AUDITED
CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2014

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
RICHARD BLAND COLLEGE

ANNUAL FINANCIAL REPORT 2013 - 2014

Contents

The College of William and Mary in Virginia and Richard Bland College

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

This Management's Discussion and Analysis (MD&A) is a supplement to the College's financial statements designed to assist readers in understanding the financial statement information presented. The following information includes a comparative analysis between the current fiscal year ending June 30, 2014 and the prior year ending June 30, 2013. Significant changes between the two fiscal years and important management decisions are highlighted. The summarized information presented in the MD&A should be reviewed in conjunction with both the financial statements and associated footnotes in order for the reader to have a comprehensive understanding of the College's financial status and results of operations for fiscal year 2014. College management has prepared the MD&A, along with the financial statements and footnotes, and is responsible for all of the information presented.

The College's financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement Numbers 37 and 38, GASB Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement 65 *Items Previously Reported as Assets and Liabilities*. Accordingly, the three financial statements required are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The aforementioned statements are summarized and analyzed in the MD&A.

The financial statements of the College of William and Mary are consolidated statements that include the College, the Virginia Institute of Marine Science (VIMS) and Richard Bland College (RBC). All three entities are agencies of the Commonwealth of Virginia reporting to the Board of Visitors of the College of William and Mary and are referred to collectively as the "Colleges" within the MD&A as well as in the financial statements under the columns titled "College", unless otherwise indicated.

The College's affiliated foundations are also included in these statements consistent with GASB Statement No. 61, The Financial Reporting Entity: Omnibus. The College has a total of nine foundations, of which the financial information for eight of the foundations is presented in the statements under the column titled "Component Units". While affiliated foundations are not under the direct control of the College's Board of Visitors, this presentation provides a more holistic view of resources available to support the College and its mission. Additional information and detail related to the foundations can be found in the Component Unit Financial Information footnote. The ninth foundation, Intellectual Properties, was established in fiscal year 2008 and is presented blended in the College column as required by GASB 61 because the College has a voting majority of the board.

Financial Summary

Statement of Net Position

The Statement of Net Position provides a snapshot of the College's financial position, specifically the assets, deferred outflows of resources, liabilities, deferred inflows of resources and resulting net position as of June 30, 2014. The information presented for fiscal year 2013 for comparative purposes has been restated according to GASB Statement 65, Items Previously Reported as Assets and Liabilities. The information allows the reader to determine the College's assets available for future operations, amounts owed by the College and the categorization of net assets as follows:

(1) Net Investment in Capital Assets – reflects the College's capital assets net of accumulated depreciation and any debt attributable to their acquisition, construction or improvements.

(2) Restricted – reflects the College's endowment and similar funds whereby the donor has stipulated that the gift or the income from the principal, where the principal is to be preserved, is to be used to support specific programs of the College. Donor restricted funds are grouped into generally descriptive categories of scholarships, research, departmental uses, etc.

(3) Unrestricted – reflects a broad range of assets available to the College that may be used at the discretion of the Board of Visitors for any lawful purpose in support of the College's primary mission of education, research and public service. These assets are derived from student tuition and fees, state appropriations, indirect cost recoveries from grants and contracts, auxiliary services sales and gifts.

Summary Statement of Net Position

	FY 2014	FY 2013	Dollar Change	Percent Change
Assets:				
Current	$ 66,625,898	$ 68,593,035	$ (1,967,137)	-2.87%
Capital, net of accumulated depreciation	756,849,334	748,551,261	8,298,073	1.11%
Other non-current	141,737,180	126,153,495	15,583,685	12.35%
Total assets	965,212,412	943,297,791	21,914,621	2.32%
Deferred outflows of resources	3,541,050	3,805,431	(264,381)	100%
Liabilities:				
Current	77,771,250	99,669,758	(21,898,508)	-21.97%
Non-current	257,213,391	232,639,603	24,573,788	10.56%
Total liabilities	334,984,641	332,309,361	2,675,280	0.81%
Deferred inflows of resources	18,448	21,396	(2,948)	100%
Net Position:				
Net investment in capital assets	508,841,307	502,615,238	6,226,069	1.24%
Restricted	96,232,164	84,049,827	12,182,337	14.49%
Unrestricted	28,676,902	28,107,400	569,502	2.03%
Total net position	$633,750,373	$614,772,465	$18,977,908	3.09%

The overall result of the College's fiscal year 2014 operations was an increase in net position of approximately $19.0 million or 3.09 percent to $633.8 million. The majority of the increase in net position occurred in the categories of restricted ($12.2 million) and net investment in capital assets ($6.2 million) net position. In addition to the College's net position as shown above, net position for the College's affiliated foundations totaled $815.9 million.

Current Assets decreased by $2.0 million primarily as a result of an overall decrease in cash and cash equivalents partially offset by increases in investments, amounts due from the Commonwealth of Virginia and net receivables. The amounts due from the Commonwealth reflect routine and recurring requests for bond proceeds for capital construction. The increase in Other Non-Current Assets reflects the net increase in long-term investments.

Total liabilities increased by $6.5 million. During fiscal year 2013 the College obtained a treasury loan from the Commonwealth in the amount of $20,500,000 to purchase the Williamsburg Hospitality House to be used by the College as a dormitory, One Tribe Place. This loan was repaid during fiscal year 2014 and replaced with long term bonds. See footnote 9 for the long-term debt details and footnote 11 for the details of advances from the Treasurer of Virginia.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results from College operations for the fiscal year. Revenues for the daily operation of the College are presented in two categories: operating and non-operating. Operating revenues include the significant categories of tuition and fees, grants and contracts and the sales of auxiliary enterprises representing exchange transactions. Non-operating revenues include the significant categories of state appropriations, gifts and investment income representing non-exchange transactions. Net other revenues include capital appropriations, grants and contributions.

Summary Statement of Revenues, Expenses and Changes in Net Position

	FY 2014	FY 2013	Dollar Change	Percent Change
Operating revenues	$ 285,387,262	$ 276,441,534	$ 8,945,728	3.24%
Operating expenses	397,161,235	373,058,466	24,102,769	6.46%
Operating gain/(loss)	(111,773,973)	(96,616,932)	(15,157,041)	-15.69%
Net Non-operating revenues	106,691,095	94,558,986	12,132,109	12.83%
Income/(Loss) before other revenues	(5,082,878)	(2,057,946)	(3,024,932)	-146.99%
Net other revenues	24,060,786	25,646,969	(1,586,183)	-6.18%
Increase in net position	$ 18,977,908	$ 23,589,023	$ (4,611,115)	-19.55%

Overall, the result from operations was an increase in net position of $19.0 million. This increase was attributable to increases in all categories of revenues offset by an increase in operating expenses.

The increase in operating revenues was driven primarily by an increase in tuition and fees, grants and contracts as well as auxiliary enterprise. See the following section of Summary of Revenues for further details.

Operating expenses increased notably in two programs; Instruction and Institutional Support. See the following section of Summary of Expenses for further details.

With the inclusion of state appropriations for the College in the non-operating category, the College will typically display an operating loss for the year.

The following table provides additional details of the operating, non-operating and other revenues of the College.

Summary of Revenues

	FY2014	FY2013	Dollar Change	Percent Change
Operating Revenues:				
Student Tuition and Fees, net of scholarship allowances	$ 147,464,313	$ 141,080,380	$ 6,383,933	4.53%
Federal, State, Local and Non-governmental grants and contracts	46,487,452	45,931,705	555,747	1.21%
Auxiliary Enterprise, net of scholarship allowances	84,318,803	81,224,947	3,093,856	3.81%
Other	7,116,694	8,204,502	(1,087,808)	-13.26%
Total Operating Revenues	285,387,262	276,441,534	8,945,728	3.24%
Non-Operating:				
State Appropriations	69,688,298	66,457,428	3,230,870	4.86%
Gifts, Investment Income and other income and expenses	37,002,797	28,101,558	8,901,239	31.68%
Total Non-Operating	106,691,095	94,558,986	12,132,109	12.83%
Capital Revenues, Gains and (Losses):				
Capital Appropriations	10,249,507	15,528,112	(5,278,605)	-33.99%
Capital Grants and Gifts	13,811,279	10,118,857	3,692,422	36.49%
Total Capital Revenues, Gains and (Losses)	24,060,786	25,646,969	(1,586,183)	-6.18%
Total Revenues	$ 416,139,143	$ 396,647,489	$ 19,491,654	4.91%

Within the operating revenue category, student tuition and fees increased $6.4 million, net of scholarship allowances. An increase in State, Local, and non-governmental grants was offset by a reduction in Federal funding for research for a slight overall increase in revenues. The increase in Auxiliary Enterprise revenues is attributable to the Board approved fee increases and increased sales.

Additional details of the operating expenses of the College are summarized below:

Summary of Operating Expenses

	FY 2014	FY 2013	Dollar Change	Percent Change
Operating Expenses:				
Instruction	$ 108,529,748	$ 104,308,353	$ 4,221,395	4.05%
Research	50,947,278	48,845,335	2,101,943	4.30%
Public Service	74,104	52,111	21,993	42.20%
Academic Support	33,222,378	30,448,213	2,774,165	9.11%
Student Services	13,242,317	13,160,781	81,536	0.62%
Institutional Support	32,829,051	29,687,036	3,142,015	10.58%
Operation and Maintenance of Plant	24,526,990	26,110,532	(1,583,542)	-6.06%
Student Aid	29,122,292	36,300,527	(7,178,235)	-19.77%
Auxiliary Enterprise	75,840,679	58,490,641	17,350,038	29.66%
Depreciation	28,231,819	25,119,437	3,112,382	12.39%
Other Operating Expenses	594,579	535,500	59,079	11.03%
Total Operating Expenses	$ 397,161,235	$ 373,058,466	$ 24,102,769	6.46%

For fiscal year 2014, operating expenses increased notably in the following five programs; Instruction, Research, Academic Support, Institutional Support, and Depreciation. The large increase in Auxiliary Enterprise expense and corresponding decrease in Student Aid expense are the result of a change in how the auxiliary portion of the scholarship allowance is recorded. This change in presentation occurred during fiscal year 2014 and will be a one-time event.

Statement of Cash Flows

The Statement of Cash Flows provides detailed information about the College's sources and uses of cash during the fiscal year. Cash flow information is presented in four distinct categories: Operating, Non-capital Financing, Capital Financing and Investing Activities. This statement aids in the assessment of the College's ability to generate cash to meet current and future obligations.

Summary Statement of Cash Flows

	FY2014	FY 2013	Dollar Change	Percent Change
Cash Flows from:				
Operating Activities	$ (80,778,718)	$ (73,277,788)	$ (7,500,930)	-10.24%
Non-capital Financing	102,312,358	95,179,758	7,132,600	7.49%
Capital Financing	(18,101,790)	(29,843,519)	11,741,729	39.34%
Investing Activities	3,369,927	(32,475,057)	35,844,984	110.38%
Net Increase in Cash	$ 6,801,777	$ (40,416,606)	$ 47,218,383	116.83%

Cash flow from operations and non-capital financing reflects the sources and uses of cash to support the core mission of the College. The primary sources of cash supporting the core mission of the College in fiscal year

2014 were tuition and fees - $142.9 million, auxiliary enterprise revenues $84.0 million, state appropriations - $69.7 million, and research grants and contracts - $47.6 million.

The primary uses of operating cash in fiscal year 2014 were payments to employees - $211.5 million representing salaries, wages and fringe benefits and payments to suppliers of goods and services - $106.8 million. The increase in cash used by operating activities in fiscal year 2014 was primarily due to payments to employees and payments to suppliers.

Cash flow from capital financing activities reflects the activities associated with the acquisition and construction of capital assets including related debt payments. The primary sources of cash in fiscal year 2014 were proceeds from capital appropriations - $10.5 million, bond sales - $41.9 million, capital grants and gifts - $12.8 million. The primary uses of cash were for debt payments - $23.8 million and capital expenditures - $40.0 million.

The change in cash flows from investing activities is due to liquidation of investments. At June 30, 2014 the College had significantly more holdings in cash and cash equivalents as opposed to investments at June 30, 2013. The College had another record-breaking fundraising year in fiscal year 2014 which contributed to the cash available for investment.

Capital Asset and Debt Administration

The College of William & Mary

General – As the impact of the recession appears to be slowly receding, 2014 continues the cautious recovery in design and construction which began in 2013. Academic facilities remain the focus of projects in progress as the College begins a gradual transition away from construction of new space to renovation/retrofit of existing facilities and supporting infrastructure in order to ensure that the space inventory does not exceed the College's ability to support operation and maintenance of that space. It should be noted that projects in progress which are funded with general funds were approved prior to the 2013 General Assembly which authorized no new projects for the College. Given that the State is currently coming to grips with a projected $882 million budget shortfall, state approval and funding of additional projects may be challenging and force a greater reliance on non-general fund support of project requirements.

Completed Projects – Thirty-seven projects are listed as having been placed into service prior to fiscal year 2013. Residual funds in each budget have been used to restore items deleted from project scopes during design to reduce estimated costs prior to contract bid/negotiation and/or to purchase equipment required to optimize facility functionality. These projects will be closed as rapidly as possible.

Projects in Progress – Ten projects are currently in design (6) and construction (4).

Design – Two designs focus on teaching facilities, one on athletic stadium improvements, and three on regulatory compliance in the areas of handicapped accessibility, dam safety and storm water management. Instructional designs include two projects. First is the renovation of the 1927 era Tyler Hall classroom building which will become home to three departments and the Institute of International Relations. The second is design of a new 12,000sf Law School "Experiential Learning Center". The center will be located immediately adjacent to the existing law school, and will both consolidate and "bring home" selected legal clinics now scattered in rented space throughout Williamsburg. Athletic improvements consist of the design of an upper deck for the west side of Zable Stadium in order to replace existing end zone bleacher seating, renovation of the existing west stands, and construction of code compliant restroom, concessions and life safety improvements throughout the entire facility. Remaining projects address regulatory/capacity shortfalls of existing systems and facilities – specifically accessibility, stormwater management, and spillway capacity of Lake Matoaka earth fill dam. The accessibility project will install a ramp, elevator and accessible restrooms in Adair Hall, build wheelchair ramps at two former residential properties acquired by the College, and improve pathways throughout campus. The stormwater project will analyze campus stormwater compliance with new and emerging State and Federal regulations, design a sequence of projects to achieve compliance and initiate prioritized construction based on the availability of funds. The Lake Matoaka Dam Spillway Improvement project will ensure that the College meets State dam safety regulations which require that high risk dams have the capacity to pass 90% of the flow created by probable maximum precipitation (PMP). The capacity will be created by hardening the downstream face of the dam using roller compacted concrete (RCC) in order to allow passage of flow by overtopping without damage to the earthen embankment.

Construction – Four projects are in construction. One creates new instructional space, one enhances energy efficiency and two will renovate student housing. New instructional space will be created by the construction of the third phase of the Integrated Science Complex (ISC 3) which began in May, 2014. The facility will provide a consolidated home for the Department of Applied Sciences, space for the residual elements of Biology which are currently housed in Millington Hall, and facilities for selected elements of Chemistry and Psychology in addition to creation of a new academic computing center. Key to the facility is creation of interdisciplinary laboratory space to foster increased interdisciplinary research in support of state STEM initiatives. Millington Hall will be demolished following completion of the new construction in order to reclaim the building site for future construction. Construction will be completed in summer, 2016. Following the transition of Biology from Millington to ISC 3, Millington demolition will commence. An "ice plant" will be constructed within the existing centralized cooing plant. The project is significant in that it will enable a significant annual energy cost savings via "peak shaving". Peak shaving means using the cold brine (the "ice") created by the plant during periods of non-peak power consumption (when power rates are lower) to chill cooling water during periods of peak power demand (when rates are highest). Since annual rates for power are set during the peak fifteen minutes of demand each year, using the pre-cooled brine in lieu of additional power to drive chiller units will allow lower annual rates to be captured. Two student housing projects have been initiated. One will renovate the 1930s era Chandler Hall. The second will add a kitchen and bathroom addition to Phi Beta Phi Sorority House and will increase energy efficiency in the entire facility thru window replacement, external envelope insulation and installation of a state-of-the-art heating and cooling system.

As noted in the 2013 report, the Six Year Plan for 2014 – 2020 marked a significant transition functionally and fiscally. New construction will feature a shift in focus to support the arts, information technology and the renovation of existing academic facilities and dormitories. Funding support will continue to rely heavily on College and donor support in anticipation of a gradual restoration of state funding during this period of recovery from the fiscal recession. The next Six Year Plan submission for 2016 – 2022 will be further refined using guidance from a new Campus Master Plan which is scheduled for presentation to the Board of Visitors at the November, 2014, board meeting.

<u>Virginia Institute of Marine Science</u>

The Property Acquisitions have three appropriations for purchasing property at the Gloucester Point and Wachapreague campuses, and for the Virginia Estuarine & Coastal Research Reserve. While there were no property purchases for the Gloucester Point and Wachapreague campuses or for the Virginia Estuarine & Coastal Research Reserve during fiscal year 2014, the appropriations remain open in the event property becomes available in the future.

The Research Vessel project involves the planning and construction of a new custom designed research vessel to replace the R/V Bay Eagle. A naval architectural firm is currently developing the preliminary drawings of the new vessel.

The Consolidated Scientific Research Facility project involves the planning of a new 32,000 square-foot building to provide research, study, office and technology space for Information Technology, Marine Advisory Services, the Center for Resource Management (CCRM), and the Publication/Communication Center in a single facility. Architects have been working on concept sketches and the committee has agreed on an L-shaped two story structure. The schematic design was completed June 30, 2014, and submitted to the William & Mary Code Review Team.

The Facilities Management Building project involves the planning of a new 15,000 square-foot modern building to relocate and house Facilities Management administrative offices, maintenance trades shops, automotive and equipment repair garage, grounds keeping, housekeeping, and central shipping and receiving units. Architects are currently developing a space diagram for a single story L-shaped structure.

Richard Bland College

Ernst Hall Renovation project - Ernst Hall was opened in 1967 and has not had any major renovations. Its square footage is 47,200. The Bureau of Capital Outlay Management (BCOM) approved a funding report for $7.8 million for the renovation of this campus building. The architect for the project finalized working drawings, bid packages, and final planning documents during the year. Additionally, the College has contracted with an environmental hygienist for asbestos and hazardous material abatement specifications on the project with responsibilities for monitoring and testing. This phase was completed during the fiscal year. Final planning documents were approved by BCOM and the final project was bid out. At year-end, $650,678 of construction in progress balance was related to ongoing work at Ernst Hall. Anticipated opening date remains fall 2015.

James B. McNeer Hall Renovation project - Work on this project was completed during fiscal year 2014.

Debt Activity

The College's long-term debt is comprised of bonds payable, notes payable, capital lease payable and installment purchases. The bonds payable are Section 9(c) bonds which are general obligation bonds issued and backed by the Commonwealth of Virginia on behalf of the College. These bonds are used to finance capital projects which will produce revenue to repay the debt. The College's notes payable consists of Section 9(d) bonds, which are issued by the Virginia College Building Authority's (VCBA) Pooled Bond Program. These bonds are backed by pledges against the College's general revenues. As of June 30, 2014 the College has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of $70.4 million and $171.3 million respectively.

The outstanding balance of 9(c) bonds can be summarized in five major categories as follows: (1) Renovation of Dormitories - $28.8 million, (2) Commons Dining Hall - $6.7 million, (3) Other housing / residence - $5.0 million, (4) New Dormitory - $23.5 million, and (5) Underground Utility - $0.5 million. The majority of the 9(d) balance at June 30, 2014 is related to One Tribe Place - $22.4 million, the Miller Hall School of Business - $28.7 million, the Barksdale dormitories - $18.8 million, Cooling Plant - $20.2 million, Integrated Science Center - $15.4 million, the Parking Deck -$8.4 million, Recreation Sports Center - $7.3 million, Marshall-Wythe Law School Library - $11.0 million and Expand Sadler Center - $8.0 million.

Economic Outlook

The College's economic health continues to reflect our ability to recruit students, our status as a public institution within the Commonwealth of Virginia's higher education system, our ability to raise revenue through tuition and fees, grants and contracts and private funds, and our ability to reallocate funds in support of higher priorities.

William & Mary continues to recruit, admit and retain top-caliber students even as we compete against the most selective public and private institutions in the country. Freshman applications to the College reached a new high of 14,552 for Fall 2014. The credentials of our admitted students remain strong, reflecting the highly selective nature of the College. These statistics, coupled with the College's academic reputation, suggest a strong continuing student demand for the future.

State support for operations is a function of general economic conditions and the priority assigned to higher education among competing demands for Commonwealth resources. Recent years saw some rebound in State funding as Virginia's economy, and revenues, began to recover and higher education became a top priority. The recent announcements of a short-fall in State revenues for the 2014-16 biennium, and the Governor's request that State agencies and institutions prepare 5%/7% budget reduction plans, require that we exercise caution in making budget commitments that assume State funding support.

While the future of State funding is uncertain, on-going implementation of the William & Mary Promise will provide the College with incremental tuition revenue over the next several years. These revenues, when combined with increased private support and reallocated funds, allow the university to move forward strategically.

The rebound in endowment value began in fiscal year 2010 and continued through fiscal year 2014. By June 30, 2014, the consolidated value of endowments held by all of the various entities supporting the College and its programs totaled $797.6 million, an increase of 14.3% over the June 30, 2013 value and a record high for the College. Strong investment performance by both the Board of Visitors and College of William and Mary Foundation endowments combined with increasing gift flow support this increase. The Board of Visitors' endowment and the Foundation's William and Mary Investment Trust, the largest of the College's investment portfolios, remain highly diversified across asset classes.

Relative to private fund raising, for the first time in its history the College raised more than $100 million in two consecutive years, raising $104.2 million in gifts and commitments in fiscal year 2014. With more than 15,000 undergraduate alumni donors, an undergraduate alumni giving rate of 24.9% (the highest since 2006), and increased investment in University Advancement, we expect continued progress in private support for College programs and activities.

Facilities activity remains brisk on campus. On the academic side, the final phase of the Integrated Science Center (ISC3) is underway and the renovation of Tyler Hall will soon begin. Looking forward, the College completed preplanning for expansion and renovation activities to create an "Arts Quarter" on campus, meeting the needs of our fine and performing arts programs. Phase 1 of a three phase improvement plan was submitted to the State for funding consideration.

The College is also in the final stages of revising the university's master land use plan. This plan will be presented to the Board of Visitors for review and approval in November 2014 and serves as a guide for future campus development.

Consolidated Financial Statements

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Net Position
As of June 30, 2014

ASSETS	Colleges	Component Units
Current assets:		
Cash and cash equivalents (Note 3)	$ 29,316,777	$ 23,462,081
Investments (Note 3)	17,046,953	5,095,793
Appropriation available	552,938	-
Receivables, net of allowance for doubtful accounts (Note 5)	15,413,915	2,955,110
Due from commonwealth	2,058,357	-
Inventories	499,219	49,884
Pledges receivable	-	13,741,176
Prepaid expenses	1,626,668	968,423
Other assets	111,071	14,915
Total current assets	66,625,898	46,287,382
Non-current assets:		
Restricted cash and cash equivalents (Note 3)	30,484,914	16,597,777
Restricted investments (Note 3)	90,539,067	586,635,337
Investments (Note 3)	17,887,568	16,808,711
Receivables	-	23,388,222
Notes receivable, net of allowance for doubtful accounts (Note 5)	2,825,631	-
Pledges receivable	-	22,183,041
Capital assets, nondepreciable (Note 6)	117,905,013	12,343,232
Capital assets, depreciable net of accumulated depreciation of $376,142,667 (Note 6)	638,944,321	17,498,321
Other assets	-	1,784,211
Other restricted assets	-	150,593,476
Total non-current assets	898,586,514	847,832,328
Total assets	965,212,412	894,119,710
Deferred outflows of resources		
Loss on refunding of debt	3,541,050	
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	36,491,691	11,729,846
Unearned revenue	13,866,438	367,156
Deposits held in custody for others	1,474,522	363,434
Obligations under securities lending program	108,994	-
Long-term liabilities-current portion (Note 9)	25,440,338	1,746,580
Short term debt	-	2,145,000
Other liabilities	389,267	-
Total current liabilities	77,771,250	16,352,016
Long-term liabilities-non-current portion (Note 9)	257,213,391	61,897,340
Total liabilities	334,984,641	78,249,356
Deferred inflows of resources		
Gain on refunding of debt	18,448	
NET POSITION		
Net investment in capital assets	508,841,307	12,174,915
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	24,985,636	114,773,858
Research	-	8,253,712
Loans	-	24,230
Departmental uses	31,001,847	146,056,034
Other	-	197,488,296
Expendable:		
Scholarships and fellowships	8,625,429	95,087,313
Research	-	4,237,210
Debt service	1,325,176	-
Capital projects	2,703,506	26,967,593
Loans	602,230	68,872
Departmental uses	26,988,340	145,035,155
Other	-	23,103,447
Unrestricted	28,676,902	42,599,719
Total net position	$ 633,750,373	$ 815,870,354

The accompanying Notes to the Financial Statements are an integral part of this statement.

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	Colleges	Component Units
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $27,174,298	$ 147,464,313	$ -
Gifts and contributions	-	21,485,020
Federal grants and contracts	38,628,412	-
State grants and contracts	2,842,305	-
Local grants and contracts	212,315	-
Nongovernmental grants and contracts	4,804,420	-
Auxiliary enterprises, net of scholarship allowances of $11,534,088	84,318,803	-
Other	7,116,694	16,395,458
Total operating revenues	285,387,262	37,880,478
Operating expenses: (Note 11)		
Instruction	108,529,748	4,399,240
Research	50,947,278	617,262
Public service	74,104	770,879
Academic support	33,222,378	5,624,763
Student services	13,242,317	1,351,810
Institutional support	32,829,051	16,218,466
Operation and maintenance of plant	24,526,990	459,754
Student aid	29,122,292	8,260,010
Auxiliary enterprises	75,840,679	951,147
Depreciation	28,231,819	846,368
Other	594,579	8,353,113
Total operating expenses	397,161,235	47,852,812
Operating loss	(111,773,973)	(9,972,334)
Non-operating revenues/(expenses):		
State appropriations (Note 12)	69,700,225	-
Gifts	28,053,008	-
Net investment revenue	11,550,724	69,184,265
Pell grant revenue	5,208,799	-
Interest on capital asset related debt	(6,748,413)	(274,365)
Other non-operating revenue	2,342,914	11,247,262
Other non-operating expense	(3,416,162)	(833,646)
Net non-operating revenues	106,691,095	79,323,516
Income/(loss) before other revenues, expenses, gains or losses	(5,082,878)	69,351,182
Capital appropriations	10,249,507	-
Capital grants and contributions	13,811,279	7,892,255
Additions to permanent endowments	-	28,087,996
Net other revenues, expenses, gains or losses	24,060,786	35,980,251
Increase in net position	18,977,908	105,331,433
Net position - beginning of year	614,772,465	710,538,921
Net position - end of year	$ 633,750,373	$ 815,870,354

The accompanying Notes to the Financial Statements are an integral part of this statement.

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash flows from operating activities:	
Tuition and fees	$ 142,917,854
Scholarships	(30,692,996)
Research grants and contracts	47,606,943
Auxiliary enterprise charges	84,031,922
Payments to suppliers	(106,829,228)
Payments to employees	(211,479,274)
Payments for operation and maintenance of facilities	(12,025,405)
Loans issued to students and employees	(477,722)
Collection of loans to students and employees	509,033
Other receipts	5,731,612
Other payments	(71,457)
Net cash used by operating activities	(80,778,718)
Cash flows from noncapital financing activities:	
State appropriations	69,700,225
Gifts	28,053,008
Agency receipts	4,805,899
Agency payments	(5,173,167)
Direct Loan receipts	41,102,114
Direct Loan disbursements	(41,102,114)
Other non-operating receipts	6,713,707
Other non-operating disbursements	(1,787,314)
Net cash provided by noncapital financing activities	102,312,358
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	41,912,460
Capital appropriations	10,511,071
Capital grants and contributions	12,836,806
Payment to the Treasurer of Virginia	(20,629,092)
Insurance payments	528,270
Capital expenditures	(39,962,594)
Principal paid on capital-related debt	(15,930,163)
Interest paid on capital-related debt	(7,895,616)
Proceeds from sale of capital assets	527,068
Net cash used by capital and related financing activities	(18,101,790)
Cash flows from investing activities:	
Investment income	11,639,940
Investments	(8,270,013)
Net cash provided by investing activities	3,369,927
Net increase/(decrease) in cash	6,801,777
Cash-beginning of year*	52,894,338
Cash-end of year	$ 59,696,115

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2014

Reconciliation of Cash-end of year-Cash Flow Statement, to Cash and Cash Equivalents-Statement of Net Position :

Statement of Net Position		
Cash and cash equivalents	$	29,316,777
Restricted cash and cash equivalents		30,484,914
Less: Securities lending -Treasurer of Virginia		(105,576)
Net cash and cash equivalents	$	59,696,115

Reconciliation of net operating expenses to net cash used by operating activities:		
Net operating loss	$	(111,773,973)
Adjustments to reconcile net operating expenses to cash used by operating activities:		
Depreciation expense		28,231,819
Changes in assets and liabilities:		
Receivables-net		1,050,288
Inventories		207,012
Prepaid expense		(173,768)
Accounts payable		1,361,829
Unearned revenue		(119,822)
Deposit held for others		(156,451)
Compensated absences		665,805
Other liability		(71,457)
Net cash used in operating activities	$	(80,778,718)

NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL
AND RELATED FINANCING TRANSACTIONS

Amortization of a deferred loss	$	1,556,376
Donated capital assets	$	974,473
Reduction/amortization of bond premium and debt issuance costs	$	354,058

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to
Financial Statements

Year Ended June 30, 2014

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The College of William and Mary, which includes the Williamsburg campus and the York River campus (Virginia Institute of Marine Science), and Richard Bland College are a part of the Commonwealth of Virginia's statewide system of public higher education. The College's Board of Visitors is appointed by the Governor and is responsible for overseeing governance of the College. The College is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

The accompanying financial statements present all funds for which the College's Board of Visitors is financially accountable. Related foundations and similar non-profit corporations for which the College is not financially accountable are also a part of the accompanying financial statements under Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. These entities are separately incorporated and the College exercises no control over them. These component units are described in Note 13.

The College has nine component units as defined by GASB Statement 61 – the College of William and Mary Foundation, the Marshall-Wythe School of Law Foundation, the Alumni Association, the Athletic Educational Foundation, the School of Business Foundation, the Virginia Institute of Marine Science Foundation, the Richard Bland College Foundation, the Real Estate Foundation and the Intellectual Property Foundation. These organizations are separately incorporated tax-exempt entities and have been formed to promote the achievements and further the aims and purposes of the College.

Although the University does not control the timing or amount of receipts from the Foundations, the majority of resources or income which the Foundations hold and invest are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundations can only be used by or for the benefit of the College, the Foundations are considered component units of the College and are discretely presented in the financial statements with the exception of the Intellectual Property Foundation. The Intellectual Property Foundation is presented blended in the College column because the College has a voting majority of the governing board of the Foundation.

The College of William and Mary Foundation is a private, not-for-profit corporation organized under the laws of the Commonwealth of Virginia to "aid, strengthen, and expand in every proper and useful way" the work of the College of William and Mary. For additional information on the College of William and Mary Foundation, contact their office at Post Office Box 8795, Williamsburg, Virginia 23187.

The Marshall-Wythe School of Law Foundation is a non-stock, not-for-profit corporation organized under the laws of the Commonwealth of Virginia, established for the purpose of soliciting and receiving gifts to support the College of William and Mary School of Law. The Foundation supports the Law School through the funding of scholarships and fellowships, instruction and research activities, and academic support. For additional information on the Marshall-Wythe School of Law Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia 23187.

The William and Mary Alumni Association is a private, not-for-profit corporation organized under the laws of the Commonwealth of Virginia which provides aid to the College of William and Mary in Virginia in its work, and promotes and strengthens the bonds of interest between and among the College of William and Mary in Virginia and its alumni. For additional information on the Alumni Association, contact the Alumni Association Office at Post Office Box 2100, Williamsburg, Virginia 23187-2100.

The William and Mary Athletic Educational Foundation is a not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Foundation is to promote, foster, encourage and further education, in all enterprises of all kinds at the College of William and Mary Virginia, but it principally supports the Athletic Department of the College. For additional information on the Athletic Educational Foundation, contact the Foundation Office at 751 Ukrop Drive, Williamsburg, Virginia 23187.

The William and Mary Business School Foundation is a non-stock, not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Business School Foundation is to solicit and receive gifts to endow the College of William and Mary School of Business Administration and to support the School through the operations of the Foundation. For additional information on the William and Mary Business School Foundation, contact the Foundation Office at Post Office Box 3023, Williamsburg, Virginia, 23187.

The Virginia Institute of Marine Science Foundation is a not-for-profit corporation organized under the laws of the Commonwealth of Virginia. The purpose of the Foundation is to support the College of William and Mary's Virginia Institute of Marine Science primarily through contributions from the public. For additional information on the Virginia Institute of Marine Science Foundation, contact the Foundation Office at Post Office Box 1346, Gloucester Point, Virginia, 23062.

The Richard Bland College Foundation is a private, not-for-profit corporation organized under the laws of the Commonwealth of Virginia which provides scholarships, financial aid, and books to the College's students, along with support for faculty development and cultural activities. For additional information on the Richard Bland College Foundation, contact the Foundation Office at 11301 Johnson Road, Petersburg, Virginia 23805-7100.

The William and Mary Real Estate Foundation is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia in September 2006. Its purpose is to acquire, hold, manage, sell, lease and participate in the development of real properties in support of the educational goals of the College of William and Mary in Virginia. For additional information on the William and Mary Real Estate Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia, 23187-8795.

The Intellectual Property Foundation is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia in September 2007. Its purpose is to handle all aspects of the intellectual property of the College of William and Mary in Virginia in support of the educational goals of the College. The Intellectual Property Foundation is presented blended with the College because the College has a voting majority of the board. For additional information on the William and Mary Intellectual Property Foundation, contact the Foundation Office at Post Office Box 8795, Williamsburg, Virginia, 23187-8795.

The Omohundro Institute of Early American History and Culture (OIEAHC), sponsored by the College of William and Mary and The Colonial Williamsburg Foundation, is organized exclusively for educational purposes. Its Executive Board, subject to its sponsors, determines matters of policy and has responsibility for financial and general management as well as resource development. The Executive Board consists of six members: the chief education officer of the Colonial Williamsburg Foundation, the chief academic officer of the College of William and Mary, the chairperson of the Institute Council and three who are elected by OIEAHC's Executive Board. Prior to the beginning of each fiscal year, the sponsors determine the nature and extent of their responsibility for the financial support of the OIEAHC in the upcoming year. OIEAHC is treated as a joint venture with the College's portion of support to the Institute blended in the College column on the financial statements. The College contributed $842,954 through direct payment of expenses.

The following summarizes the unaudited financial position of the OIEAHC at June 30, 2014:

Assets	$ 14,675,275
Liabilities	32
Net Assets	14,675,243
Liabilities and Net Assets	$ 14,675,275

The total unaudited receipts and disbursements of the OIEAHC were $2,067,849 and $1,760,869 respectively, for the year ended June 30, 2014. Separate financial statements for the OIEAHC may be obtained by writing the Treasurer, Omohundro Institute of Early American History and Culture, P.O. Box 8781, Williamsburg, Virginia 23187-8781.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including all applicable GASB pronouncements. Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements* - *and Management's Discussion and Analysis* - *for Public Colleges and Universities*, effective for the years ending on or after June 30, 2002, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting, including depreciation expense related to capitalized fixed assets. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Bond premiums and discounts are deferred and amortized over the life of the debt. All significant intra-agency transactions have been eliminated.

Newly Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, effective for the College's fiscal year beginning July 1, 2013. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effect of the changes from the implementation of Statement No. 65 on the College's financial statements for the year ended June 30, 2013, was a reclassification of $3,541,050 from Noncurrent Liabilities to Deferred Outflows of Resources for the amortization of the loss on the refunding of debt and a reclassification of $18,448 from Noncurrent Liabilities to Deferred Inflows of Resources for the amortization of the gain on the refunding of debt.

Cash and Cash Equivalents

In accordance with the GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, definition, cash and cash equivalents consist of cash on hand, money market funds, and temporary highly liquid investments with an original maturity of three months or less.

Investments

Investments are recorded at cost or fair market value, if purchased, or fair market value at the date of receipt, if received as a gift, and reported in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. (See Note 3.) Realized and unrealized gains and losses are reported in investment income as nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Receivables

Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts.

Inventories

Inventories at the Williamsburg and York River (Virginia Institute of Marine Science) campuses are reported using the consumption method, and valued at average cost.

Prepaid Expenses

As of June 30, 2014, the Colleges' prepaid expenses included items such as insurance premiums, membership dues, conference registrations and publication subscriptions for fiscal year 2015 that were paid in advance.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Construction expenses for capital assets and improvements are capitalized when expended. The College's capitalization policy on equipment includes all items with an estimated useful life of two years or more. All three campuses capitalize all items with a unit price greater than or equal to $5,000. Library materials for the academic or research libraries are capitalized as a collection and are valued at cost. GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets for financial statement periods beginning after June 15, 2009. The Williamsburg and York River campuses capitalize intangible assets with a cost greater than or equal to $50,000 except for internally generated computer software which is capitalized at a cost of $100,000 or greater. Richard Bland College capitalizes intangible assets with a cost greater than or equal to $20,000.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	40-50 years
Infrastructure	10-50 years
Equipment	2-30 years
Library Books	10 years
Intangible Assets – computer software	3-20 years

Collections of works of art and historical treasures are capitalized at cost or fair value at the date of donation. These collections, which include rare books, are considered inexhaustible and therefore are not depreciated.

Deferred Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position similar to assets.

Unearned Revenue

Unearned revenue represents revenue collected but not earned as of June 30, 2014. This is primarily comprised of revenue for student tuition paid in advance of the semester, amounts received from grant and contract sponsors that have not yet been earned and advance ticket sales for athletic events.

Compensated Absences

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position. The applicable share of employer related taxes payable on the eventual termination payments is also included.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable, notes payable, capital lease payable and installment purchase agreements with contractual maturities greater than one year as well as estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

Deferred Inflows of Resources

Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position similar to liabilities.

Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets – consists of total investment in capital assets, net of accumulated depreciation and outstanding debt obligations.

Restricted Net Position – Nonexpendable – includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position – Expendable – represents funds that have been received for specific purposes and the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position – represents resources derived from student tuition and fees, state appropriations, unrestricted gifts, interest income, and sales and services of educational departments and auxiliary enterprises. When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense toward restricted resources, and then toward unrestricted.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from charges to students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the actual charge for goods and services provided by the College and the amount that is paid by students and/or third parties on the students' behalf. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple calculation that computes scholarship discounts and allowances on a college-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid. Student financial assistance grants and other Federal, State or nongovernmental programs are recorded as either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship allowance.

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Federal Work Study, Perkins Loans, and Direct Loans, which includes Stafford Loans, Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS Loans. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, Audit of States, Local Governments and Non-Profit Organizations, and the Compliance Supplement.

Classification of Revenues and Expenses

The College presents its revenues and expenses as operating or non-operating based on the following criteria:

Operating revenues - includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and Local grants and contracts and (4) interest on student loans.

Non-operating revenues - includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, and GASB Statement No. 34, such as State appropriations and investment income.

Non-operating expenses - includes interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

2. RESTATEMENT OF NET POSITION

There were no restatements to net position reported in the College's financial statements as of June 30, 2013.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Pursuant to Section 2.2-1800, et. seq., Code of Virginia, all state funds of the College are maintained by the Treasurer of Virginia, who is responsible for the collection, disbursement, custody and investment of State funds. Cash held by the College is maintained in accounts that are collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.2-4400, et. seq. Code of Virginia. The Virginia Security for Public Deposits Act eliminates any custodial credit risk for the College.

Investments

The investment policy of the College is established by the Board of Visitors and monitored by the Board's Financial Affairs Committee. In accordance with the Board of Visitors' Resolution 6(R), November 16, 2001, Resolution 12(R) November 21-22, 2002, and as updated by the Board in April 2012 investments can be made in the following instruments: cash, U.S. Treasury and Federal agency obligations, commercial bank certificates of deposit, commercial paper, bankers' acceptances, corporate notes and debentures, money market funds, mutual funds, convertible securities and equities.

Concentration of Credit Risk

Concentration of credit risk requires the disclosure by amount and issuer of any investments in any one issuer that represents five percent or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in mutual funds or external investment pools and other pooled investments are excluded from this requirement. The College's investment policy does not limit the amount invested in U.S. Government or Agency Securities. As of June 30, 2014, the College had 7.3% of its total investments in the Federal National Mortgage Association.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of the counterparty, the College will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. All investments are registered and held in the name of the College and therefore, the College does not have this risk.

Interest Rate Risk

The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College limits its exposure to interest rate risk by limiting its maximum maturity lengths of investments and structuring its portfolio to maintain adequate liquidity to ensure the College's ability to meet its operating requirements.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The College had no investments in foreign currency but had foreign deposits in the amount of $532,754 as of June 30, 2014.

Security Lending Transactions

Securities lending transactions represent Richard Bland College's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Loaned securities, for which the collateral is reported on the Statement of Net Position, are non-categorized as to credit risk. Details of the General Account securities lending program are included in the Commonwealth's Comprehensive Annual Financial Report.

Interest Rate Risk: Maturities

Type of Investment	Fair Value	Less than 1 year	1-5 years	6-10 years	Greater than 10 years
Agency unsecured bonds and notes:					
Federal Home Loan Mortgage Corp	$ 1,355,657	$ -	$ -	$ 1,355,657	$ -
Federal National Mortgage Assn	12,877,895	-	-	12,877,895	-
Commercial Paper	10,998,650	10,998,650	-	-	-
Corporate Bonds	23,202,540	14,916,168	8,286,372	-	-
Mutual and money market funds:					
Money market	25,061,187	25,061,187	-	-	-
Mutual funds - Investment Funds	25,785,912	-	-	22,363,313	3,422,599
Mutual funds - PIMCO Funds	72,702	-	-	72,702	-
Mutual funds - Wells Fargo	579,761	579,761	-	-	-
State non-arbitrage program	21,713,213	21,713,213	-	-	-
Securities lending	105,576	105,576	-	-	-
	$ 121,753,093	$ 73,374,555	$ 8,286,372	$ 36,669,567	$ 3,422,599

Credit & Concentration of Credit Risks

	Fair Value	Moody's Credit Rating Aaa	Aa1	Aa2	Aa3	Unrated
Cash Equivalents						
Certificate of deposit	$ 130,000	$ -	$ -	$ -	$ -	$ 130,000
Money market	25,061,187	-	-	-	-	25,061,187
Commercial Paper	1,999,920	-	-	-	-	1,999,920
State non-arbitrage program	21,713,213	-	-	-	-	21,713,213
Securities lending	105,576	-	-	-	-	105,576
Total cash equivalents	49,009,896	-	-	-	-	49,009,896
Investments						
Agency unsecured bonds and notes:						
Federal Home Loan Mortgage Corp	$ 1,355,657	$ -	$ -	$ -	$ -	$ 1,355,657
Federal National Mortgage Assn	12,877,895	-	-	-	-	12,877,895
Commercial Paper	8,998,730	-	-	-	-	8,998,730
Corporate Bonds	23,202,540	2,798,238.00	4,031,680.00	6,139,750.00	9,210,832.00	1,022,040
Mutual funds:						
Investment Funds	25,785,912	-	-	-	-	25,785,912
PIMCO Total Return Fund	72,702	-	-	-	-	72,702
Wells Fargo	202,334	-	-	-	-	202,334
Total investments	72,495,770	$ 2,798,238	$ 4,031,680	$ 6,139,750	$ 9,210,832	$ 50,315,270
Other Investments						
Other	54,522,367					
Securities lending	3,418					
Rare coins	280					
Property held as investment for endowments	445,600					
Total other investments	54,971,665					
Total cash equivalents and investments	$ 176,477,331					

4. DONOR RESTRICTED ENDOWMENTS

Investments of the College's endowment funds are pooled and consist primarily of gifts and bequests, the use of which is restricted by donor imposed limitations. The Uniform Management of Institutional Funds Act, Code of Virginia Title 55, Chapter 15 sections 268.1-268.10, permits the spending policy adopted by the Board of Visitors to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. In determining the amount of appreciation to appropriate, the Board is required by the Act to consider such factors as long- and short-term needs of the institution, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. The amount available for spending is determined by applying the payout percentage to the average market value of the investment portfolio for the three previous calendar year-ends. The payout percentage is reviewed and adjusted annually as deemed prudent.

The College, at fiscal year-end 2014, had a net appreciation of $15,204,230 which is available to be spent and is reported in the Statement of Net Position in the following categories: Restricted for Expendable Scholarships and Fellowships - $8,325,930, Restricted for Expendable Research - $43,634, Restricted for Expendable Capital Projects -

$204,089, Restricted for Expendable Departmental Uses - $5,286,150 and Unrestricted - $1,344,427. The amount for Research was reclassified to unrestricted because the total net position Restricted Expendable Research was negative.

5. ACCOUNTS AND NOTES RECEIVABLES

Receivables include transactions related to accounts and notes receivable and are shown net of allowance for doubtful accounts for the year ending June 30, 2014 as follows:

Accounts receivable consisted of the following at June 30, 2014:

Student Tuition and Fees	$ 1,944,755
Auxiliary Enterprises	1,454,470
Federal, State and Non-Governmental Grants & Contracts	6,486,982
Other Activities	5,529,683
Gross Receivables	15,415,890
Less: allowance for doubtful accounts	(1,975)
Net Receivables	$ 15,413,915

Notes receivable consisted of the following at June 30, 2014:

Non-current portion:	
Federal student loans and promissory notes	$ 2,909,290
Less: allowance for doubtful accounts	(83,659)
Net non-current notes receivable	$ 2,825,631

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2014 consists of the following:

	Beginning Balance	Beginning Balance Adjustments	Additions	Reductions	Ending Balance
Non-depreciable capital assets:					
Land	$ 15,941,864	$ -	$ 9,372,139	$ -	$ 25,314,003
Inexhaustible artwork and Historical treasures	74,298,050	-	216,173	-	74,514,223
Construction in Progress	83,888,877	-	30,214,855	(96,026,945)	18,076,787
Total non-depreciable capital assets	174,128,791	-	39,803,167	(96,026,945)	117,905,013
Depreciable capital assets:					
Buildings	690,109,507	-	69,253,640	(77,429)	759,285,718
Equipment	67,411,193	-	6,618,061	(2,805,764)	71,223,490
Infrastructure	59,725,445	-	16,393,314	-	76,118,759
Other improvements	13,776,633	-	296,738	(125,860)	13,947,511
Library Materials	87,833,866	-	1,265,529	(364,684)	88,734,711
Computer software	5,537,986	-	152,101	-	5,690,087
Total depreciable capital assets	924,394,630	-	93,979,383	(3,373,737)	1,015,000,276
Less accumulated depreciation for:					
Buildings	190,188,035	7,342	18,970,550	(77,429)	209,088,498
Equipment	41,599,665	-	4,934,527	(1,705,911)	44,828,281
Infrastructure	28,225,519	-	2,120,316	-	30,345,835
Other improvements	4,910,541	(7,342)	609,005	-	5,512,204
Library Materials	80,270,666	-	1,474,370	(364,684)	81,380,352
Computer software	4,777,734	-	123,051	-	4,900,785
Total accumulated depreciation	349,972,160	-	28,231,819	(2,148,024)	376,055,955
Depreciable capital assets, net	574,422,470	-	65,747,564	(1,225,713)	638,944,321
Total capital assets, net	$ 748,551,261	$ -	$ 105,550,731	$ (97,252,658)	$ 756,849,334

Capitalization of Library Books

The methods employed to value the general collections of the Earl Gregg Swem Library, Marshall-Wythe Law Library, VIMS' Hargis Library, and Richard Bland College Library are based on average cost determined by each library. The average cost of the Swem Library for purchases of books was $43.49 for fiscal year 2014. The average cost of the Law Library purchases of books was $86.74 for fiscal year 2014. Special collections maintained by each library are valued at historical cost or acquisition value. The average cost of library books purchased for the Virginia Institute of Marine Science was $51.28 for fiscal year 2014. The average cost of library books purchased for Richard Bland College was $14.06 for fiscal year 2014. The changes reflected in the valuation are due to the recognition of depreciation in accordance with GASB Statements No. 34 and 35, as well as purchases, donations and disposals.

Impairment of Capital Assets

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, was issued effective for the fiscal year ended June 30, 2006. Statement No. 42 requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and whether any insurance recoveries should be offset against the impairment loss. There was a fire on November 18, 2010 at the VIMS Wachapreague campus which completely destroyed a laboratory and its contents. The impairment loss was recognized in the FY11 financial statements. During FY14, $453,727 in insurance recoveries for this loss was received by the Institute. VIMS has rebuilt the facility.

Proceeds from other insurance recoveries attributable to capital assets are reported as a capital related financing activity in the Statement of Cash Flows. Accordingly, $582,270 in proceeds from insurance recoveries is classified as a capital related financing activity.

GASB 42 also requires the disclosure of idle assets at the close of each fiscal year. As of June 30, 2014 there were several vacant or unused buildings on the main William and Mary campus and at the Dillard Complex. The carrying value of these unused buildings at year-end was $1,834,248. On the VIMS campus, Maury Hall was idle and is currently valued at $101,302.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2014:

Current Liabilities:	
Employee salaries, wages, and fringe benefits payable	$ 21,204,524
Vendors and supplies accounts payable	6,615,124
Capital projects accounts and retainage payable	8,672,043
Total current liabilities-accounts payable and accrued liabilities	$ 36,491,691

8. COMMITMENTS

At June 30, 2014, outstanding construction commitments totaled approximately $123,399,424.

Commitments also exist under various operating leases for buildings, equipment and computer software. In general, the leases are for one to three year terms with renewal options on the buildings, equipment and certain computer software for additional one-year terms. In most cases, these leases will be replaced by similar leases. The College of William and Mary has also entered into one twenty-year lease for space in the Applied Science Research Center Building at the Jefferson Center for Research and Technology in Newport News, Virginia. Rental expense for the fiscal year ending June 30, 2014, was $4,736,809.

As of June 30, 2014, the following total future minimum rental payments are due under the above leases:

Year Ending June 30, 2014	Amount
2015	$ 4,372,522
2016	4,162,322
2017	4,187,053
2018	4,222,789
2019	1,667,658
2020 - 2024	4,487,672
Total	$ 23,100,016

9. LONG-TERM LIABILITIES

The College's long-term liabilities consist of long-term debt (further described in Note 10), and other long-term liabilities. A summary of changes in long-term liabilities for the year ending June 30, 2014 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Installment Purchases	$ 4,924,336	$ -	$ (521,672)	$ 4,402,664	$ 446,626
Capital Lease Payable	23,605,799	-	(561,473)	23,044,326	585,475
Other long-term obiligations	831,509	-	(19,778)	811,731	20,623
Notes Payable	147,701,644	35,807,486	(12,166,463)	171,342,667	11,525,000
Bonds Payable	64,316,682	15,479,663	(9,053,712)	70,742,633	3,970,705
Total long-term debt	241,379,970	51,287,149	(22,323,098)	270,344,021	16,548,429
Perkins Loan Fund Balance	2,498,565	-	-	2,498,565	-
Accrued compensated absences	9,145,338	9,811,143	(9,145,338)	9,811,143	8,891,909
Total long-term liabilities	$253,023,873	$ 61,098,292	$ (31,468,436)	$282,653,729	$ 25,440,338

10. LONG-TERM DEBT

Bonds Payable

The College of William and Mary's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the College and are backed by the full faith, credit and taxing power of the Commonwealth and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Listed below are the bonds outstanding at year-end:

Description	Interest Rates(%)	Maturity	Balance as of June 30, 2014
Section 9(c) bonds payable:			
Dormitory, Series 2005A1	3.500 - 5.000	2026	260,000
Dormitory, Series 2006A2	4.000 - 5.000	2015	265,000
Dormitory, Series 2009C	3.000 - 4.000	2021	383,984
Dormitory, Series 2009C	3.000 - 4.000	2022	2,536,364
Dormitory, Series 2009D	2.500 - 5.000	2022	1,940,000
Renovate Residence Halls, Series 2010A2	2.000 - 5.000	2030	3,790,000
Dormitory, Series 2012A	3.000 - 5.000	2016	257,687
Dormitory, Series 2012A	3.000 - 5.000	2024	779,720
Dormitory, Series 2013A	2.000 - 5.000	2033	4,505,000
Dormitory, Series 2013B	3.000 - 5.000	2026	1,112,612
Dormitory, Series 2014A	2.000 - 5.000	2034	9,005,000
Dormitory, Series 2014B	2.000 - 5.000	2017	119,883
Dormitory, Series 2014B	2.000 - 5.000	2017	650,177
Dormitory, Series 2014B	2.000 - 5.000	2018	1,551,522
Dormitory, Series 2014B	2.000 - 5.000	2020	1,665,542
Renovation of Dormitories			28,822,491
Graduate Housing, Series 2006B	4.000 - 5.000	2026	410,000
Graduate Housing, Series 2008B	3.000 - 5.000	2028	1,960,000
Graduate Housing, Series 2009D	2.500 - 5.000	2022	1,270,000
Graduate Housing, Series 2013B	3.000 - 5.000	2026	1,411,860
Graduate Housing			5,051,860
Construct New Dormitory, Series 2010A2	2.000 - 5.000	2030	1,720,000
Construct New Dormitory, Series 2011A	3.000 - 5.000	2031	13,325,000
Construct New Dormitory, Series 2013A	2.000 - 5.000	2033	8,475,000
Construct New Dormitory			23,520,000
Underground Utility, Series 2012A	3.000 - 5.000	2016	232,265
Underground Utility, Series 2014B	2.000 - 5.000	2017	310,717
Underground Utility			542,982
Renovate Commons Dining Hall, Series 2005A2	3.500 - 5.000	2026	425,000
Renovate Commons Dining Hall, Series 2009D	2.500 - 5.000	2022	3,200,000
Renovate Commons Dining Hall, Series 2012A	3.000 - 5.000	2024	1,289,537
Renovate Commons Dining Hall, Series 2013B	3.000 - 5.000	2026	1,831,383
Commons Dining Hall			6,745,920
Total bonds payable			64,683,253
Unamortized premiums (discounts)			6,059,380
Net bonds payable			$ 70,742,633

Notes Payable

Section 9(d) bonds, issued through the Virginia College Building Authority's Pooled Bond Program, are backed by pledges against the general revenues of the College and are issued to finance other capital projects. The principal and interest on bonds and notes are payable only from net income and specific auxiliary activities or from designated fee allocations. The following are notes outstanding at year-end:

Description	Interest Rates (%)	Maturity	Outstanding Balance as of June 30, 2014
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2004A	3.000 - 5.000	2015	$ 515,000
Barksdale Dormitory, Series 2005A	3.500 - 5.000	2026	2,890,000
Barksdale Dormitory, Series 2006A	3.000 - 5.000	2027	1,465,000
Barksdale Dormitory, Series 2010B	2.000 - 5.000	2021	450,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2024	640,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	6,495,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2025	6,330,000
Barksdale Dormitory			18,785,000
William and Mary Hall, Series 2004B	3.000 - 5.000	2017	430,000
William and Mary Hall, Series 2007B	4.000- 4.250	2018	165,000
William and Mary Hall			595,000
Parking Deck, Series 2004A	3.000 - 5.000	2015	110,000
Parking Deck, Series 2005A	3.500 - 5.000	2026	1,430,000
Parking Deck, Series 2010B	2.000 - 5.000	2021	950,000
Parking Deck, Series 2012A	3.000 - 5.000	2024	1,355,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	1,385,000
Parking Deck, Series 2012A	3.000 - 5.000	2025	3,140,000
Parking Deck			8,370,000
Recreation Sports Center, Series 2004A	3.500 - 5.000	2015	365,000
Recreation Sports Center, Series 2005A	3.500 - 5.000	2026	555,000
Recreation Sports Center, Series 2010B	2.000 - 5.000	2021	220,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2024	315,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	4,585,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2025	1,225,000
Recreation Sports Center			7,265,000
Improve Athletics Facilities, Series 2005A	3.500 - 5.000	2026	770,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	590,000
Improve Athletics Facilities, Series 2012A	3.000 - 5.000	2025	1,655,000
Improve Athletics Facilities II, Series 2013A&B	2.000 - 5.000	2034	1,555,000
Improve Athletics Facilities			4,570,000

Description	Interest Rates (%)	Maturity	Outstanding Balance as of June 30, 2014
Marshall-Wythe Library, Series 2004B	3.000 - 5.000	2020	795,000
Law School Library, Series 2007A	4.500 - 5.000	2028	2,910,000
Law School Library, Series 2010B	2.000 - 5.000	2021	260,000
Law School Library, Series 2012A	3.000 - 5.000	2024	385,000
Law School Renovations, Series 2013A&B	2.000 - 5.000	2034	6,605,000
Law School			10,955,000
Magnet Facility, Series 2010B	2.000 - 5.000	2021	570,000
Magnet Facility, Series 2012A	3.000 - 5.000	2024	805,000
Magnet Facility			1,375,000
School of Business, Series 2007A	4.500 - 5.000	2028	18,810,000
School of Business, Series 2009A	2.750 - 4.000	2016	9,905,000
School of Business			28,715,000
Integrated Science Center, Series 2007A	4.500 - 5.000	2028	9,865,000
Integrated Science Center, Series 2009A	2.750 - 5.000	2029	5,560,000
Integrated Science Center			15,425,000
Cooling Plant & Utilities, Series 2009B	2.000 - 5.000	2030	10,210,000
Cooling Plant & Utilities, Series 2010A1&A2	2.000 - 5.500	2031	9,975,000
Cooling Plant & Utilities			20,185,000
Power Plant Renovations, Series 2007A	4.500 - 5.000	2028	3,860,000
Busch Field Astroturf Replacement, Series 2009B	2.000 - 5.000	2030	1,240,000
Williamsburg Hospital/School of Education, 2006A	3.000 - 5.000	2027	1,835,000
J. Laycock Football Facility, Series 2006A	3.000 - 5.000	2027	4,235,000
Residence Hall Fire Safety Systems, Series 2006A	3.000 - 5.000	2027	1,485,000
Ash Lawn-Highland Barn, Series 2010A1&A2	2.000 - 5.500	2031	695,000
Expand Sadler Center, Series 2012B	3.000 - 5.000	2033	6,975,000
Expand Sadler Center, Series 2013A&B	2.000 - 5.000	2034	975,000
Sadler Center			7,950,000
One Tribe Place, Series 2013A&B	2.000 - 5.000	2034	22,355,000
Total 9 (d) bonds			159,895,000
Unamortized premiums (discounts)			11,447,667
Net notes payable			$ 171,342,667

Installment Purchases

At June 30, 2014, installment purchases consist of the current and long-term portions of obligations resulting from various contracts used to finance energy performance contracts and the acquisition of equipment. The lengths of purchase agreements range from two to fifteen years, and the interest rate charges are from 3.1 to 4.7 percent. The outstanding balance of installment purchases as of June 30, 2014 is $4,402,664.

Capital Lease

Richard Bland College (RBC) has entered into a thirty year capital lease with Richard Bland College Foundation (RBCF) for the provision of a student housing complex with two dormitories on the RBC campus. RBC has accounted for the acquisition of the complex and its furniture and equipment as a capital lease, and therefore has recorded the facility and furnishings as depreciable capital assets and has also recorded a corresponding lease liability in long-term debt on the Statement of Net Position. The outstanding balance as of June 30, 2014 is $23,044,326. RBC has also recorded an Other Long-Term Obligation which is payable to RBCF for repayment of the bonds for the dormitories for the amount due on the bonds which is greater than the total fair value of assets received. The outstanding balance as of June 30, 2014 is $811,731.

Long-term debt matures as follows:

Fiscal Year	Principal	Interest	BAB Interest Subsidy	Net Interest
2015	$ 16,548,429	$ 10,419,117	$ 204,644	$ 10,214,473
2016	18,602,290	9,623,412	204,644	9,418,768
2017	13,943,166	8,897,913	202,439	8,695,474
2018	14,060,808	8,236,944	199,877	8,037,067
2019	14,580,370	7,579,275	196,893	7,382,382
2020-2024	76,190,451	27,841,917	828,406	27,013,511
2025-2029	63,467,427	11,881,821	446,471	11,435,350
2030-2034	30,159,695	3,148,153	37,557	3,110,596
2035-2039	5,284,338	272,263	-	272,263
Unamortized premiums	17,507,047	-	-	-
Total	$270,344,021	$ 87,900,815	$ 2,320,932	$ 85,579,883

The interest subsidies for the Build America Bonds (BAB) being paid to the College by the Federal Government are subject to change in future years. In the event of a reduction or elimination of the subsidies, the College would be responsible for paying the full interest due on the BAB bonds.

Defeasance of Debt

In April 2014, the Treasury Board issued General Obligation Refunding Bonds, Series 2014B with a true interest cost (TIC) of 2.600134 percent. The sale of these bonds enabled the College to advance refund certain 9(c) issued from 1997 to 2001 with interest rates ranging from 4 percent to 5 percent. The original bonds were used to finance dormitory renovations and a utility system. The net proceeds from the sale of the Refunding Bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the College’s portion of the liability has been removed from the financial statements.

The amount and percentage of debt defeased relating to the College is as follows:

Series	Type	Debt Outstanding	Amount Defeased	Percentage Defeased
2001	9C	$ 2,073,418	$ 1,812,913	87%
1997	9C	935,643	717,459	77%
1998	9C	2,083,670	1,703,067	82%
1997	9C	208,459	159,974	77%
1997	9C	547,812	421,750	77%
		$ 5,849,002	$ 4,815,163	82%

The College's portion of the accounting loss recognized in the financial statements was $92,625. The net economic gain attributable to the College was $473,714 and will result in a decreased cash flow requirement of $488,049 over the remaining life of the debt.

Prior Year Defeasance of Debt

The Commonwealth of Virginia, on behalf of the College, issued bonds in previous and current fiscal years for which the proceeds were deposited into irrevocable trusts with escrow agents to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not included in the College's financial statements. At June 30, 2014, $38,705,000 of the defeased bonds was outstanding.

11. EXPENSES BY NATURAL CLASSIFICATIONS

The following table shows a classification of expenses both by function as listed in the Statement of Revenues, Expenses, and Change in Net Position and by natural classification which is the basis for amounts shown in the Statement of Cash Flow.

	Salaries, Wages and Fringe Benefits	Services and Supplies	Scholarships and Fellowships	Plant and Equipment	Depreciation	Total
Instruction	99,858,326	6,421,997	1,471,830	777,595	-	108,529,748
Research	34,039,072	14,327,896	1,547,387	1,032,923	-	50,947,278
Public service	39,095	33,056	1,120	833	-	74,104
Academic support	23,217,832	3,351,806	270,440	6,382,300	-	33,222,378
Student services	8,221,060	4,759,265	108,528	153,464	-	13,242,317
Institutional support	26,338,772	6,019,424	109,164	361,691	-	32,829,051
Operation and maintenance of plant	4,949,910	18,313,763	3,867	1,259,450	-	24,526,990
Depreciation	-	-	-	-	28,231,819	28,231,819
Scholarships and related expenses	2,146,937	24,066	26,949,977	1,312	-	29,122,292
Auxiliary enterprises	20,257,525	53,152,284	17,758	2,413,112	-	75,840,679
Other	144,547	127,229	322,803	-	-	594,579
Total	219,213,076	106,530,786	30,802,874	12,382,680	28,231,819	397,161,235

12. STATE APPROPRIATIONS

The following is a summary of state appropriations received by the College of William and Mary and Richard Bland College, including all supplemental appropriations and reversions from the General Fund of the Commonwealth.

Chapter 806 - 2013 Acts of Assembly (Educational and General Programs)		$ 61,308,762
Student financial assistance		4,720,758
Supplemental appropriations:		
Prior year reappropriations	149,754	
VIVA libraries	31,531	
Salary, Benefit, and Other changes (items 468,469 & 471)	3,097,248	
Chesapeake Bay Restoration Funds	243,696	
Commonwealth Technology Research Award	120,000	
Biomedical research	75,000	3,717,229
Appropriation reductions:		
Reversions to the General Fund of the Commonwealth		(46,524)
Appropriations as adjusted		$ 69,700,225

13. COMPONENT UNIT FINANCIAL INFORMATION

The College has nine component units – The College of William & Mary Foundation, the Marshall-Wythe School of Law Foundation, the Alumni Association, the William and Mary Athletic Educational Foundation, the William & Mary School of Business Foundation, the Virginia Institute of Marine Science Foundation, the William and Mary Real Estate Foundation, the Richard Bland College Foundation and the Intellectual Property Foundation. These organizations are separately incorporated entities and other auditors examine the related financial statements. Summary financial statements and related disclosures follow for eight of the component units. As stated in Note 1, the activity of the Intellectual Property Foundation is blended with the College beginning in fiscal year 2013; therefore, it is not included in the presentation of component unit financial information.

Summary of Statement of Net Position - Component Units

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
ASSETS				
Current Assets				
Cash and cash equivalents	$ 4,308,900	$ 4,418,652	$ 3,903,044	$ 277,175
Investments	5,095,793	-	-	-
Pledges receivable, net - current portion	7,698,741	1,240,724	3,306,841	-
Receivables, net	1,785,749	7,361	100,908	70,618
Inventories	-	-	-	49,884
Prepaids	610,840	151,965	130,219	65,085
Due from the College	12,401	-	-	-
Other assets	-	-	-	-
Total current assets	19,512,424	5,818,702	7,441,012	462,762
Non-current Assets				
Restricted cash and cash equivalents	7,271,571	3,623,227	4,733,637	-
Restricted investments	510,175,967	30,071,766	31,747,249	-
Restricted other assets	148,705,105	392,514	1,451,118	-
Receivables - long term, net	-	-	-	-
Investments	578,982	4,462,434	-	7,080,638
Pledges receivable, net	9,031,038	1,954,985	10,020,367	-
Capital assets, nondepreciable	9,277,667	321,627	-	31,800
Capital assets, net of accumulated depreciation	7,416,752	22,492	13,470	135,224
Due from the College	-	-	-	-
Other assets	1,286,189	-	-	-
Total non-current assets	693,743,271	40,849,045	47,965,841	7,247,662
Total Assets	713,255,695	46,667,747	55,406,853	7,710,424
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	416,742	64,486	173,466	447,854
Deferred revenue	41,129	157,107	32,402	92,328
Deposits held in custody for others	344,402	-	19,032	-
Long-term liabilities - current portion	894,280	-	-	-
Due to the College	724,717	-	9,603,840	-
Short-term debt	2,145,000	-	-	-
Total current liabilities	4,566,270	221,593	9,828,740	540,182
Non-current Liabilities				
Other long-term liabilities	340,861	447,126	-	-
Long-term liabilities	29,833,490	-	-	-
Total liabilities	34,740,621	668,719	9,828,740	540,182
NET POSITION				
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	102,652,345	6,028,022	776,785	-
Research	6,560,714	-	305,900	-
Loans	-	-	24,230	-
Departmental Uses	101,978,461	7,375,924	36,701,649	-
Other	193,656,844	-	125,449	-
Expendable:				
Scholarships and Fellowships	85,697,894	7,674,934	374,615	-
Research	3,027,800	-	54,573	-
Capital Projects	18,923,789	3,707,324	4,336,480	-
Loans	-	-	68,872	-
Departmental Uses	112,117,655	12,070,568	10,782,568	1,026,539
Other	20,572,475	421,661	56,109	-
Net investment in capital assets	7,103,927	344,119	13,470	167,024
Unrestricted	26,223,170	8,376,476	(8,042,587)	5,976,679
Total net position	$ 678,515,074	$ 45,999,028	$ 45,578,113	$ 7,170,242

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 4,874,087	$ 332,634	$ 235,232	$ 5,112,357	$ 23,462,081
-	-	-	-	5,095,793
1,068,125	426,745	-	-	13,741,176
-	-	-	142,957	2,107,593
-	-	-	-	49,884
-	-	-	10,314	968,423
-	-	835,116	-	847,517
-	-	14,915	-	14,915
5,942,212	759,379	1,085,263	5,265,628	46,287,382
-	478,001	491,341	-	16,597,777
-	10,062,110	4,578,245	-	586,635,337
-	-	-	44,739	150,593,476
-	-	-	138,263	138,263
3,503,803	1,182,854	-	-	16,808,711
952,841	223,810	-	-	22,183,041
-	-	-	2,712,138	12,343,232
67,605	-	-	9,842,778	17,498,321
-	-	23,249,959	-	23,249,959
-	-	-	498,022	1,784,211
4,524,249	11,946,775	28,319,545	13,235,940	847,832,328
10,466,461	12,706,154	29,404,808	18,501,568	894,119,710
-	19,940	234,080	44,721	1,401,289
44,190	-	-	-	367,156
-	-	-	-	363,434
-	-	606,098	246,202	1,746,580
-	-	-	-	10,328,557
-	-	-	-	2,145,000
44,190	19,940	840,178	290,923	16,352,016
-	-	-	18,860	806,847
-	-	23,249,959	8,007,044	61,090,493
44,190	19,940	24,090,137	8,316,827	78,249,356
-	2,254,413	3,062,293	-	114,773,858
-	1,387,098	-	-	8,253,712
-	-	-	-	24,230
-	-	-	-	146,056,034
-	3,706,003	-	-	197,488,296
609,249	730,621	-	-	95,087,313
-	1,154,837	-	-	4,237,210
-	-	-	-	26,967,593
-	-	-	-	68,872
7,090,955	1,946,870	-	-	145,035,155
-	1,170	2,007,293	44,739	23,103,447
67,605	-	-	4,478,770	12,174,915
2,654,462	1,505,202	245,085	5,661,232	42,599,719
$ 10,422,271	$ 12,686,214	$ 5,314,671	$ 10,184,741	$ 815,870,354

Summary of Statement of Revenues, Expenses, and Changes in Net Position - Component Units

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association
Operating revenues:				
Gifts and contributions	$ 3,385,198	$ 4,144,850	$ 5,045,761	$ 2,719,167
Other	5,280,536	855,148	4,918,787	2,714,614
Total operating revenues	8,665,734	4,999,998	9,964,548	5,433,781
Operating expenses:				
Instruction	3,463,560	371,676	466,523	-
Research	248,688	-	91,426	-
Public service	72,531	35,642	657,171	-
Academic support	1,168,419	1,517,594	2,927,360	-
Student services	94,484	22,858	1,234,468	-
Institutional support	5,781,641	400,430	3,616,479	954,011
Operation and maintenance of plant	414,573	9,429	29,275	-
Scholarships & fellowships	6,598,700	1,241,165	185,546	-
Auxiliary enterprises	589,599	-	47,490	-
Depreciation	485,347	15,183	4,671	35,234
Independent operations	-	-	-	-
Other	4,557,284	-	(806,323)	3,384,754
Total operating expenses	23,474,826	3,613,977	8,454,086	4,373,999
Operating gain/(loss)	(14,809,092)	1,386,021	1,510,462	1,059,782
Non-operating revenues and expenses:				
Net investment revenue (expense)	58,137,966	4,513,315	3,545,279	908,040
Interest on capital asset related debt	(274,365)	-	-	-
Other non-operating revenue	11,247,262	-	-	-
Other non-operating expense	-	-	(833,646)	-
Net non-operating revenues	69,110,863	4,513,315	2,711,633	908,040
Income before other revenues	54,301,771	5,899,336	4,222,095	1,967,822
Other revenues:				
Capital grants and contributions	7,575,232	-	317,023	-
Additions to permanent endowments	16,617,384	598,429	10,458,335	-
Net other revenues	24,192,616	598,429	10,775,358	-
Change in net position, before transfers	78,494,387	6,497,765	14,997,453	1,967,822
Contribution between Foundations	(238,090)	166,500	6,000	146,045
Transfers	(238,090)	166,500	6,000	146,045
Change in net position	78,256,297	6,664,265	15,003,453	2,113,867
Net position - beginning of year	600,258,777	39,334,763	30,574,660	5,056,375
Net position - end of year	$ 678,515,074	$ 45,999,028	$ 45,578,113	$ 7,170,242

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 4,907,806	$ 956,447	$ 325,791	$ -	$ 21,485,020
892,075	-	628,275	1,106,023	16,395,458
5,799,881	956,447	954,066	1,106,023	37,880,478
-	97,481	-	-	4,399,240
-	277,148	-	-	617,262
-	5,535	-	-	770,879
-	11,390	-	-	5,624,763
-	-	-	-	1,351,810
4,909,087	269,250	71,807	215,761	16,218,466
-	6,477	-	-	459,754
-	69,199	165,400	-	8,260,010
-	-	-	314,058	951,147
23,362	-	-	282,571	846,368
-	-	-	336,575	336,575
-	33,324	847,499	-	8,016,538
4,932,449	769,804	1,084,706	1,148,965	47,852,812
867,432	186,643	(130,640)	(42,942)	(9,972,334)
(14,109)	1,421,965	664,995	6,814	69,184,265
-	-	-	-	(274,365)
-	-	-	-	11,247,262
-	-	-	-	(833,646)
(14,109)	1,421,965	664,995	6,814	79,323,516
853,323	1,608,608	534,355	(36,128)	69,351,182
-	-	-	-	7,892,255
-	369,693	44,155	-	28,087,996
-	369,693	44,155	-	35,980,251
853,323	1,978,301	578,510	(36,128)	105,331,433
(51,750)	-	137,795	(166,500)	-
(51,750)	-	137,795	(166,500)	-
801,573	1,978,301	716,305	(202,628)	105,331,433
9,620,698	10,707,913	4,598,366	10,387,369	710,538,921
$ 10,422,271	$ 12,686,214	$ 5,314,671	$ 10,184,741	$ 815,870,354

Investments

Each component unit holds various investments based on the investment policies established by the governing board of the individual foundation. The following table shows the various investment types held by each component unit.

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	Total
Mutual and money market funds	$ 4,887,679	$ 759,093	$ -	$ 6,940,071	$ 15,641	$ -	$ 3,856,195	$ 16,458,679
U.S. treasury and agency securities	27,250,228	-	-	-	-	-	-	27,250,228
Common and preferred stocks	316,324	-	474,301	140,567	-	-	722,050	1,653,242
Notes receivable	1,432,859	-	-	-	-	-	-	1,432,859
Pooled investments	480,292,891	33,775,107	30,720,244	-	-	11,244,964	-	556,033,206
Real estate	987,982	-	-	-	35,000	-	-	1,022,982
Other	682,779	-	552,704	-	3,453,162	-	-	4,688,645
Total Investments	$ 515,850,742	$ 34,534,200	$ 31,747,249	$ 7,080,638	$ 3,503,803	$ 11,244,964	$ 4,578,245	$ 608,539,841

Pledges Receivable

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned net asset categories in accordance with donor imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at net present value of their estimated future cash flows. The discounts on these amounts are computed using risk free interest rates applicable to the years in which the payments will be received. The foundations record an allowance against pledges receivable for estimated uncollectible amounts. The William and Mary Alumni Association, the Richard Bland Foundation, and the William & Mary Real Estate Foundation did not have any pledges receivable at year end.

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Total
Total pledges receivable	$ 18,041,598	$ 3,653,034	$ 15,426,773	$ 2,732,785	$ 656,170	$ 40,510,360
Less:						
Allowance for uncollectibles	(1,076,363)	(327,778)	(100,062)	(609,781)	-	(2,113,984)
Discounting to present value	(235,456)	(129,547)	(1,999,503)	(102,038)	(5,615)	(2,472,159)
Net pledges receivable	16,729,779	3,195,709	13,327,208	2,020,966	650,555	35,924,217
Less:						
Current pledges receivable	(7,698,741)	(1,240,724)	(3,306,841)	(1,068,125)	(426,745)	(13,741,176)
Total non-current pledges receivable	$ 9,031,038	$ 1,954,985	$ 10,020,367	$ 952,841	$ 223,810	$ 22,183,041

Capital Assets

	The College of William & Mary Foundation	Marshall-Wythe School of Law Foundation	William & Mary Business School Foundation	William & Mary Alumni Association	William & Mary Athletic Educational Foundation	William & Mary Real Estate Foundation	Total
Nondepreciable:							
Land	$ 3,365,927	$ 262,916	$ -	$ -	$ -	$ 2,712,138	$ 6,340,981
Historical treasures and inexhaustable works of art	5,911,740	58,711	-	31,800	-	-	6,002,251
Total nondepreciable capital assets	$ 9,277,667	$ 321,627	$ -	$ 31,800	$ -	$ 2,712,138	$ 12,343,232
Depreciable:							
Building	$ 7,418,333	$ -	$ -	$ -	$ -	$ 10,361,617	$ 17,779,950
Equipment, vehicles and furniture	7,083,242	109,743	104,103	481,189	118,556	170,126	8,066,959
Improvements, other than building	338,138	-	-	388,658	-	-	726,796
	14,839,713	109,743	104,103	869,847	118,556	10,531,743	26,573,705
Less accumulated depreciation	(7,422,961)	(87,251)	(90,633)	(734,623)	(50,951)	(688,965)	(9,075,384)
Total depreciable capital assets	$ 7,416,752	$ 22,492	$ 13,470	$ 135,224	$ 67,605	$ 9,842,778	$ 17,498,321

Long-term Liabilities

	The College of William & Mary Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Compensated absences	$ 129,528	$ -	$ -	$ 129,528
Notes payable	2,590,148	-	3,600,826	6,190,974
Bonds payable	8,090,000	23,856,057	4,652,420	36,598,477
Trust & Annuity Obligations	3,150,295	-	-	
Other liabilities	16,767,799	-	-	16,767,799
Total long-term liabilities	30,727,770	23,856,057	8,253,246	59,686,778
Less current portion	(894,280)	(606,098)	(246,202)	(1,746,580)
Total long-term liabilities	$ 29,833,490	$ 23,249,959	$ 8,007,044	$ 61,090,493

Long-term Liabilities

On June 25, 2001, Reliance entered into a revolving line of credit agreement with First Union National Bank (now Wells Fargo Bank, NA) in the amount of $2,000,000, which the Foundation guaranteed. The purpose of the line of credit was to fund the initial purchase of the real estate sold to New Town Associates, and to provide working capital to Reliance. As such, most of the loan proceeds have in turn been advanced to the REF, and the majority of the interest on the note is reflected as expenses of the REF. The line of credit has been increased to $3,000,000 with all principal and accrued interest due and payable on June 29, 2014. Interest only, which accrues daily at the one month LIBOR Market Index Rate plus 1.35%, is payable monthly. The amount outstanding was $2,145,000 at June 30, 2014 and 2013. Interest paid during the years ended June 30, 2014 and 2013, was $35,343 and $31,937, respectively. On June 29, 2014, the total amount available under the line of credit was reduced to 2,145,000 and the due date was extended to June 29, 2015.

During the fiscal year ended June 30, 2009, the Foundation entered into a borrowing arrangement with SunTrust Bank in the amount of $2,636,140 for renovation of the College's Admissions Office. The terms of the loan were revised during the fiscal year ended June 30, 2011. Under the revised terms, interest accrues at a rate of 4.99% and is payable monthly. Principal is payable annually over a ten year term, with the final amount due on February 1, 2021. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. The balance outstanding at June 30, 2014 and 2013 was $1,975,148 and $2,206,276, respectively. Interest paid during the fiscal years ended June 30, 2014 and 2013, on the loans was $107,778 and $119,097, respectively.

During the year ended June 30, 2011, the Foundation and CEI entered into a joint borrowing arrangement with SunTrust Bank to fund expansion of the telecommunications system. The agreement provided for loan draws up to the amount of $1,450,000 through August 7, 2011. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. Interest at a rate of 3.97% is payable monthly. Principal is payable annually over a five year term, with the final amount due January 15, 2016. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The balance outstanding at June 30, 2014 and 2013 was $615,000 and $904,000, respectively. Interest paid during the fiscal years ended June 30, 2014 and 2013, on the loans was $31,575 and $42,948, respectively.

In December 2011, the Foundation and CWMF Ventures entered into a joint borrowing arrangement with SunTrust Bank to fund certain costs of unwinding the interest rate swap and various costs associated with refinancing the variable rate bonds referred to below (Note 16). Interest accrues at a rate of 3.73%. Payments of interest and principal are due quarterly, with the final payment due December 23, 2021. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. The balance outstanding at June 30, 2014 and 2013 was $0 and $559,282, respectively. Interest paid during the fiscal year ended June 30, 2014 and 2013 was $19,333 and $22,457, respectively.

Bonds Payable

In December 2011, the Economic Development Authority of James City County, Virginia ("Authority") issued a revenue refunding bond in the amount of $8,090,000 ("Series 2011 Bond"), and loaned the proceeds to the Foundation and CWMF Ventures ("Obligors"). The Series 2011 Bond was acquired by SunTrust Bank, as Series 2011 Bondholder. Proceeds from sale of the Series 2011 Bond were used to redeem bonds issued in December 2006 by the Authority to finance the cost of property acquisition, construction and equipping of a three-story building in New Town in James City County, Virginia, for use by the Foundation, CWMF Venture or the College. The Series 2011 Bond bears interest at a fixed rate of 2.96% per annum, subject to the put rights of the Series 2011 Bondholder as described below, and interest payments are due quarterly on each January 1, April 1, July 1 and October 1. The Series 2011 Bondholder has the option to tender the Series 2011 Bond for payment on December 1, 2021, the first optional put date, unless extended under the terms of the loan agreement to not earlier than December 1, 2026. An additional extension may be made to not earlier than December 1, 2031. The Obligors are required to maintain assets so that on each June 30, unrestricted and temporarily restricted net assets shall exceed 200% of the total funded debt. The face value of Series 2011 Bonds outstanding at June

30, 2014 and 2013, was $8,090,000. Interest paid on the Series 2011 Bonds during the fiscal years ended June 30, 2014 and 2013 was $242,790.

Commitments and Contingencies

During the fiscal year ended June 30, 2012 New Town Associates entered into two financing arrangements, with Chesapeake Bank and SunTrust Bank, to replace its borrowing agreement with SunTrust Bank. The Chesapeake Bank agreement is a $3,000,000 line of credit available for the issuance of loans and letters of credit, and is secured by a lien on New Town Associates' commercial land and improvements, as well as the assignment of rents, profits and leases. This facility bears an interest rate of 5.5%, and matures November 22, 2015. The Foundation guarantees 50% of the balance of the Chesapeake facility, not to exceed $1,500,000. As of June 30, 2014 and 2013 the principal amount outstanding under this note was $0 and $2,132,536, respectively. Letters of credit outstanding under this facility totaled $1,240,000 and $0 at June 30, 2014 and 2013. No draws had been made on the letters of credit as of June 30, 2014.

The SunTrust Bank agreement is a $2,000,000 unsecured line of credit available for the issuance of loans and letters of credit. The SunTrust facility bears an interest rate equal to the three-month LIBOR Rate plus 2.50% with a minimum of 3%, and matures on October 31, 2013. Each of the Foundation and the Casey Group guarantees the full amount outstanding under the facility. However, a separate mutual indemnity agreement has been executed between the guarantors whereby each of the Foundation and the Casey Group will reimburse the other should the amount paid by a guarantor group in connection with the guaranty exceed 50%. As a result the Foundation's ultimate liability under the guaranty is limited to 50%. The line of credit terminated during the fiscal year ended June 30, 2014. As of June 30, 2014 and 2013 the principal amount of loans outstanding under the SunTrust agreement was $0. Letters of credit outstanding under this agreement totaled $0 and $432,000 at June 30, 2014 and 2013, respectively.

WILLIAM AND MARY BUSINESS SCHOOL FOUNDATION

Commitments and Contingencies

On January 31, 2007, the Foundation entered into a Development Agreement and a Reimbursement Agreement (Agreements) with the College of William and Mary (College), in connection with the construction and equipping of a new academic building, Alan B. Miller Hall, for the College's Mason School of Business (Project). The total cost of the Project was approximately $75 million. In order to finance the cost of construction and equipping the building, two bond series were issued by the College - 2007 Series A bonds for $23,350,000, and 2009 Series A bonds for $23,350,000.

By the terms of the bond issue, the Foundation has no direct obligation for payment of the 2007 Series A bonds. By terms of the Reimbursement Agreement, the Foundation must reimburse the College for all debt service due on the 2009 Series A bonds and all related fees due and payable with respect to the bonds after their issuance. In addition, the Foundation has pledged as security for the payments all of its assets that are not subject to donor or other legal restrictions, as defined in the Reimbursement Agreement.

The payments required under the Reimbursement Agreement constitute an unconditional promise to give to the College. A liability was recorded for the present value of the principal and interest to be paid to the College. The Foundation paid to the College $463,673 in interest payments and $4,680,000 in principle during 2013. The difference of $671,429 between the total cash paid to the College or $5,143,673 in 2013 and the recorded liability represents the change in the present value discount. This amount was shown as an additional transfer to the College on the 2013 statement of activities.

The Foundation is primarily using funds from donations that were specifically designated for the repayment of the 2009 Series A bonds to reimburse the College for the debt service on these bonds. Should the funds raised not be adequate to fund the debt service or should the timing of the pledge payments prevent the scheduled repayment, a donor has agreed to allow up to $5,000,000 of permanently restricted net assets to be used to pay the obligation to the College on the condition that this money would be repaid to the permanently restricted funds. The current expected timing of donations and pledge payments indicates that the Foundation may be required to borrow such funds in 2016. Any borrowings will be repaid to the permanently restricted funds from future donations and pledge payments.

RICHARD BLAND COLLEGE FOUNDATION, INC.

Bonds Payable

During December 2006, the Foundation entered into loan agreements with the Industrial Development Authorities of Dinwiddie County, Virginia, Isle of Wight, Virginia, Prince George County, Virginia and Sussex County, Virginia to borrow the proceeds of the Authorities' $27,000,000 Series 2006 Revenue Bonds (Richard Bland College Foundation Student Housing Facilities). The loan was refinanced in October 2012 to lower the interest rate charged to the Foundation. The loan agreement interest rate was 4.23% and refinanced to 2.40010. The interest rate will adjust at the ten year anniversary of the refinancing and every 5 years thereafter at 70010 of the 5-year U. S. Treasury Note plus 120 basis points. The bonds are due August 5, 2038. The primary purpose of this loan is to refund and redeem in full the outstanding principal amount of the Authorities' $27,000,000 Series 2006 Revenue Bonds (Richard Bland College Foundation Student Housing Facilities), the proceeds of which were used to finance the costs of construction and equipping of a student housing facility located in Dinwiddie, Virginia.

Investment in Direct Financing Lease

The Foundation has an investment in a direct financing lease in connection with its long-term leasing arrangement with the College. The terms of the lease include the leasing of a student housing facility located in Dinwiddie, Virginia originally constructed by the Foundation for the College. The lease is due in semi-annual installments and expires in August 2038.

WILLIAM & MARY REAL ESTATE FOUNDATION

Tribe Square

The Foundation develops and owns a mixed use property known as Tribe Square, which consists of one floor retail space and two floors student housing. Construction was completed and the building was put into service during 2012. The Foundation is party to a commercial management agreement dated December 6, 2010 with an agent to manage the property on behalf of the Foundation. The agreement is for a one-year term ending July 31, 2013, and continuing on an annual basis unless and until terminated by either party. The services to be provided by the agent include the operation and maintenance of the property, as well as financial duties as defined in the agreement. The management fee paid to the agent will be $20,940 per annum. The Foundation has executed four lease agreements for tenants in the first floor retail area, which is fully occupied. The student housing space is being leased to the College.

The Foundation leases the Tribe Square student housing to the College pursuant to a lease agreement dated August 1, 2011 for a five-year term ending June 30, 2016, with an automatic renewal for an additional five year term ending on June 30, 2021. Annual base rent is $459,816, payable in two equal installments, with the first installment due on the commencement date, and each semi-annual installment thereafter due on September 1 and March 1 of each lease year. The base rent may be increased annually by a percentage equal to the increase in the Consumer Price Index. In no event shall the base rent be less than the base rent payable for the preceding year. Rental income received under this lease was $476,050 and $67,633 for 2014 and 2013, respectively.

Discovery II

During 2013, the Foundation purchased property held and referred to as Discovery II. The property is being operated as College office space. The Foundation entered into a commercial management agreement dated April 11, 2013 with an agent to manage the property on behalf of the Foundation. The agreement is for a one year term beginning on April 20, 2013 and ending on March 31, 2014, and continuing on an annual basis unless and until terminated by either party. The services to be provided by the agent include the operation and maintenance of the property, as well as financial duties as defined in the agreement. The management fee paid to the agent will be $10,800 per annum. At year-end, the Foundation has executed a lease agreement with the College in the building.

Beginning in 2013, the Foundation began leasing the Discovery II office space to the College. The Foundation entered into a lease agreement with the College dated May 18, 2013 for a sixty-two month term commencing May 1, 2013 and ending June 30, 2018 with the right to renew the lease for up to five additional consecutive one-year terms. Annual base rent is $382,200, payable in 12 equal installments, with the first installment due on the commencement date, and each monthly installment thereafter due on the first business day of the month. The base rent may be increased annually by two percent. Rental income received under this lease was $382,200 and $77,002 for 2014 and 2013, respectively.

Bonds Payable

The Foundation closed a tax-exempt student housing facilities revenue bond, dated September 16, 2011. The bond bears interest at a fixed rate of 3.75%. Required monthly payments of principal and interest total $25,855. The outstanding principal balance is $4,652,420 at June 30, 2014.

The bond was issued through the Economic Development Authority of the City of Williamsburg for a principal amount of $5 million. The proceeds of this bond were used to finance the costs to acquire, construct, and equip the student apartment portion of Tribe Square, and pay certain expenses of issuing the bond. The bond is secured by the rents and revenues of Tribe Square, and the property itself.

The bond, which is bank held, has an option for the bank to require the Foundation to repurchase the bond once the bond is 10 years past the issuance date. If this option is exercised the Foundation would pay the aggregate unpaid principal plus accrued interest through the date of such payment. The bank must give the Foundation 120 days' notice prior to the tender date if this option is exercised.

Promissory Note

The Foundation obtained a promissory note, dated June 3, 2013, ten (10) year term. The note bears interest at a fixed rate of 3.22%. Required monthly payments of principal and interest total $18,007. The outstanding principal balance is $3,582,861 at June 30, 2014.

The promissory note was issued through a private lender for a principal amount of $3,689,000. The proceeds of this note were used to finance the costs to acquire Discovery II, and pay certain expenses of issuing the note. The note is secured by the rents and revenues of Discovery II, and the property itself. A balloon payment in the amount of $2,570,410 is due at note maturity on June 1, 2023. Prepayments made within the first thirty-six months of the loan are subject to a penalty of 1% of the prepayment amount.

Demolition Loans

The Foundation obtained demolition loans, dated February 15, 2013. The loans are secured by deed of trust. The loans bear no interest and will be forgiven on a dollar-for-dollar basis to the extent of real estate taxes assessed on the improvements made to certain real estate. The outstanding principal balance is $17,965 at June 30, 2014.

14. CONTRIBUTION TO PENSION PLAN

Virginia Retirement System

Employees of the College are employees of the Commonwealth of Virginia. Substantially all full-time classified salaried employees of the College of William and Mary and Richard Bland College participate in the defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

The College of William and Mary and Richard Bland College's payroll costs for employees covered by VRS were $67,706,471 for the year ended June 30, 2014. Total payroll costs were $175,962,932 for the year ended June 30, 2014.

Information regarding types of employees covered, benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions as well as employer and employee obligations to contribute are established can be found in the Commonwealth's Comprehensive Annual Financial Report.

The College of William and Mary and Richard Bland College's total VRS contributions were $5,997,699 for the year ended June 30, 2014. These contributions represent approximately 8.76 percent for state employees and 14.80 percent for VaLORS employees of covered payroll for the period July 2013 to June 2014.

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. The Comprehensive Annual Financial Report provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2014. The same report contains historical trend information showing VRS progress in accumulating sufficient assets to pay benefits when due.

Optional Retirement Plan

Full-time faculty and certain administrative staff may participate in a retirement annuity program through various optional retirement plans other than the VRS. This is a fixed-contribution program where the retirement benefits received are based upon the employer's contributions of approximately 10.4 percent or 8.50 percent depending on whether the employee is in Plan 1 or Plan 2, plus interest and dividends. Plan 1 consists of employees who became a member prior to July 1, 2010. Plan 2 consists of employees who became a member on or after July 1, 2010.

Individual contracts issued under the plan provide for full and immediate vesting of contributions of the College of William and Mary and Richard Bland College and their employees. Total pension costs under this plan were $ 7,971,079 for the year ended June 30, 2014. Contributions to the optional retirement plans were calculated using the base salary amount of $79,375,522 for fiscal year 2014. The College of William and Mary and Richard Bland College's total payroll for fiscal year 2014 was $175,962,932.

Deferred Compensation

Employees of the College are employees of the Commonwealth of Virginia. State employees may participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the Commonwealth matching up to $20 per pay period. The dollar amount of the match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately $769,667 for fiscal year 2014.

15. POST-RETIREMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance program which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participate in the State's health plan. Information related to these plans is available at the statewide level in the Comprehensive Annual Financial Report.

16. CONTINGENCIES

Grants and Contracts

The College of William and Mary and Richard Bland College receive assistance from non-state grantor agencies in the form of grants and contracts. Entitlement to these resources is conditional upon compliance with the terms and conditions of the agreements, including the expenditure of resources for eligible purposes. Substantially all grants and contracts are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability. As of June 30, 2014, the College estimates that no material liabilities will result from such audits.

Litigation

The College is not involved in any litigation at this time.

17. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The College participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The College pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

18. SUBSEQUENT EVENTS

On October 22, 2014 the VCBA completed the sale of Educational Facilities Revenue Refunding Bonds, Series 2014B. The bonds were issued to provide funds to refinance various educational and auxiliary facilities. The aggregate debt service savings for the College's VCBA projects was $2,358,829.

Commonwealth of Virginia
Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

May 27, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
College of William and Mary

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the College of William and Mary in Virginia, including the Virginia Institute of Marine Sciences and Richard Bland College (the College), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the College, which are discussed in Notes 1 and 13. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the College, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the College that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the College as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

The College of William and Mary in Virginia
Richard Bland College

June 30, 2014

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