| Auxiliary enterprises | 34,070,245 | - | - | 34,070,245 |
| Other | 422,873 | - | - | 422,873 |
| Total operating expenses and other | 218,585,215 | - | - | 218,585,215 |
| Change in net assets from operating activities | 5,698,299 | (4,431,120) | - | 1,267,179 |
| **Nonoperating activities** | | | | |
| Realized and change in unrealized gains on investments, and investment income | 21,214,548 | 190,037,866 | 3,520,907 | 214,773,321 |
| Investment income on split interest agreements | - | 1,385,038 | 548,494 | 1,933,532 |
| Realized gains utilized for current operations | (9,317,059) | (83,216,174) | - | (92,533,233) |
| Payments of annuities | - | (2,680,037) | (2,439,113) | (5,119,150) |
| Change in actuarial valuation of split interest agreements | - | 1,092,809 | 618,808 | 1,711,617 |
| Life income and endowment gifts, net | - | 74,072,460 | 20,804,177 | 94,876,637 |
| Gain (loss) on financial contracts | 317,259 | - | - | 317,259 |
| Fund retirements | 1,078,994 | (1,078,994) | | - |
| Funds further designated | (1,803,386) | 5,284,903 | (3,481,517) | - |
| Income to principal | 4,152 | (979,166) | 975,014 | - |
| Transfers between net asset categories | 404,602 | 2,587,132 | (2,991,734) | - |
| Change in net assets from nonoperating activities | 11,899,110 | 186,505,837 | 17,555,036 | 215,959,983 |
| Total change in net assets | 17,597,409 | 182,074,717 | 17,555,036 | 217,227,162 |
| Beginning net assets | 327,599,175 | 1,521,009,128 | 589,129,944 | 2,437,738,247 |
| Ending net assets | $ 345,196,584 | $ 1,703,083,845 | $ 606,684,980 | $ 2,654,965,409 |

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

# Williams College
## Consolidated Statements of Cash Flows
## Years Ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Total change in net assets | $ (122,421,241) | $ 217,227,162 |
| Adjustments to reconcile change in net assets to net | | |
| cash provided (used) by operating activities | | |
| Depreciation, amortization and accretion | 25,937,253 | 23,829,250 |
| Provision for doubtful accounts receivable and student loans | (39,779) | 27,984 |
| Net change in realized and unrealized gains on investments and income | 41,289,727 | (216,706,852) |
| Gain on real property held for sale | (15,983) | (6,458) |
| Loss on disposal of plant assets | 284,409 | 539,373 |
| Gifts restricted for long-term investment | (41,496,897) | (26,084,028) |
| Donated securities | (7,517,043) | (10,577,881) |
| Proceeds from sale of donated securities | 2,509,716 | 6,443,752 |
| Gifts in kind | (1,165,527) | (7,708,740) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (317,965) | 419,173 |
| Contributions receivable | 6,378,746 | (69,109,701) |
| Other assets | (372,479) | 505,518 |
| Accounts payable and accrued liabilities | 6,872,545 | 2,095,035 |
| Present value of beneficiary payments | 7,369,880 | 5,031,784 |
| Accrued salaries and benefits | 5,752,548 | 3,820,091 |
| Deferred revenue and deposits | (791,013) | (893,484) |
| Net cash used in operating activities | (77,743,103) | (71,148,022) |
| **Cash flow from investing activities** | | |
| Proceeds from sale of investments | 709,197,519 | 921,562,563 |
| Purchase of investments | (609,202,058) | (844,830,500) |
| Additions to land, buildings and equipment | (56,940,659) | (48,285,592) |
| Funds on deposit with bond trustee | 6,622,174 | 11,190,147 |
| Proceeds from the sale of real estate | 420,241 | 301,293 |
| Additional student loans granted | (514,214) | (499,941) |
| Student loans repaid | 732,312 | 658,853 |
| Net cash provided by investing activities | 50,315,315 | 40,096,823 |
| **Cash flow from financing activities** | | |
| Gifts restricted for endowments | 41,496,897 | 26,084,028 |
| Proceeds from sale of donated securities restricted for endowments | 5,007,327 | 4,134,129 |
| Payments to beneficiaries | (5,127,946) | (5,099,069) |
| Deposits with bond trustee | (371,530) | (359,470) |
| Repayment of debt | (8,610,000) | (8,256,000) |
| U.S. Government (payments) advances for student loans | (35,211) | (34,871) |
| Net cash provided by financing activities | 32,359,537 | 16,468,747 |
| Net (decrease) increase in cash | 4,931,749 | (14,582,452) |
| **Cash** | | |
| Beginning of year | 13,631,785 | 28,214,237 |
| End of year | $ 18,563,534 | $ 13,631,785 |
| **Supplemental disclosures** | | |
| Cash paid during the year for interest | $ 10,984,684 | $ 11,245,064 |
| Noncash transactions | | |
| Donated Securities (unrestricted) | 2,509,716 | 6,443,752 |
| Donated Securities (restricted) | 5,007,327 | 4,134,129 |
| Exchange of land for notes receivable | 112,000 | 112,000 |
| Amounts included in accounts payable related to construction in progress | 5,215,303 | 2,879,844 |

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. Discount rates range from 1.34% to 6.00% based on the year the pledge was recorded. 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 \$(632,248) and \$7,277,193 for the years ended June 30, 2016 and 2015, respectively.

**Other Assets**
Other assets consist of prepaid expenses and inventories. Inventories consist primarily of supplies and are valued at the lower of cost (determined using a first-in, first-out methodology) or market.

**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 general manager of the real estate partnership. |

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 3) certain other commingled funds. In the absence of quoted market prices of these investment vehicles, the fair value is determined by the College based on information provided by 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. US GAAP permits the College to estimate the fair value of these investments by using the reported NAV provided by the external managers as a practical expedient. The College has performed due diligence procedures related to these investments to support recognition at fair value as of June 30, 2016 and 2015. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly 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.

| | **2016** | **2015** |
|---|---|---|
| **Change in asset retirement obligation** | | |
| Asset retirement obligation at beginning of year | $ 5,371,129 | $ 5,501,810 |
| Settlement of obligation | (120,596) | (370,726) |
| Additional obligations | 524,255 | 94,835 |
| Accretion expense | 97,659 | 145,210 |
| Asset retirement obligation at end of year | $ 5,872,447 | $ 5,371,129 |

**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 $7,963,661 and $7,853,815 for 2016 and 2015, 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**

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.

**Recently Adopted Accounting Standards:**

**ASU 2016-01:**
In January 2016, the FASB issued ASU 2016-01 "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". This guidance removes the requirement to disclose the fair value of financial instruments carried at amortized cost. The College has elected to early adopt ASU 2016-01 and has removed the fair value disclosure of its debt from Note 9, Bonds Payable.

**ASU 2015-03:**
In April 2015, the FASB issued ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASU No. 2015-03 requires that debt issuance costs be presented in the Statement of Financial Position as a direct deduction from the carrying amount of the related liability. Such treatment is now consistent with the presentation of debt discounts or premiums. As it stood prior to amendment, debt issuance costs were reported in the Statement of Financial Position as an asset, whereas debt discounts and premiums were, and remain, reported as deductions from or additions to the debt itself. Recognition and measurement guidance for debt issuance costs is not affected by this standard update. The standard has been implemented as of June 30, 2016 and applied retroactively.

**Recent Accounting Pronouncements:**

**ASU 2016-02:**
In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” The objective of this standard update is to provide a complete and understandable representation of an entity’s leasing activities. This standard update requires that lease assets and lease liabilities be recognized on the balance sheet and all key information about leasing arrangements be disclosed. The standard update is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The College is currently assessing the potential impact of this standard update on its consolidated financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, “Presentation of Financial Statements for Not-for-Profit Entities”. Under the new guidance, the existing three-category classification of net assets will be collapsed into two categories: with donor restrictions and without donor restrictions. Endowments that have a current fair value that is less than the original gift amount (underwater) will be classified in net assets with donor restrictions and expanded disclosures will be required. Additional requirements include disclosure of board-designated net assets, expanded reporting to present expenses by function and natural classification and eliminating the disclosure of investment expenses that are netted against investment returns. ASU No. 2016-14 is effective for the fiscal year ended June 30, 2019; the College is currently evaluating the impact its adoption will have on the Consolidated Financial Statements.

**New Revenue Recognition Standards:**
The FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, a principles-based standard to recognize revenue from customer contracts. ASU No. 2014-09 will be effective for the College’s fiscal year beginning 2019. The College is currently evaluating the impact the adoption of ASU No. 2014-09 will have on the financial statements.

## 2. Contributions Receivable

Contributions receivable are as follows at June 30:

| | 2016 | 2015 |
|---|---|---|
| **Expected collection period** | | |
| Less than one year | $ 31,133,410 | $ 28,106,365 |
| One year to five years | 78,039,633 | 91,902,272 |
| Over five years | 1,999,832 | 1,513,208 |
| Less: Discount to present value | (6,922,709) | (7,615,528) |
| Allowance for uncollectible contributions | (4,405,212) | (5,082,751) |
| Net contributions receivable | 99,844,954 | 108,823,566 |
| Charitable remainder trusts held by others | 40,996,640 | 38,396,774 |
| Contributions receivable, net | $ 140,841,594 | $ 147,220,340 |

At June 30, 2016 and 2015, the College had also received conditional promises to give of approximately $94,105,066 and $69,467,657, 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 $40,996,640 and $38,396,774 at June 30, 2016 and 2015, respectively, and are considered Level 3 inputs (see Note 5 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:

| | 2016 | 2015 |
|---|---|---|
| **Beginning of year balances** | $ 38,396,774 | $ 45,652,166 |
| Change in unrealized gain (loss) | 3,504,368 | (5,950,370) |
| Net (retirements) | (904,502) | (1,305,022) |
| **End of year balances** | $ 40,996,640 | $ 38,396,774 |

## 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 $8,687,310 and $8,657,232 as of June 30, 2016 and 2015, respectively. The average stated interest rate paid on the mortgages as of June 30, 2016 and 2015 were 2.93% and 3.05%, respectively. The College holds other notes receivable totaling $3,550,057 and $3,207,656 as of June 30, 2016 and 2015, respectively.

## 5. Investments

Investments held by the College are comprised of:

| | 2016 | 2015 |
|---|---|---|
| Investment pool | $ 2,256,160,166 | $ 2,395,100,140 |
| Split interest agreements | 46,457,800 | 50,164,064 |
| Other investments | 11,082,849 | 9,721,800 |
| | $ 2,313,700,815 | $ 2,454,986,004 |

**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 policy objectives are met. In addition, three Advisory Committees (Marketable Assets, Non-Marketable Assets and Real Assets) serve as sub-committees of the Investment Committee and 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. Williams' policy portfolio, and long-term returns, may therefore have distinctive components compared to those of other institutions.

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

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, 2016, management estimates approximately $746,000,000 or 33.1% of the investment pool could be liquidated within the next 90 days (unaudited).

**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 2016 and 2015 is summarized below.

| | Target Policy Portfolio at June 30, | |
|---|---|---|
| **Asset Class** | **2016** | **2015** |
| Global equity | 25 % | 25 % |
| Global long/short equity | 17 | 17 |
| Absolute return | 19 | 19 |
| Venture capital | 6 | 6 |
| Buyouts | 9 | 9 |
| Real assets | 5 | 5 |
| Real estate | 6 | 6 |
| Investment grade fixed income | 2 | 2 |
| Noninvestment grade fixed income | 10 | 10 |
| Cash | 1 | 1 |
| | 100 % | 100 % |

In addition to the asset class diversification targets 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 Hierarchy**
US GAAP contains an established framework to measure fair value, with 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 observability of inputs used in the valuation of an investment 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. |
| Level 3 | Pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the investment. Fair value for level 3 assets and liabilities is determined using various valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, and current and projected operating performance. The inputs generally require significant management judgment. Investments which are generally included in this category are the split interest agreements. |

In May 2015, the FASB, issued Accounting Standards Update (ASU) 2015-07 “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”, which removes the requirement to categorize within the fair value hierarchy and make certain disclosures for all investments for which fair value is measured using the practical expedient. For private entities, the new guidance is effective for interim and annual reporting periods that begin after December 15, 2017, with early adoption permitted. The College adopted ASU 2015-07 in 2015.

In accordance with Subtopic 820-10, certain investments that are measured at fair value using the practical expedient have not been classified in the fair value hierarchy. As such, the fair value amounts of investments presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position. The College performs additional procedures including due diligence reviews on is investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP.

The following table presents the College's consolidated financial instruments carried at fair value as of June 30, 2016 and 2015, by caption on the consolidated statements of financial position and by the ASC 820 fair value valuation hierarchy defined above.

| | June 30, 2016 | | | | |
|---|---|---|---|---|---|
| | **NAV Practical Expedient** | **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 | $ 524,860,497 | $ - | $ - | $ - | $ 524,860,497 |
| Global long/short equity funds | 393,603,346 | - | - | - | 393,603,346 |
| Absolute return funds | 380,391,276 | - | - | - | 380,391,276 |
| Venture capital funds | 304,152,853 | - | - | - | 304,152,853 |
| Buyout funds | 156,905,383 | - | - | - | 156,905,383 |
| Real asset funds | 86,068,299 | - | - | - | 86,068,299 |
| Real estate funds | 99,087,802 | - | - | - | 99,087,802 |
| Investment grade fixed income funds | - | 52,217,568 | - | - | 52,217,568 |
| Non-investment grade fixed income funds | 193,075,138 | - | - | - | 193,075,138 |
| Cash and cash equivalents | - | 33,351,006 | - | - | 33,351,006 |
| | 2,138,144,594 | 85,568,574 | - | - | 2,223,713,168 |
| **Investment pool - other** | | | | | |
| Advanced contribution to underlying fund | - | - | - | - | - |
| Redemption receivable from underlying fund | 32,577,116 | - | - | - | 32,577,116 |
| Other assets and liabilities | - | (130,118) | - | - | (130,118) |
| | 32,577,116 | (130,118) | - | - | 32,446,998 |
| Total investment pool | 2,170,721,710 | 85,438,456 | - | - | 2,256,160,166 |
| **Split interest agreements** | | | | | |
| Cash and cash equivalents | - | 2,220,640 | - | - | 2,220,640 |
| Common and preferred stocks | - | 14,582,396 | - | - | 14,582,396 |
| Fixed income securities | - | 15,682,466 | - | - | 15,682,466 |
| Real estate mutual funds | - | 1,078,272 | - | - | 1,078,272 |
| Perpetual trusts held by others | - | - | | 12,894,026 | 12,894,026 |
| Total split interest agreements | - | 33,563,774 | - | 12,894,026 | 46,457,800 |
| Other investments | - | 1,405,738 | - | 9,677,111 | 11,082,849 |
| | $ 2,170,721,710 | $ 120,407,968 | $ - | $ 22,571,137 | $ 2,313,700,815 |

| | June 30, 2015 | | | | |
|---|---|---|---|---|---|
| | NAV Practical Expedient | 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 | $ 543,542,659 | $ - | $ - | $ - | $ 543,542,659 |
| Global long/short equity funds | 350,545,028 | - | - | - | 350,545,028 |
| Absolute return funds | 385,190,141 | - | - | - | 385,190,141 |
| Venture capital funds | 299,899,605 | - | - | - | 299,899,605 |
| Buyout funds | 186,426,594 | - | - | - | 186,426,594 |
| Real asset funds | 95,473,895 | - | - | - | 95,473,895 |
| Real estate funds | 106,157,424 | - | - | - | 106,157,424 |
| Investment grade fixed income funds | - | 54,885,515 | - | - | 54,885,515 |
| Non-investment grade fixed income funds | 231,023,495 | - | - | - | 231,023,495 |
| Cash and cash equivalents | - | 25,857,974 | - | - | 25,857,974 |
| | 2,198,258,841 | 80,743,489 | - | - | 2,279,002,330 |
| **Investment pool - other** | | | | | |
| Advanced contribution to underlying fund | 85,000,000 | - | - | - | 85,000,000 |
| Redemption receivable from underlying fund | 31,364,029 | - | - | - | 31,364,029 |
| Other assets and liabilities | - | (266,219) | - | - | (266,219) |
| | 116,364,029 | (266,219) | - | - | 116,097,810 |
| Total investment pool | 2,314,622,870 | 80,477,270 | - | - | 2,395,100,140 |
| **Split interest agreements** | | | | | |
| Cash and cash equivalents | - | 3,741,703 | - | - | 3,741,703 |
| Common and preferred stocks | - | 20,281,262 | - | - | 20,281,262 |
| Fixed income securities | - | 11,052,171 | - | - | 11,052,171 |
| Real estate mutual funds | - | 1,207,888 | - | - | 1,207,888 |
| Perpetual trusts held by others | - | - | - | 13,881,040 | 13,881,040 |
| Total split interest agreements | - | 36,283,024 | - | 13,881,040 | 50,164,064 |
| Other investments | - | 1,490,388 | - | 8,231,412 | 9,721,800 |
| | $ 2,314,622,870 | $ 118,250,682 | $ - | $ 22,112,452 | $ 2,454,986,004 |

### Level 3 Rollforward

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

**2015 to 2016**

### Split Interest Agreements

| | Beginning | Realized Gains (Losses) | Change in Unrealized Gains (Losses) | Additions/ (Retirements) | Ending |
|---|---|---|---|---|---|
| Perpetual trusts | $ 13,881,040 | $ - | $ (987,014) | $ - | $ 12,894,026 |

### Other Investments

| | Beginning | Realized Gains (Losses) | Change in Unrealized Gains (Losses) | Transfers In | Transfers Out | Ending |
|---|---|---|---|---|---|---|
| Other investments | $ 8,231,412 | $ - | $ (54,602) | $ 1,500,301 | $ - | $ 9,677,111 |

Transfers into Level 3 in the table presented above are primarily due to financial instruments received as gifts and investments made during the year ended June 30, 2016.

**2014 to 2015**

**Split Interest Agreements**

| | Beginning | Realized Gains (Losses) | Change in Unrealized Gains (Losses) | Additions/ (Retirements) | Ending |
|---|---|---|---|---|---|
| Perpetual trusts | $ 14,242,135 | $ - | $ (361,095) | $ - | $ 13,881,040 |

**Other Investments**

| | Beginning | Realized Gains (Losses) | Change in Unrealized Gains (Losses) | Transfers In | Transfers Out | Ending |
|---|---|---|---|---|---|---|
| Other investments | $ 7,913,407 | $ 61,766 | $ 500,616 | $ - | $ (244,377) | $ 8,231,412 |

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, 2015.

Total change in unrealized gains (losses) for assets classified within Level 3 as of June 30, 2016 and 2015 are ($1,041,616) and $139,520, 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.

**2016**

| Investment Pool/ Strategy | Remaining Life | Amount of Unfunded Commitments (in millions) | Redemption Terms |
|---|---|---|---|
| Absolute return funds | 1 to 35 Years/ Some funds have an undefined life. | $ 11.1 | Ranges from quarterly to annual redemptions with 30 to 180 days notice required for redemption. One fund is subject to a 3 year rolling lock-up and two funds are commitment based with no ability to be redeemed. |
| Buyout funds | 1 to 10 Years | 121.9 | N/A |
| Global long equity funds | 1 to 26 Years Some funds have an undefined life. | - | Ranges from 5-day to annual redemptions with 1 day to 120 days notice required for redemption. One fund is subject to a 3 year rolling lock-up. One fund is subject to a 3 year lock-up with slow-pay provisions after the first year of lock-up. |
| Global long/short equity funds | All funds have an undefined life. | 39.7 | Ranges from monthly to quarterly redemptions with 10 to 90 days notice required for redemption. One fund is subject to a 3 year rolling lock-up and two funds are subject to a 5 year rolling lock-up. One fund is subject to a 2 year lock-up with slow-pay provisions after the end of the lock-up. One fund is subject to a 3 year lock-up with slow-pay provisions after the end of the first year of the lock-up. |
| Noninvestment grade fixed income funds | 1 to 28 Years/ Some funds has an undefined life. | 63.5 | Ranges from quarterly to annual redemptions with 30 to 120 days notice required for redemption. Some funds are commitment based with no ability to redeem. |
| Real asset funds | 1 to 10 Years/ Some funds have an undefined life. | 80.3 | Ranges from 5-day to quarterly redemptions with 1 day to 65 days notice required for redemption. Some funds are commitment based with no ability to redeem. |
| Real estate funds | 1 to 14 Years | 57.4 | N/A |
| Venture capital funds | 1 to 12 Years | 94.3 | N/A |
| Total investment pool | | 468.2 | |
| Split Interest Agreements | | - | |
| Total | | $ 468.2 | |

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 $468,200,000 and $346,000,000 as of June 30, 2016 and 2015, respectively.

Realized net gains were $133,197,738 and $230,808,266 for the years ended June 30, 2016 and 2015, respectively. Changes in unrealized appreciation (depreciation) for the years ended June 30, 2016 and 2015 was $(173,646,226) and $(13,773,752), respectively. Net investment income, other than reinvested amounts, was $399,996 and $470,519 for the years ended June 30, 2016 and 2015, respectively. Reinvested income was $2,242,196 and $4,024,051, respectively. Of this amount, $1,844,406 and $1,933,532, respectively, was net investment income earned on split interest agreements. 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, 2016 and 2015, included in investments are advanced contributions to underlying funds of $0 and $85,000,000, respectively. As of June 30, 2016 and 2015, included in investments are redemptions receivable from underlying funds of $32,577,116 and $31,364,029, respectively.

As of June 30, 2016 and 2015, there were no receivables and payables related to the unsettled sales and purchases of securities.

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 fair 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.

## 6. Land, Buildings and Equipment

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

| | 2016 | 2015 |
|---|---|---|
| Land and land improvements | $ 56,340,262 | $ 54,146,797 |
| Buildings | 604,148,252 | 574,783,873 |
| Equipment | 86,053,670 | 80,220,272 |
| Art collections | 47,257,549 | 45,521,473 |
| | 793,799,733 | 754,672,415 |
| Less: Accumulated depreciation | (333,062,487) | (307,709,520) |
| | 460,737,246 | 446,962,895 |
| Construction in progress | 34,943,358 | 15,318,507 |
| | $ 495,680,604 | $ 462,281,402 |

Depreciation expense was $26,353,777 and $24,958,636 for the years ended June 30, 2016 and 2015, respectively. During fiscal year 2016, the College disposed of certain assets with an original cost of $1,689,478 and accumulated depreciation of $1,000,810.

Interest costs of $719,533 and $268,360 were capitalized in 2016 and 2015, respectively.

## 7. 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.

| | 2016 | 2015 |
|---|---|---|
| **Change in accumulated postretirement benefit obligation** | | |
| Postretirement benefit obligation at beginning of year | | |
| Actives not fully eligible to retire | $ 11,216,746 | $ 10,272,729 |
| Actives fully eligible to retire | 6,640,470 | 5,472,577 |
| Retirees | 8,012,309 | 7,270,811 |
| | 25,869,525 | 23,016,117 |
| Service cost | 841,835 | 771,911 |
| Interest cost | 1,067,204 | 908,203 |
| Plan participants' contributions | 95,690 | 111,500 |
| Actuarial loss (gain) | 2,913,607 | 2,035,783 |
| Benefits paid | (1,016,815) | (973,989) |
| Postretirement benefit obligation at end of year | $ 29,771,046 | $ 25,869,525 |
| Actives not fully eligible to retire | $ 14,389,941 | $ 11,216,746 |
| Actives fully eligible to retire | 7,407,550 | 6,640,470 |
| Retirees | 7,973,555 | 8,012,309 |
| | $ 29,771,046 | $ 25,869,525 |
| **Change in plan assets** | | |
| Fair value of plan assets at beginning of year | $ - | $ - |
| Employer contribution, net of retiree contributions | 787,809 | 720,845 |
| Implicit subsidy from active benefit payments | 133,316 | 141,644 |
| Plan participants' contributions | 95,690 | 111,500 |
| Benefits paid | (1,016,815) | (973,989) |
| Fair value of plan assets at end of year | $ - | $ - |
| **Reconciliation of funded status** | | |
| Funded status - postretirement benefit liability | $ 29,771,046 | $ 25,869,525 |

The components of the liability include:

| | 2016 | 2015 |
|---|---|---|
| Current liability | $ 1,047,345 | $ 919,823 |
| Noncurrent liability | 28,723,701 | 24,949,702 |
| Total liability | $ 29,771,046 | $ 25,869,525 |

| | 2016 | 2015 |
|---|---|---|
| **Components of the net periodic postretirement benefit cost** | | |
| Service cost | $ 841,835 | $ 771,911 |
| Interest cost | 1,067,204 | 908,203 |
| Amortization of prior service cost | 387,065 | 387,065 |
| Amortization of actuarial loss | 227,888 | 112,664 |
| | $ 2,523,992 | $ 2,179,843 |
| **Amounts unrecognized and amortization amounts in following year** | | |
| Amounts unrecognized in net periodic postretirement cost benefit | | |
| Prior service cost | $ 1,112,148 | $ 1,499,213 |
| Net actuarial loss | 8,550,443 | 5,864,724 |
| | $ 9,662,591 | $ 7,363,937 |
| Amortization amounts in following year | | |
| Prior service cost | $ 387,065 | $ 387,065 |
| Net actuarial loss | 385,110 | 232,725 |
| | $ 772,175 | $ 619,790 |

**Assumptions and Effects**

| | 2016 | 2015 |
|---|---|---|
| Actuarial assumptions | | |
| Medical/dental trend rate next year | 7.5%/5.0% | 8.0%/5.0% |
| Ultimate trend rate | 5.0%/5.0% | 5.0%/5.0% |
| Year ultimate trend rate is achieved | 2021 | 2021 |
| Discount rate used to value end of year accumulated postretirement benefit obligations | 3.35% | 4.20% |
| Discount rate used to value net periodic postretirement benefit cost | 4.20% | 4.03% |
| Effect of a 1% increase in health care cost trend rate on | | |
| Interest cost plus service cost | $ 104,425 | $ 93,310 |
| Accumulated postretirement benefit obligation | $ 963,288 | $ 751,128 |
| Effect of a 1% decrease in health care cost trend rate on | | |
| Interest cost plus service cost | $ (89,122) | $ (79,786) |
| Accumulated postretirement benefit obligation | $ (844,884) | $ (665,159) |
| Measurement date | June 30, 2016 | June 30, 2015 |

**Expected Future Benefit Payments**

| | Retiree Contribution | Employer Benefit Payment |
|---|---|---|
| **Fiscal Year** | | |
| 2017 | $ 125,425 | $ 1,047,345 |
| 2018 | 167,592 | 1,217,842 |
| 2019 | 194,623 | 1,338,606 |
| 2020 | 218,353 | 1,444,897 |
| 2021 | 249,642 | 1,595,439 |
| 2022 through 2026 | 1,279,455 | 8,650,928 |

**Expected Employer Contribution for Next Fiscal Year**
For nonfunded plans, employer contributions equal benefit payments (above) for the next fiscal year.

| | |
|---|---|
| 2017 | $ 1,047,345 |

## 8. Commitments and Contingencies

At June 30, 2016, the College has outstanding construction and purchase contracts totaling approximately $16,600,000. An additional $20,000,000 construction contract was signed in July 2016. Completion of these projects is estimated to extend through August 2020.

The College has entered into long-term noncancelable operating leases with lease terms extending through the year 2021. 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, 2016.

| | |
|---|---|
| 2017 | $ 451,170 |
| 2018 | 325,018 |
| 2019 | 320,182 |
| 2020 | 324,635 |
| 2021 | 249,558 |
| Thereafter | - |
| | $ 1,670,563 |

Total rental expense on operating leases was approximately $234,545 and $231,759 in 2016 and 2015, respectively.

## 9. Bonds Payable

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

| | 2016 | 2015 |
|---|---|---|
| **Massachusetts Health and Educational Facilities Authority Bonds (Williams College)** | | |
| Series I, variable rate, due through 2033 | $ 21,988,000 | $ 22,900,000 |
| Series J, variable rate, due through 2026 | 29,281,000 | 31,394,000 |
| Series K, 3.50% to 5.00%, due through 2033 | 20,150,000 | 21,245,000 |
| Series L, 4.00% to 5.00%, due through 2036 | 30,520,000 | 32,425,000 |
| Series N, 3 yrs. at SIFMA plus 0.28% variable thereafter, due through 2042 | 50,470,000 | 50,470,000 |
| Series O, 2.50% to 5.00%, due through 2036 | 30,215,000 | 31,065,000 |
| Series P, 2.00% to 5.00% due through 2043 | 122,715,000 | 124,450,000 |
| Unamortized Premium | 24,278,904 | 25,277,607 |
| Unamortized Bond Costs | (1,907,047) | (2,005,514) |
| Total net bonds payable | $ 327,710,857 | $ 337,221,093 |

Fiscal year 2016 net bond payable includes $305,339,000 principal, $24,278,904 premium and ($1,907,047) capitalized loan expenses. Fiscal year 2015 net bond payable includes $313,949,000 principal, $25,277,607 premium and ($2,005,514) capitalized loan expenses. Bond premium and expenses are amortized over the life of the bonds.

The Series I bonds are variable rate demand revenue bonds. The annualized interest rate ranged from 0.01% to 0.44% during fiscal year 2016 with an average rate of 0.12% 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 $938,000 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 0.01% to 0.44% with an average rate of 0.12% 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 $2,189,000 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 $1,145,000 to $2,480,000 over the repayment period of the bonds.

Series L bonds are fixed rate revenue bonds. Annual principal payments are currently $1,985,000 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 a 3 year floating rate note. The reset rate is 0.28% above the Securities Industry and Financial Market Association Index (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 $925,000 to $2,095,000. 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. Annual principal payments are currently $1,805,000 to $15,310,000 over the repayment period of the bonds. The bonds are callable beginning July 1, 2023 at 100% of par.

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

Bond issuance costs of $1,907,047 are amortized to other expense over the life of the respective bonds. Bond premiums of $24,278,904 at June 30, 2016, are amortized to other income over the life of the respective bonds. Combined debt principal payment requirements for the years 2017 through 2021 approximate $59,824,000, $9,806,000, $9,695,000, $5,970,000 and $9,429,000, 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 bonds were fully tendered as of June 30, 2017, the debt principal payment requirements for the years 2017 through 2021 would approximate $57,129,000, $56,585,000, $6,450,000, $6,225,000 and $2,360,000, respectively.

Interest expense for the years ended June 30, 2016 and 2015 was $10,984,684 and $11,245,064, respectively.

On July 14, 2016 the College called the outstanding $47,540,000 Series K & L bonds. These bonds, along with an additional $30,000,000 were reissued as fixed rate Series Q bonds. The resulting issuance amounted to $64,645,000 in new bonds with a premium of $13,516,121.

On July 14, 2016 the College also closed on Series R, $50,500,000 variable rate private placement loan. The tax exempt portion of this loan amounted to $40,000,000 and the taxable portion was $10,500,000.

**Forward Interest Rate Swaps**

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.

In 2016, the College entered into an interest rate swap agreement related to the issuance of the Series R bonds. The agreement has a notional amount of $40,000,000. Under the terms of the agreement, the College pays a fixed rate of 1.2530% to a third party who in turn pays a variable rate, estimated as 67% 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, 2016 and 2015, the fair value of the two swaps was a liability of approximately $5,236,087 and $3,578,123, respectively. The interest rate swaps expire on July 1, 2026 and July 1, 2046 respectively.

## 10. Lines of Credit

At June 30, 2016, the College has the following lines of credit:

| Expiration Date | Amount |
|---|---|
| September 25, 2016 | $15,000,000 |
| April 22, 2017 | 20,000,000 |
| May 1, 2018 | 30,000,000 |
| January 31, 2017 | 26,000,000 |
| Total lines of credit | $91,000,000 |

The College has renewed the $15,000,000 line of credit at Bank of America through April 2017.

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 50 basis points. There were no outstanding amounts on the lines of credit at June 30, 2016 or 2015.

## 11. Endowments

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

The 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 $99,936,255 and $92,533,233 for the years ended June 30, 2016 and 2015, respectively. Total return in excess of, or less than, 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.

**Endowment net asset composition and activities by type for the year ended June 30:**

| 2016 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 1,436,509,018 | $ 560,857,121 | $ 1,997,366,139 |
| Adjustment for funds underwater | - | - | - | - |
| Board-designated endowment funds | 209,241,011 | - | - | 209,241,011 |
| Total endowment funds | $ 209,241,011 | $ 1,436,509,018 | $ 560,857,121 | $ 2,206,607,150 |

| 2015 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 1,592,931,103 | $ 536,323,566 | $ 2,129,254,669 |
| Adjustment for funds underwater | - | - | - | - |
| Board-designated endowment funds | 214,261,608 | - | - | 214,261,608 |
| Total endowment funds | $ 214,261,608 | $ 1,592,931,103 | $ 536,323,566 | $ 2,343,516,277 |

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

| | 2016 | | | |
|---|---|---|---|---|
| | Board Designated | Donor Designated | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Net endowment assets, June 30, 2015** | $ 214,261,608 | $ 1,592,931,103 | $ 536,323,566 | $ 2,343,516,277 |
| **Gifts and transfers** | | | | |
| Gifts received and pledge activity | - | 7,961,865 | 17,952,621 | 25,914,486 |
| Transfers and gifts further designated | 8,310,849 | (38,180,280) | 5,666,832 | (24,202,599) |
| **Investment return** | | | | |
| Net gains (losses) | (3,827,797) | (36,320,219) | - | (40,148,016) |
| Accumulated gains spent for operations | (9,508,316) | (90,427,939) | - | (99,936,255) |
| Income earned returned to principal | 4,667 | 544,488 | 914,102 | 1,463,257 |
| **Underwater endowment** | | | | |
| Current year appropriation/recovery of funds to cover permanent endowments where value is less than historic cost | - | - | - | - |
| **Net endowment assets, June 30, 2016** | $ 209,241,011 | $ 1,436,509,018 | $ 560,857,121 | $ 2,206,607,150 |

| | 2015 | | | |
|---|---|---|---|---|
| | Board Designated | Donor Designated | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Net endowment assets, June 30, 2014** | $ 214,536,473 | $ 1,421,711,212 | $ 510,005,240 | $ 2,146,252,925 |
| **Gifts and transfers** | | | | |
| Gifts received and pledge activity | - | 73,386,684 | 25,896,004 | 99,282,688 |
| Transfers and gifts further designated | (11,951,979) | (5,774,345) | (552,692) | (18,279,016) |
| **Investment return** | | | | |
| Net gains (losses) | 20,990,021 | 186,325,449 | - | 207,315,470 |
| Accumulated gains spent for operations | (9,317,059) | (83,216,174) | - | (92,533,233) |
| Income earned returned to principal | 4,152 | 498,277 | 975,014 | 1,477,443 |
| **Underwater endowment** | | | | |
| Current year appropriation/recovery of funds to cover permanent endowments where value is less than historic cost | - | - | - | - |
| **Net endowment assets, June 30, 2015** | $ 214,261,608 | $ 1,592,931,103 | $ 536,323,566 | $ 2,343,516,277 |

### 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. There are no underwater endowment funds at June 30, 2016 or 2015.

### 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% 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**
Spending from the endowment to support operations, referred to as asset use at Williams, is expected to be 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 5.0% real that is after adjusting for inflation, annually and operating expenditures will increase by 4-5% each year, allowing part of the annual growth to support operations, and part for reinvestment 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.

## 12. Temporarily Restricted and Permanently Restricted Net Assets

Following is the composition of the College's temporarily restricted and permanently restricted net assets at June 30, 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| **Temporarily restricted net assets** | | |
| Gifts for restricted purposes | $ 89,216,318 | $ 94,961,266 |
| Contributions to be paid in the future | 76,596,862 | 86,849,649 |
| Split-interest agreements, including outside managed trusts | 42,625,766 | 46,964,182 |
| Endowment funds - unspent appreciation | 1,369,095,448 | 1,474,578,748 |
| | $ 1,577,534,394 | $ 1,703,353,845 |
| **Permanently restricted net assets** | | |
| Student loan funds | $ 127,040 | $ 127,040 |
| Contributions to be paid in the future | 23,248,089 | 21,973,920 |
| Split-interest agreements and perpetual trusts, including outside managed trusts | 67,962,232 | 70,234,377 |
| Endowment funds - original principal | 537,609,032 | 514,349,643 |
| | $ 628,946,393 | $ 606,684,980 |

## 13. 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, 2016 and 2015 were as follows:

| | June 30, 2016 | | June 30, 2015 | |
|---|---|---|---|---|
| | Receivable Balance | Related Allowance | Receivable Balance | Related Allowance |
| Perkins loans | $ 3,257,103 | $ - | $ 3,480,611 | $ - |
| Other student loans | 765,727 | (147,641) | 783,181 | (152,920) |
| Faculty and staff mortgages | 8,687,310 | - | 8,657,232 | - |
| Pine Cobble land notes | 2,030,000 | - | 1,918,000 | - |
| Other notes receivable | 1,532,057 | (12,000) | 1,289,656 | - |
| | $ 16,272,197 | $ (159,641) | $ 16,128,680 | $ (152,920) |

## 14. Subsequent Events

The College has performed an evaluation of subsequent events through October 17, 2016, which is the date the consolidated financial statements were issued, and determined that there have been no subsequent events that would require recognition in the consolidated financial statements or further disclosure in the consolidated notes of the financial statements.