WILLIAM & MARY

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Audited Consolidated Financial Report
For The Year Ended June 30, 2015

VIMS | WILLIAM & MARY
VIRGINIA INSTITUTE OF MARINE SCIENCE
1940-2015 75 YEARS

RICHARD BLAND COLLEGE of WILLIAM & MARY

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
RICHARD BLAND COLLEGE

ANNUAL FINANCIAL REPORT 2014 - 2015

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, 2015 and the prior year ending June 30, 2014. 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 2015. 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, and GASB Statement 68 *Accounting and Financial Reporting for Pensions*. 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.

<u>Financial Summary</u>

<u>Statement of Net Position</u>

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, 2015. 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 position 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 2015	FY 2014	Dollar Change	Percent Change
Assets:				
Current	$ 67,449,161	$ 66,625,898	$ 823,263	1.24%
Capital, net of accumulated depreciation	798,505,664	756,849,334	41,656,330	5.50%
Other non-current	139,990,529	141,737,180	(1,746,651)	-1.23%
Total assets	1,005,945,354	965,212,412	40,732,942	4.22%
Deferred outflows of resources:				
Pension related	12,130,339	-	12,130,339	
Loss on refunding of debt	4,755,397	3,541,050	1,214,347	34.3%
Liabilities:				
Current	86,132,923	77,771,250	8,361,673	10.75%
Non-current	353,289,754	257,213,391	96,076,363	37.35%
Total liabilities	439,422,677	334,984,641	104,438,036	31.18%
Deferred inflows of resources:				
Pension related	18,214,000	-	18,214,000	
Gain on refunding of debt	613,320	18,448	594,872	3224.6%
Net Position:				
Net investment in capital assets	549,612,132	508,841,307	40,770,825	8.01%
Restricted	96,504,841	96,232,164	272,677	0.28%
Unrestricted	(81,535,880)	28,676,902	(110,212,782)	384.33%
Total net position	$564,581,093	$633,750,373	$(69,169,280)	-10.91%

The overall result of the College's fiscal year 2015 operations was a decrease in net position of approximately $69.2 million or 10.91 percent to $564.6 million. There was a restatement of beginning net position for fiscal year 2015 due to the implementation of GASB 68 – Accounting and Financial Reporting for Pensions. This restatement resulted in a decrease in unrestricted net position and an increase in non-current liabilities of $108.4 million for the fiscal year 2014. Deferred inflows and outflows of resources related to pension liability obligations are recorded on the fiscal year 2015 Statement of Net Position for the first time in accordance with the implementation of GASB 68 – Accounting and Financial Reporting for Pensions. The deferred outflows of resources related to pension liability are contributions to the pension plan subsequent to the measurement date of the net pension liability. The measurement date of the net pension liability was June 30, 2014; therefore all fiscal year 2015 contributions to pensions with the Virginia Retirement System are included in deferred outflows of resources. The deferred inflows of resources related to pension liability are the net difference between projected and actual earnings on pension plan investments. Valuations related to the pension liability were provided by the Virginia Retirement System.

The decrease in net position is primarily due to recording the pension liability required by GASB 68. The decrease was partially offset by an increase in net investment in capital assets of $40.8 million. In addition to the College's net position as shown above, net position for the College's affiliated foundations totaled $824.2 million.

Total assets increased by $40.7 million. Capital assets, net of accumulated depreciation, increased by $41.7 million primarily as a result of construction in progress for projects such as the Integrated Science Center phase III, Chandler Hall renovations, Zable Stadium improvements, One Tribe Place renovations, Tyler Hall renovations and Richard Bland College's Ernst Hall renovations. The increase in deferred outflows of resources is due to the recording of pension liability obligations of $12.1 million and losses on refundings of notes and bonds payable of $1.2 million in FY15.

Total liabilities increased by $104.4 million. Current liabilities increased by $8.4 million. The increase was primarily due to accounts payable accruals and the current portion of long term liabilities. The increase in the current portion of long term liabilities is a combination of an increase in the current portion of 9(d) notes payable partially offset by a decrease in the current portion of 9(c) bonds payable, and an increase in the current portion of accrued compensated absences. Non-current liabilities increased by $96.1 million. The increase is primarily due to recording the net pension liability for GASB 68. The increase in deferred inflows of resources is due to the recording of pension liability obligations of $18.2 million and gains on refundings of notes and bonds payable of $0.6 million in FY15.

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 2015	FY 2014	Dollar Change	Percent Change
Operating revenues	$ 307,271,207	$ 285,387,262	$ 21,883,945	7.67%
Operating expenses	415,981,223	397,161,235	18,819,988	4.74%
Operating gain/(loss)	(108,710,016)	(111,773,973)	3,063,957	2.74%
Net Non-operating revenues	96,965,665	106,691,095	(9,725,430)	-9.12%
Income/(Loss) before other revenues	(11,744,351)	(5,082,878)	(6,661,473)	-131.06%
Net other revenues	51,021,071	24,060,786	26,960,285	112.05%
Increase in net position	$ 39,276,720	$ 18,977,908	$ 20,298,812	106.96%

Overall, the result from operations was an increase in net position of $39.3 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; Student Aid 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

	FY2015	FY2014	Dollar Change	Percent Change
Operating Revenues:				
Student Tuition and Fees, net of scholarship allowances	$ 158,642,376	$ 147,464,313	$ 11,178,063	7.58%
Federal, State, Local and Non-governmental grants and contracts	48,480,782	46,487,452	1,993,330	4.29%
Auxiliary Enterprise, net of scholarship allowances	92,573,756	84,318,803	8,254,953	9.79%
Other	7,574,293	7,116,694	457,599	6.43%
Total Operating Revenues	307,271,207	285,387,262	21,883,945	7.67%
Non-Operating:				
State Appropriations	69,208,059	69,700,225	(492,166)	-0.71%
Gifts, Investment Income and other income and expenses	27,757,606	36,990,870	(9,233,264)	-24.96%
Total Non-Operating	96,965,665	106,691,095	(9,725,430)	-9.12%
Capital Revenues, Gains and (Losses):				
Capital Appropriations	35,796,099	10,249,507	25,546,592	249.25%
Capital Grants and Gifts	15,224,972	13,811,279	1,413,693	10.24%
Total Capital Revenues, Gains and (Losses)	51,021,071	24,060,786	26,960,285	112.05%
Total Revenues	$ 455,257,943	$ 416,139,143	$ 39,118,800	9.40%

Within the operating revenue category, student tuition and fees increased $11.2 million, net of scholarship allowances. An increase in Federal, Local, and non-governmental grants was offset by a reduction in State funding for research for an 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 2015	FY 2014	Dollar Change	Percent Change
Operating Expenses:				
Instruction	$ 112,452,044	$ 108,529,748	$ 3,922,296	3.61%
Research	53,859,353	50,947,278	2,912,075	5.72%
Public Service	75,417	74,104	1,313	1.77%
Academic Support	32,636,011	33,222,378	(586,367)	-1.76%
Student Services	14,118,203	13,242,317	875,886	6.61%
Institutional Support	37,006,880	32,829,051	4,177,829	12.73%
Operation and Maintenance of Plant	23,810,722	24,526,990	(716,268)	-2.92%
Student Aid	33,340,367	29,122,292	4,218,075	14.48%
Auxiliary Enterprise	78,274,049	75,840,679	2,433,370	3.21%
Depreciation	29,381,341	28,231,819	1,149,522	4.07%
Other Operating Expenses	1,026,836	594,579	432,257	72.70%
Total Operating Expenses	$ 415,981,223	$ 397,161,235	$ 18,819,988	4.74%

For fiscal year 2015, operating expenses increased notably in the two programs; Institutional Support and Student Aid. The increase in Institutional Support was due primarily to salaries and benefits, in particular University Advancement salaries due to an increase in the number of staff. Student Aid has grown each year as need continues to rise.

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

	FY2015	FY 2014	Dollar Change	Percent Change
Cash Flows from:				
Operating Activities	$ (75,972,180)	$ (80,778,718)	$ 4,806,538	5.95%
Non-capital Financing	104,383,531	102,312,358	2,071,173	2.02%
Capital Financing	(32,232,946)	(18,101,790)	(14,131,156)	-78.06%
Investing Activities	(3,447,515)	3,369,927	(6,817,442)	202.30%
Net Increase in Cash	$ (7,269,110)	$ 6,801,777	$ (14,070,887)	206.87%

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 2015 were tuition and fees - $150.6 million, auxiliary enterprise revenues $92.5 million, state appropriations - $69.2 million, and research grants and contracts - $46.3 million.

The primary uses of operating cash in fiscal year 2015 were payments to employees - $226.0 million representing salaries, wages and fringe benefits and payments to suppliers of goods and services - $104.5 million.

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 2015 were capital appropriations - $33.0 million, capital grants and gifts - $14.8 million and bond sales - $12.5 million. The primary uses of cash were for capital expenditures - $67.9 million and debt payments - $25.0 million.

The change in cash flows from investing activities is due to market fluctuations.

Capital Asset and Debt Administration

The College of William & Mary

General – Fiscal Year 2015 continued the recovery in design and construction which began in 2013. Programmatically, academic facilities remain the primary focus 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. Financially, the funds earned and/or raised to support auxiliary facilities are supporting a larger and larger portion of projects. It should be noted that projects which are currently in progress and which are funded with general funds were approved prior to the 2013 General Assembly which authorized no new projects for the College. Since 2013, two projects, one Education & General and one Auxiliary, have been authorized. Detailed planning (schematic and preliminary design) for the Auxiliary project, however, is being funded by the College with State reimbursement downstream.

Completed Projects – Ten projects are listed as having been placed into service in fiscal year 2015. Nine of the ten were funded with private and/or auxiliary funds. Residual funds in each budget have been used to restore items deleted from project scopes during design and/or to purchase equipment required to optimize facility functionality. These projects will be closed as rapidly as possible.

Projects in Progress – Twenty-seven projects are currently in progress meaning projects which are in design, construction or having open commitments which must be completed and closed.

Design – Four of six projects are Education and General funded projects. The remaining two support auxiliary residence life and dining functions. One of the education and general projects is Hixson Learning Center at Marshall-Wythe Law School. This donor supported project will provide space for legal practice clinics and a practice courtroom. The project will provide real world client representation experience to law students while simultaneously consolidating clinics currently scattered in rental space throughout Williamsburg.

Remaining education and general projects address regulatory shortfalls of existing systems and facilities – specifically accessibility, storm water management, and spillway capacity of the Lake Matoaka earth fill dam. In regard to accessibility, this 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. In regard to storm water management, this project will analyze campus storm water 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. In regard to Lake Matoaka Dam spillway improvement, State dam safety regulations 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.

The auxiliary projects are the Commons Dining renovations and One Tribe Place renovations. The Commons Dining Facility, which is the largest dining facility on campus, has a failing sanitary sewer system which must be replaced to ensure uninterrupted operations and an air cooled chiller which has reached the end of its useful service life and requires replacement. The One Tribe Place project is the second part of a phased renovation of the Hospitality House Hotel which was acquired by the College and is being converted to dormitory use. Renovation is required to achieve code compliance based on a change of facility use.

Construction – Nine projects are in construction. There are three education and general funded projects. Phase three of the Integrated Science Complex began in July 2014 and will create new instructional space. 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 the adjacent Millington Hall), facilities for selected elements of Chemistry and Psychology and 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 construction in order to reclaim the building site for a future facility. Construction will be complete in summer 2016. Following the transition of Biology from Millington to ISC 3, Millington demolition will commence. Another education and general project is the Tyler Hall renovation. The 1925 era Tyler Hall, last renovated in 1980, will be brought into current code compliance. Simultaneously, building systems, instructional space and technology will be modernized. The third education and general project is phase IV of the Cooling Plant. An "ice plant" will be constructed within the existing centralized cooling plant. The project is significant in that it will enable significant energy cost savings via "peak shaving". Peak shaving means using the cold 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 ice in lieu of additional power to drive chiller units will allow lower annual rates to be captured. There are three non-general funded projects. Three residence hall, two athletic and one dining project are in progress. Three dormitory umbrella funds which supported twenty projects ranging from HVAC to roof replacement are being completed. Final projects include the renovation of Chandler Hall and the renovation of the 1987 addition at One Tribe Place (formerly the Hospitality House Hotel). Two new facilities, Zable Stadium Improvements and Plumeri Indoor Practice Facility, are in progress. The Zable Stadium project will add 2,630 new seats in a new upper deck on the west stands. The project will also add replacement seating to the lower stands, upper and lower concourses, suites and a press box on the west side. On the east side, existing restrooms will be renovated and new men's and women's restrooms provided. The project will be complete in summer 2016. At Plumeri Field, a three lane indoor, all weather pitching and batting facility is being constructed. Completion is scheduled for October, 2015. An aesthetic refresh and rebranding of all campus dining venues was completed as part of a transition of campus food service vendors.

As noted in the 2014 report, the Six Year Plan for 2014 – 2020 initiates a significant transition functionally and fiscally. Functionally, capital projects will feature a shift in focus to support the arts and improve supporting utility infrastructure to include modernization of the central campus communications. Fiscally, the College will rely heavily on internally generated revenues and donor support pending a gradual restoration of state funding during this period of fiscal recovery. The Six Year Plan submission for 2016 – 2022 and future plans will be guided by the 2015 Campus Master Plan which was approved by the Board of Visitors in February 2015.

Virginia Institute of Marine Science

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 2015, 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. JMS, a naval architectural firm, has completed the Preliminary Drawings and are currently working on the Contract 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, Virginia Sea Grant, Center for Coastal Resources Management, and the Publication/Communication Center in a single facility. Moseley Architects has completed the Preliminary Design and are currently performing the Value Engineering Workshop.

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. RRMM Architects have completed the Schematic Design and are currently completing the Preliminary Design.

Richard Bland College

Ernst Hall was opened in 1967 and has not had any major renovations. Its square footage is 33,000. The Bureau of Capital Outlay Management (BCOM) approved a funding report for 9.3 million dollars for the renovation of this campus building. At June 30, 2015, Ernst Hall was on target to be open for fall 2015 classes. We achieved substantial completion on August 28 2015, 2 weeks before the school year started and four months ahead of the original schedule.

In the fall of 2014, the VA Department of Forestry (DOF) created a Forestry Stewardship Plan for the College. Now the College is moving forward with the revitalization and improvement of the 700 acres of woodlands on the campus. The DOF has contracted out the clearing of the 168 diseased acres and this work is complete. In the first week of October 2015 they plan on spraying the area and in February 2016 will replant the entire area with the exception of the corridor

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, 2015 the College has outstanding balances for Section 9(c) bonds and Section 9(d) bonds of $78.6 million and $161.8 million respectively.

The outstanding balance of 9(c) bonds can be summarized in five major categories as follows: (1) Renovation of Dormitories - $37.7 million, (2) Commons Dining Hall - $6.3 million, (3) Other housing / residence - $4.7 million, (4) New Dormitory - $22.5 million, and (5) Underground Utility - $0.4 million. The majority of the 9(d) balance at June 30, 2015 is related to One Tribe Place - $22.4 million, the Miller Hall School of Business - $22.3 million, the Barksdale dormitories - $17.4 million, Cooling Plant - $19.3 million, Integrated Science Center - $14.3 million, the Parking Deck -$7.8 million, Recreation Sports Center - $6.7 million, Marshall-Wythe Law School Library - $10.5 million and Expand Sadler Center - $7.7 million.

Economic Outlook

William & Mary'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 to support the university's highest 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 university reached a new high of 14,953 for Fall 2015. The credentials of our admitted students remain strong, reflecting the highly selective nature of William & Mary. These statistics, coupled with the university'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. On-going pressures on, and competing interest in, State revenues 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 William & Mary 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 2015. By June 30, 2015, the consolidated value of endowments held by all of the various entities supporting the College and its programs totaled $811.2 million, a record high for the College. Consistent investment performance by both the Board of Visitors and the College of William and Mary Foundation endowments, combined with increasing gift flow, support endowment growth. 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 William & Mary raised more than $100 million in three consecutive years, raising $105.8 million in gifts and commitments in fiscal year 2015. With more than 16,800 undergraduate alumni donors, an undergraduate alumni giving rate of 27.1%, and increased investment in University Advancement, we expect continued progress in private support for university programs and activities.

Facilities activity remains brisk on campus. On the academic side, the final phase of the Integrated Science Center (ISC3) and the renovation of Tyler Hall are underway. Looking forward, the College completed, and the Board of Visitors approved, an updated master land use plan for the University. Key elements of the plan include 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.

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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, 2015

ASSETS	Colleges	Component Units
Current assets:		
Cash and cash equivalents (Note 3)	$ 23,260,409	$ 23,765,108
Investments (Note 3)	22,250,622	5,256,900
Appropriation available	818,886	-
Receivables, net of allowance for doubtful accounts (Note 5)	14,487,836	4,463,983
Notes receivable (Note 5)	718	-
Due from commonwealth	4,610,759	-
Inventories	631,534	12,627
Pledges receivable	-	9,443,188
Prepaid expenses	1,167,628	1,764,309
Other assets	220,769	130,415
Total current assets	67,449,161	44,836,530
Non-current assets:		
Restricted cash and cash equivalents (Note 3)	29,211,183	11,778,438
Restricted investments (Note 3)	91,016,770	609,631,442
Investments (Note 3)	17,141,442	15,405,563
Receivables	-	22,714,322
Notes receivable, net of allowance for doubtful accounts (Note 5)	2,621,134	-
Pledges receivable	-	18,489,633
Capital assets, nondepreciable (Note 6)	168,646,474	12,561,871
Capital assets, depreciable net of accumulated depreciation of $376,142,667 (Note 6)	629,859,190	16,917,602
Other assets	-	1,649,445
Other restricted assets	-	140,312,269
Total non-current assets	938,496,193	849,460,585
Total assets	1,005,945,354	894,297,115
Deferred outflows of resources		
Pension related	12,130,339	
Loss on refunding of debt	4,755,397	
Total deferred outflows of resources	16,885,736	
Total assets and deferred outflows of resources	1,022,831,090	
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses (Note 7)	41,764,122	6,528,777
Unearned revenue	12,772,652	451,541
Deposits held in custody for others	1,738,589	366,121
Advance from the Treasurer of Virginia (Note 18)	129,092	-
Obligations under securities lending program	46,201	-
Long-term liabilities-current portion (Note 9)	29,007,732	1,799,613
Short term debt	-	1,247,541
Other liabilities	674,535	-
Total current liabilities	86,132,923	10,393,593
Long-term liabilities-non-current portion (Note 9)	353,289,754	59,680,858
Total liabilities	439,422,677	70,074,451
Deferred inflows of resources		
Pension related	18,214,000	
Gain on refunding of debt	613,320	
Total deferred inflows of resources	18,827,320	
Total liabilities and deferred inflows of resources	458,249,997	
NET POSITION		
Net investment in capital assets	549,612,132	12,347,105
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	19,111,654	120,413,177
Research	-	8,857,906
Loans	-	24,230
Departmental uses	37,687,638	148,288,635
Other	-	187,775,068
Expendable:		
Scholarships and fellowships	9,649,105	97,070,711
Research	-	4,662,782
Debt service	1,511,416	-
Capital projects	735,070	20,771,942
Loans	616,888	72,769
Departmental uses	27,193,070	148,106,242
Other	-	25,872,012
Unrestricted	(81,535,880)	49,960,085
Total net position	$ 564,581,093	$ 824,222,664

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, 2015

	Colleges	**Component Units**
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $29,768,317	$ 158,642,376	$ -
Gifts and contributions	-	19,425,423
Federal grants and contracts	39,147,313	-
State grants and contracts	2,746,445	-
Local grants and contracts	219,269	-
Nongovernmental grants and contracts	6,367,755	-
Auxiliary enterprises, net of scholarship allowances of $12,344,620	92,573,756	-
Other	7,574,293	12,157,379
Total operating revenues	307,271,207	31,582,802
Operating expenses: (Note 11)		
Instruction	112,452,044	5,599,307
Research	53,859,353	944,169
Public service	75,417	606,234
Academic support	32,636,011	4,778,781
Student services	14,118,203	1,414,197
Institutional support	37,006,880	17,259,169
Operation and maintenance of plant	23,810,722	954,457
Student aid	33,340,367	10,539,092
Auxiliary enterprises	78,274,049	1,012,866
Depreciation	29,381,341	861,180
Other	1,026,836	13,254,336
Total operating expenses	415,981,223	57,223,788
Operating loss	(108,710,016)	(25,640,986)
Non-operating revenues/(expenses):		
State appropriations (Note 12)	69,208,059	-
Gifts	30,665,994	-
Net investment revenue	1,498,427	26,716,531
Pell grant revenue	5,411,970	-
Interest on capital asset related debt	(6,299,351)	(261,451)
Other non-operating revenue	1,742,314	(5,953,385)
Other non-operating expense	(5,261,748)	(720,127)
Net non-operating revenues	96,965,665	19,781,568
Income/(loss) before other revenues, expenses, gains or losses	(11,744,351)	(5,859,418)
Capital appropriations	35,796,099	-
Capital grants and contributions	15,224,972	5,362,993
Additions to permanent endowments	-	8,848,735
Net other revenues, expenses, gains or losses	51,021,071	14,211,728
Increase in net position	39,276,720	8,352,310
Net position - beginning of year, restated (Note 2)	525,304,373	815,870,354
Net position - end of year	$ 564,581,093	$ 824,222,664

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, 2015

Cash flows from operating activities:	
Tuition and fees	$ 150,622,290
Scholarships	(34,191,357)
Research grants and contracts	46,341,663
Auxiliary enterprise charges	92,501,751
Payments to suppliers	(104,479,370)
Payments to employees	(225,969,349)
Payments for operation and maintenance of facilities	(11,652,754)
Loans issued to students and employees	(381,104)
Collection of loans to students and employees	565,327
Other receipts	10,719,339
Other payments	(48,616)
Net cash used by operating activities	(75,972,180)
Cash flows from noncapital financing activities:	
State appropriations	69,208,059
Gifts	30,665,994
Agency receipts	5,896,631
Agency payments	(5,632,845)
Direct Loan receipts	39,773,992
Direct Loan disbursements	(39,773,992)
Other non-operating receipts	9,191,527
Other non-operating disbursements	(4,945,835)
Net cash provided by noncapital financing activities	104,383,531
Cash flows from capital financing activities:	
Proceeds from issuance of capital debt	12,526,609
Capital appropriations	32,977,749
Capital grants and contributions	14,835,764
Advance from the Treasurer of Virginia	129,092
Insurance payments	116,254
Capital expenditures	(67,937,679)
Principal paid on capital-related debt	(16,957,900)
Interest paid on capital-related debt	(7,999,054)
Proceeds from sale of capital assets	76,219
Net cash used by capital and related financing activities	(32,232,946)
Cash flows from investing activities:	
Investment income	1,489,535
Investments	(4,937,050)
Net cash provided by investing activities	(3,447,515)
Net increase/(decrease) in cash	(7,269,110)
Cash-beginning of year	59,696,115
Cash-end of year	$ 52,427,005

The College of William and Mary in Virginia
and Richard Bland College - Consolidated Report
Statement of Cash Flows
For the Year Ended June 30, 2015

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	$	23,260,409
Restricted cash and cash equivalents		29,211,183
Less: Securities lending -Treasurer of Virginia		(44,587)
Net cash and cash equivalents	$	52,427,005
Reconciliation of net operating expenses to net cash used by operating activities:		
Net operating loss	$	(108,710,016)
Adjustments to reconcile net operating expenses to cash used by operating activities:		
Depreciation expense		29,381,341
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables-net		1,138,748
Inventories		(132,315)
Prepaid expense		459,040
Accounts payable		2,823,352
Unearned revenue		(1,093,784)
Deposit held for others		280
Compensated absences		803,242
Pension obligations		(927,339)
Other liability		285,271
Net cash used in operating activities	$	(75,972,180)

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

Amortization of a deferred loss	$	2,046,642
Donated capital assets	$	389,208
Reduction/amortization of bond premium and debt issuance costs	$	482,473

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

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Notes to
Financial Statements

Year Ended June 30, 2015

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) 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 $ 852,906 through direct payment of expenses.

The following summarizes the unaudited financial position of the OIEAHC at June 30, 2015:

Assets	$ 16,339,109
Liabilities	300,123
Net Assets	16,038,986
Liabilities and Net Assets	$ 16,339,109

The total unaudited receipts and disbursements of the OIEAHC were $2,262,213 and $2,113,413 respectively, for the year ended June 30, 2015. 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 June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, effective for the College's fiscal year beginning July 1, 2014. This statement requires the liability of employers for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plans fiduciary net position. In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. This statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

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 non-operating 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, 2015, the Colleges' prepaid expenses included items such as insurance premiums, membership dues, conference registrations and publication subscriptions for fiscal year 2016 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, 2015. 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. Also included is pension liability for defined benefit plans administered through the Virginia Retirement System.

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

Net position as previously reported June 30, 2014	$ 633,750,373
Implementation of GASB 68 and 71	
The College of William and Mary	(81,329,000)
Virginia Insitute of Marine Science	(20,167,000)
Richard Bland College	(6,950,000)
Net position at July 1, 2014	$ 525,304,373

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 2015 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, 2015, the College had 6.3% 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 $662,423 as of June 30, 2015.

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	$ 4,857,871	$ -	$ 3,184,064	$ 1,673,807	$ -
Federal National Mortgage Assn	10,976,595	1,501,065	4,557,763	4,917,767	-
Commercial Paper	5,899,428	5,899,428	-	-	-
Corporate Bonds	27,283,115	20,259,354	7,023,761	-	-
Fixed Income and Commingled Funds	73,970	-	-	73,970	-
Mutual and money market funds:					
Money market	22,016,264	22,016,264	-	-	-
Mutual funds - Investment Funds	28,584,277	-	-	24,491,719	4,092,558
Mutual funds - Wells Fargo	572,386	572,386	-	-	-
State non-arbitrage program	22,847,247	22,847,247	-	-	-
Securities lending	44,587	44,587	-	-	-
	$ 123,155,740	$ 73,140,331	$ 14,765,588	$ 31,157,263	$ 4,092,558

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	22,016,264	-	-	-	-	22,016,264
Commercial Paper	5,899,428	-	-	-	-	5,899,428
State non-arbitrage program	22,847,247	-	-	-	-	22,847,247
Securities lending	44,587	-	-	-	-	44,587
Total cash equivalents	50,937,526	-	-	-	-	50,937,526
Investments						
Agency unsecured bonds and notes:						
Federal Home Loan Mortgage Corp	$ 4,857,871	$ -	$ -	$ -	$ -	$ 4,857,871
Federal National Mortgage Assn	10,976,595	-	-	-	-	10,976,595
Corporate Bonds	27,283,115	6,082,160.00	6,040,644.00	6,084,650.00	6,039,611.00	3,036,050
Fixed Income and Commingled Funds	73,970	-	-	-	-	73,970
Mutual funds:						
Investment Funds	28,584,277	-	-	-	-	28,584,277
Wells Fargo	196,892	-	-	-	-	196,892
Total investments	$ 71,972,720	$ 6,082,160	$ 6,040,644	$ 6,084,650	$ 6,039,611	$ 47,725,655
Other Investments						
Other	52,089,191					
Securities lending	1,614					
Rare coins	280					
Property held as investment for endowments	445,600					
Total other investments	52,536,685					
Total cash equivalents and investments	$ 175,446,931					

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 2015, had a net appreciation of $14,486,397 which is available to be spent and is reported in the Statement of Net Position in the following categories: Restricted Expendable for Scholarships and Fellowships - $7,883,158, Restricted Expendable for Research - $8,834, Restricted Expendable for Capital Projects - $198,242, Restricted Expendable for Departmental Uses - $5,087,599 and Unrestricted - $1,308,563. The amount for

Research and Capital Projects were reclassified to unrestricted because the total net positions for Restricted Expendable for Research and Restricted Expendable for Capital Projects were negative for the College.

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, 2015 as follows:

Accounts receivable consisted of the following at June 30, 2015:

Student Tuition and Fees	$ 2,636,247
Auxiliary Enterprises	1,328,142
Federal, State and Non-Governmental Grants & Contracts	8,131,297
Other Activities	2,393,790
Gross Receivables	14,489,476
Less: allowance for doubtful accounts	(1,640)
Net Receivables	$ 14,487,836

Notes receivable consisted of the following at June 30, 2015:

Current portion:	
Federal student loans and promissory notes	$ 718
Non-current portion:	
Federal student loans and promissory notes	$ 2,724,086
Less: allowance for doubtful accounts	(102,952)
Net non-current notes receivable	$ 2,621,134

6. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2015 consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	$ 25,314,003	$ -	$ -	$ 25,314,003
Inexhaustible artwork and Historical treasures	74,514,223	454,201	-	74,968,424
Construction in Progress	18,076,787	60,311,674	(10,024,414)	68,364,047
Total non-depreciable capital assets	117,905,013	60,765,875	(10,024,414)	168,646,474
Depreciable capital assets:				
Buildings	759,285,718	11,598,728	-	770,884,446
Equipment	71,223,490	5,654,539	(1,091,834)	75,786,195
Infrastructure	76,118,759	1,415,886	-	77,534,645
Other improvements	13,947,511	32,436	-	13,979,947
Library Materials	88,734,711	1,152,912	(374,911)	89,512,712
Computer software	5,690,087	180,000	-	5,870,087
Total depreciable capital assets	1,015,000,276	20,034,501	(1,466,745)	1,033,568,032
Less accumulated depreciation for:				
Buildings	209,088,498	19,900,269	(525,253)	228,463,514
Equipment	44,828,281	4,986,037	(828,288)	48,986,030
Infrastructure	30,345,835	2,269,918	-	32,615,753
Other improvements	5,512,204	711,638	-	6,223,842
Library Materials	81,380,352	1,420,213	(374,911)	82,425,654
Computer software	4,900,785	93,264	-	4,994,049
Total accumulated depreciation	376,055,955	29,381,339	(1,728,452)	403,708,842
Depreciable capital assets, net	638,944,321	(9,346,838)	261,707	629,859,190
Total capital assets, net	$ 756,849,334	$ 51,419,037	$ (9,762,707)	$ 798,505,664

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 $43.48 for fiscal year 2015. The average cost of the Law Library purchases of books was $87.61 for fiscal year 2015. 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 $51.44 for fiscal year 2015. The average cost of library books purchased for Richard Bland College was $15.00 for fiscal year 2015. 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 were no reported impairments during fiscal year 2015.

Proceeds from other insurance recoveries attributable to capital assets are reported as a capital related financing activity in the Statement of Cash Flows. Accordingly, $116,253 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, 2015 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 $1,651,552. On the VIMS campus, Moxley House was idle and is currently valued at $96,045.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2015:

Current Liabilities:	
Employee salaries, wages, and fringe benefits payable	$22,307,534
Vendors and supplies accounts payable	8,918,761
Capital projects accounts and retainage payable	11,121,121
Other	(583,294)
Total current liabilities-accounts payable and accrued liabilities	$41,764,122

8. COMMITMENTS

At June 30, 2015, outstanding construction commitments totaled approximately $126,692,999.

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, 2015, was $5,178,617.

As of June 30, 2015, the following total future minimum rental payments are due under the above leases:

Year Ending June 30, 2015	Amount
2016	$ 4,627,845
2017	4,498,967
2018	4,253,770
2019	1,740,109
2020	1,776,520
2021 - 2025	2,889,193
Total	$ 19,786,404

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, 2015 is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Installment Purchases	$ 4,402,664	$ 281,314	$ (556,410)	$ 4,127,568	$ 546,085
Capital Lease Payable	23,044,326	55	(585,530)	22,458,851	610,503
Other long-term obiligations	811,731	2	(20,625)	791,108	21,505
Notes Payable	171,342,667	33,858,808	(43,424,681)	161,776,794	13,120,000
Bonds Payable	70,742,633	14,229,878	(6,377,296)	78,595,215	4,698,744
Total long-term debt	270,344,021	48,370,057	(50,964,542)	267,749,536	18,996,837
Perkins Loan Fund Balance	2,498,565	-	-	2,498,565	-
Accrued compensated absences	9,811,143	10,614,386	(9,811,144)	10,614,385	10,010,895
Net Pension Liability	108,446,000	11,203,000	(18,214,000)	101,435,000	-
Total long-term liabilities	$391,099,729	$ 70,187,443	$ (78,989,686)	$382,297,486	$29,007,732

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(%)	Fiscal year Maturity	Balance as of June 30, 2015
Section 9(c) bonds payable:			
Dormitory, Series 2009C	3.000 - 4.000	2021	$ 381,550
Dormitory, Series 2009C	3.000 - 4.000	2022	2,259,073
Dormitory, Series 2009D	2.500 - 5.000	2022	1,940,000
Renovate Residence Halls, Series 2010A2	2.000 - 5.000	2030	3,590,000
Dormitory, Series 2012A	3.000 - 5.000	2016	130,155
Dormitory, Series 2012A	3.000 - 5.000	2024	779,720
Dormitory, Series 2013A	2.000 - 5.000	2033	4,345,000
Dormitory, Series 2013B	3.000 - 5.000	2026	1,112,613
Dormitory, Series 2014A	2.000 - 5.000	2034	8,750,000
Dormitory, Series 2014B	2.000 - 5.000	2017	110,935
Dormitory, Series 2014B	2.000 - 5.000	2017	491,941
Dormitory, Series 2014B	2.000 - 5.000	2018	1,297,798
Dormitory, Series 2014B	2.000 - 5.000	2020	1,505,978
Dormitory, Series 2015A	2.000 - 5.000	2035	10,980,000
Renovation of Dormitories			37,674,763
Graduate Housing, Series 2006B	4.000 - 5.000	2016	210,000
Graduate Housing, Series 2008B	3.000 - 5.000	2018	330,000
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, Series 2015B	4.000 - 5.000	2028	1,482,414
Graduate Housing			4,704,274
Construct New Dormitory, Series 2010A2	2.000 - 5.000	2030	1,630,000
Construct New Dormitory, Series 2011A	3.000 - 5.000	2031	12,735,000
Construct New Dormitory, Series 2013A	2.000 - 5.000	2033	8,175,000
Construct New Dormitory			22,540,000
Underground Utility, Series 2012A	3.000 - 5.000	2016	120,341
Underground Utility, Series 2014B	2.000 - 5.000	2017	284,665
Underground Utility			405,006
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			6,320,920
Total bonds payable			71,644,963
Unamortized premiums (discounts)			6,950,252
Net bonds payable			$ 78,595,215

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 of specific auxiliary activities or from designated fee allocations. The following are notes outstanding at year-end:

Description	Interest Rates (%)	Fiscal year Maturity	Outstanding Balance as of June 30, 2015
Section 9(d) Bonds:			
Barksdale Dormitory, Series 2005A	3.500 - 5.000	2016	$ 625,000
Barksdale Dormitory, Series 2006A	3.000 - 5.000	2027	595,000
Barksdale Dormitory, Series 2010B	2.000 - 5.000	2021	450,000
Barksdale Dormitory, Series 2012A	3.000 - 5.000	2024	555,000
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, Series 2014B	4.000 - 5.000	2026	1,605,000
Barksdale Dormitory, Series 2014B	5.000	2024	730,000
Barksdale Dormitory			17,385,000
William and Mary Hall, Series 2007B	4.000- 4.250	2018	165,000
William and Mary Hall, Series 2014B	3.000 - 5.000	2017	285,000
William and Mary Hall			450,000
Parking Deck, Series 2005A	3.500 - 5.000	2016	310,000
Parking Deck, Series 2010B	2.000 - 5.000	2021	950,000
Parking Deck, Series 2012A	3.000 - 5.000	2024	1,170,000
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, Series 2014B	4.000 - 5.000	2026	795,000
Parking Deck			7,750,000
Recreation Sports Center, Series 2005A	3.500 - 5.000	2016	120,000
Recreation Sports Center, Series 2010B	2.000 - 5.000	2021	220,000
Recreation Sports Center, Series 2012A	3.000 - 5.000	2024	270,000
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, Series 2014B	4.000 - 5.000	2026	310,000
Recreation Sports Center			6,730,000
Improve Athletics Facilities, Series 2005A	3.500 - 5.000	2016	165,000
Improve Athletics Facilities, Series 2006A	3.000 - 5.000	2027	240,000
Improve Athletics Facilities, Series 2012A	3.000 - 5.000	2025	1,655,000
Improve Athletics Facilities, Series 2014B	4.000 - 5.000	2026	425,000
Improve Athletics Facilities, Series 2014B	5.000	2024	280,000
Improve Athletics Facilities II, Series 2013A&B	2.000 - 5.000	2034	1,555,000
Improve Athletics Facilities			4,320,000

Description	Interest Rates (%)	Fiscal year Maturity	Outstanding Balance as of June 30, 2015
Marshall-Wythe Library, Series 2014B	5.000	2020	620,000
Law School Library, Series 2007A	4.500 - 5.000	2028	1,035,000
Law School Library, Series 2010B	2.000 - 5.000	2021	260,000
Law School Library, Series 2012A	3.000 - 5.000	2024	335,000
Law School Library, Series 2014B	4.000 - 5.000	2026	1,640,000
Law School Renovations, Series 2013A&B	2.000 - 5.000	2034	6,605,000
Law School Library			10,495,000
Magnet Facility, Series 2010B	2.000 - 5.000	2021	570,000
Magnet Facility, Series 2012A	3.000 - 5.000	2024	695,000
Magnet Facility			1,265,000
School of Business, Series 2007A	4.500 - 5.000	2028	6,685,000
School of Business, Series 2009A	2.750 - 4.000	2016	5,045,000
School of Business, Series 2014B	4.000 - 5.000	2026	10,575,000
School of Business			22,305,000
Integrated Science Center, Series 2007A	4.500 - 5.000	2028	3,505,000
Integrated Science Center, Series 2009A	2.750 - 5.000	2029	5,295,000
Integrated Science Center, Series 2014B	4.000 - 5.000	2026	5,545,000
Integrated Science Center			14,345,000
Cooling Plant & Utilities, Series 2009B	2.000 - 5.000	2030	9,780,000
Cooling Plant & Utilities, Series 2010A1&A2	2.000 - 5.500	2031	9,550,000
Cooling Plant & Utilities			19,330,000
Power Plant Renovations, Series 2007A	4.500 - 5.000	2028	1,370,000
Power Plant Renovations, Series 2014B	4.500 - 5.000	2026	2,175,000
Power Plant Renovations			3,545,000
Busch Field Astroturf Replacement, Series 2009B	2.000 - 5.000	2030	1,190,000
Williamsburg Hospital/School of Education, 2006A	3.000 - 5.000	2027	750,000
Williamsburg Hospital/School of Education 2014B	5.000	2024	910,000
Williamsburg Hospital/School of Education			1,660,000
J. Laycock Football Facility, Series 2006A	3.000 - 5.000	2027	1,725,000
J. Laycock Football Facility, Series 2014B	5.000	2024	2,100,000
J. Laycock Football Facility			3,825,000
Residence Hall Fire Safety Systems, Series 2006A	3.000 - 5.000	2027	605,000
Residence Hall Fire Safety Systems, Series 2014B	5.000	2024	730,000
Residence Hall Fire Safety Systems			1,335,000
Ash Lawn-Highland Barn, Series 2010A1&A2	2.000 - 5.500	2031	665,000

Description	Interest Rates (%)	Fiscal year Maturity	Outstanding Balance as of June 30, 2015
Expand Sadler Center, Series 2012B	3.000 - 5.000	2033	6,740,000
Expand Sadler Center, Series 2013A&B	2.000 - 5.000	2034	975,000
Sadler Center			7,715,000
One Tribe Place, Series 2013A&B	2.000 - 5.000	2034	22,355,000
Total 9(d) bonds			146,665,000
Unamortized premiums (discounts)			15,111,794
Net notes payable			$ 161,776,794

Installment Purchases

At June 30, 2015, 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, 2015 is $4,127,568.

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, 2015 is $22,458,851. 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, 2015 is $791,108.

Long-term debt matures as follows:

Fiscal Year	Principal	Interest	BAB Interest Subsidy	Net Interest
2016	$ 18,996,837	$ 10,017,251	$ 204,644	$ 9,812,607
2017	14,320,149	9,258,274	202,439	9,055,835
2018	14,375,808	8,589,721	199,877	8,389,844
2019	14,223,086	7,913,911	196,893	7,717,018
2020	14,848,720	7,272,251	189,952	7,082,299
2021-2025	84,262,677	25,817,327	763,179	25,054,148
2026-2030	56,831,790	10,529,757	351,459	10,178,298
2031-2035	23,944,074	2,495,900	7,844	2,488,056
2036-2040	3,884,348	153,752	-	153,752
Unamortized premiums	22,062,046	-	-	-
Total	$267,749,535	$ 82,048,144	$ 2,116,288	$ 79,931,856

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 2015, the Treasury Board issued General Obligation Refunding Bonds, Series 2015B with a true interest cost (TIC) of 2.263734 percent. The sale of these bonds enabled the College to advance refund certain 9(c) issued bonds including 2008B with interest rates ranging from 4 percent to 5 percent. Also in October of 2014, the Virginia College Building Authority (VCBA) issued Educational Facilities Revenue Refunding Bonds Series 2014B with a TIC of 2.10 percent. The original bonds were used to finance dormitory renovations, dormitory construction, law library renovations, a new parking deck and a new Business School. 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
2008B	9C	$ 1,960,000	$ 1,530,000	78%
2004B	9D	295,000	295,000	100%
2004B	9D	675,000	675,000	100%
2006A	9D	3,995,000	2,270,000	57%
2006A	9D	1,380,000	785,000	57%
2006A	9D	555,000	315,000	57%
2006A	9D	1,730,000	980,000	57%
2006A	9D	1,400,000	795,000	57%
2007A	9D	9,365,000	5,860,000	63%
2007A	9D	17,855,000	11,170,000	63%
2007A	9D	2,765,000	1,730,000	63%
2007A	9D	3,665,000	2,295,000	63%
2005A	9D	1,135,000	825,000	73%
2005A	9D	2,295,000	1,670,000	73%
2005A	9D	440,000	320,000	73%
2005A	9D	610,000	445,000	73%
		$ 50,120,000	$ 31,960,000	64%

The College's portion of the accounting loss recognized in the financial statements was $1,109,448. The net economic gain attributable to the College was $2,454,558 and will result in a decreased cash flow requirement of $2,767,397 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, 2015, $56,730,000 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	103,299,736	6,670,462	1,403,741	1,078,105	-	112,452,044
Research	36,528,294	14,942,311	1,037,590	1,351,158	-	53,859,353
Public service	34,790	38,333	2,250	44	-	75,417
Academic support	24,293,866	3,438,265	317,929	4,585,951	-	32,636,011
Student services	8,860,138	4,849,670	126,617	281,778	-	14,118,203
Institutional support	31,479,298	4,891,532	332,073	303,977	-	37,006,880
Operation and maintenance of plant	4,794,123	17,562,882	10,418	1,443,299	-	23,810,722
Depreciation	-	-	-	-	29,381,341	29,381,341
Scholarships and related expenses	2,563,622	8,552	30,764,741	3,452	-	33,340,367
Auxiliary enterprises	21,398,304	54,227,347	122,461	2,525,937	-	78,274,049
Other	167,249	559,433	300,154	-	-	1,026,836
Total	233,419,420	107,188,787	34,417,974	11,573,701	29,381,341	415,981,223

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 3 - 2014 Acts of Assembly (Educational and General Programs)		$ 64,686,371
Student financial assistance		4,592,931
Supplemental appropriations:		
Prior year reappropriations	46,522	
VIVA libraries	30,193	
Marine Science Resources and Environmental Research	117,527	
Central Appropriations transfer	1,784,593	
Chesapeake Bay Restoration Funds		
Commonwealth Technology Research Award	339,781	
Biomedical research	75,000	2,393,616
Appropriation reductions:		
VITA costs	24,927	
Budget Reductions	2,403,627	
Appropriation Act transfers	9,094	(2,437,648)
Reversions to the General Fund of the Commonwealth		(27,211)
Appropriations as adjusted		$ 69,208,059

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	$ 4,263,500	$ 2,783,337	$ 3,867,231	$ 661,204
Investments	5,193,155	-	63,745	-
Pledges receivable, net - current portion	4,430,858	1,152,438	2,741,216	-
Receivables, net	3,158,198	26,502	315,062	22,690
Inventories	-	-	-	12,627
Prepaids	1,522,970	100,863	106,652	23,112
Due from the College	-	-	-	-
Other assets	-	-	-	-
Total current assets	18,568,681	4,063,140	7,093,906	719,633
Non-current Assets				
Restricted cash and cash equivalents	4,178,922	3,746,076	2,598,726	-
Restricted investments	529,244,387	31,803,760	33,380,446	-
Restricted other assets	138,397,136	416,678	1,453,716	-
Receivables - long term, net	-	-	-	-
Investments	578,982	4,486,889	-	6,830,052
Pledges receivable, net	8,662,769	1,594,222	7,312,449	-
Capital assets, nondepreciable	9,303,667	321,627	-	-
Capital assets, net of accumulated depreciation	7,149,857	20,850	12,554	121,751
Due from the College	-	-	-	-
Other assets	1,330,866	-	-	-
Total non-current assets	698,846,586	42,390,102	44,757,891	6,951,803
Total Assets	717,415,267	46,453,242	51,851,797	7,671,436
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	407,009	208,158	333,685	90,711
Deferred revenue	39,264	144,193	182,936	85,148
Deposits held in custody for others	346,974	-	19,147	-
Long-term liabilities - current portion	915,948	-	-	-
Due to the College	-	-	5,147,900	18,929
Short-term debt	1,247,541	-	-	-
Other liabilities	-	-	-	-
Total current liabilities	2,956,736	352,351	5,683,668	194,788
Non-current Liabilities				
Other long-term liabilities	405,780	449,214	-	-
Long-term liabilities	28,428,858	-	-	-
Total Liabilities	31,791,374	801,565	5,683,668	194,788
NET POSITION				
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	107,668,828	6,479,008	768,695	-
Research	6,738,171	-	455,900	-
Loans	-	-	24,230	-
Departmental uses	103,867,312	7,511,768	36,909,555	-
Other	183,941,967	-	126,449	-
Expendable:				
Scholarships and fellowships	88,394,890	6,775,859	517,391	-
Research	3,583,312	-	101,877	-
Capital projects	16,365,113	3,975,748	431,081	-
Loans	-	-	72,769	-
Departmental uses	113,720,189	13,155,087	10,836,014	972,910
Other	22,998,844	664,775	57,425	-
Net investment in capital assets	7,168,728	342,477	12,554	121,751
Unrestricted	31,176,539	6,746,955	(4,145,811)	6,381,987
Total net position	$ 685,623,893	$ 45,651,677	$ 46,168,129	$ 7,476,648

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 6,496,193	$ 286,361	$ 325,454	$ 5,081,828	$ 23,765,108
-	-	-	-	5,256,900
992,425	126,251	-	-	9,443,188
-	-	-	86,323	3,608,775
-	-	-	-	12,627
-	-	-	10,712	1,764,309
-	-	855,208	-	855,208
-	-	18,915	111,500	130,415
7,488,618	412,612	1,199,577	5,290,363	44,836,530
-	571,757	682,957	-	11,778,438
-	10,746,383	4,456,466	-	609,631,442
-	-	-	44,739	140,312,269
-	-	-	96,372	96,372
2,307,475	1,202,165	-	-	15,405,563
787,383	132,810	-	-	18,489,633
-	-	-	2,936,577	12,561,871
43,895	-	-	9,568,695	16,917,602
-	-	22,617,950	-	22,617,950
-	-	-	318,579	1,649,445
3,138,753	12,653,115	27,757,373	12,964,962	849,460,585
10,627,371	13,065,727	28,956,950	18,255,325	894,297,115
9,100	16,999	232,232	64,054	1,361,948
-	-	-	-	451,541
-	-	-	-	366,121
-	-	632,008	251,657	1,799,613
-	-	-	-	5,166,829
-	-	-	-	1,247,541
-	-	-	-	-
9,100	16,999	864,240	315,711	10,393,593
-	-	-	15,289	870,283
-	-	22,617,950	7,763,767	58,810,575
9,100	16,999	23,482,190	8,094,767	70,074,451
-	2,349,614	3,147,032	-	120,413,177
-	1,663,835	-	-	8,857,906
-	-	-	-	24,230
-	-	-	-	148,288,635
-	3,706,652	-	-	187,775,068
610,437	772,134	-	-	97,070,711
-	977,593	-	-	4,662,782
-	-	-	-	20,771,942
-	-	-	-	72,769
7,381,408	2,040,634	-	-	148,106,242
-	2,338	1,992,391	156,239	25,872,012
43,895	-	-	4,657,700	12,347,105
2,582,531	1,535,928	335,337	5,346,619	49,960,085
$ 10,618,271	$ 13,048,728	$ 5,474,760	$ 10,160,558	$ 824,222,664

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	$ 6,332,149	$ 3,410,598	$ 2,753,451	$ 911,594
Other	3,749,424	780,900	3,746,136	1,006,656
Total operating revenues	10,081,573	4,191,498	6,499,587	1,918,250
Operating expenses:				
Instruction	3,920,236	1,074,585	524,589	-
Research	239,416	-	119,455	-
Public service	68,624	154,173	374,795	-
Academic support	1,538,476	802,111	2,426,326	-
Student services	109,593	56,022	1,248,582	-
Institutional support	7,077,009	561,650	3,044,584	184,447
Operation and maintenance of plant	578,546	362,356	7,230	-
Scholarships & fellowships	6,983,415	2,969,518	319,716	-
Auxiliary enterprises	653,659	-	60,363	-
Depreciation	511,651	8,513	6,470	27,850
Hospitals	-	-	-	-
Independent operations	-	-	-	-
Other	9,674,986	576,145	78,969	1,564,534
Total operating expenses	31,355,611	6,565,073	8,211,079	1,776,831
Operating gain/(loss)	(21,274,038)	(2,373,575)	(1,711,492)	141,419
Non-operating revenues and expenses:				
Net investment revenue (expense)	23,158,510	1,439,394	1,401,938	32,895
Interest on capital asset related debt	(261,451)	-	-	-
Other non-operating revenue	(5,953,385)	-	-	-
Other non-operating expense	-	-	(720,127)	-
Net non-operating revenues	16,943,674	1,439,394	681,811	32,895
Income before other revenues	(4,330,364)	(934,181)	(1,029,681)	174,314
Other revenues:				
Capital grants and contributions	4,127,489	-	1,235,504	-
Additions to permanent endowments	7,430,786	586,830	384,193	-
Net other revenues	11,558,275	586,830	1,619,697	-
Change in net assets, before transfers	7,227,911	(347,351)	590,016	174,314
Contribution between Foundations	(119,092)	-	-	132,092
Transfers	(119,092)	-	-	132,092
Change in net position	7,108,819	(347,351)	590,016	306,406
Net position - beginning of year	678,515,074	45,999,028	45,578,113	7,170,242
Net position - end of year	$ 685,623,893	$ 45,651,677	$ 46,168,129	$ 7,476,648

William & Mary Athletic Educational Foundation	Virginia Institute of Marine Science Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total Component Units
$ 4,638,357	$ 728,164	$ 511,110	$ 140,000	$ 19,425,423
1,137,409	-	611,236	1,125,618	12,157,379
5,775,766	728,164	1,122,346	1,265,618	31,582,802
-	79,897	-	-	5,599,307
-	585,298	-	-	944,169
-	8,642	-	-	606,234
-	11,868	-	-	4,778,781
-	-	-	-	1,414,197
5,588,480	431,070	110,474	261,455	17,259,169
-	6,325	-	-	954,457
-	82,284	184,159	-	10,539,092
-	-	-	298,844	1,012,866
23,710	-	-	282,986	861,180
-	-	-	-	-
-	-	-	455,929	455,929
-	38,679	865,094	-	12,798,407
5,612,190	1,244,063	1,159,727	1,299,214	57,223,788
163,576	(515,899)	(37,381)	(33,596)	(25,640,986)
45,424	495,826	133,131	9,413	26,716,531
-	-	-	-	(261,451)
-	-	-	-	(5,953,385)
-	-	-	-	(720,127)
45,424	495,826	133,131	9,413	19,781,568
209,000	(20,073)	95,750	(24,183)	(5,859,418)
-	-	-	-	5,362,993
-	382,587	64,339	-	8,848,735
-	382,587	64,339	-	14,211,728
209,000	362,514	160,089	(24,183)	8,352,310
(13,000)	-	-	-	-
(13,000)	-	-	-	-
196,000	362,514	160,089	(24,183)	8,352,310
10,422,271	12,686,214	5,314,671	10,184,741	815,870,354
$ 10,618,271	$ 13,048,728	$ 5,474,760	$ 10,160,558	$ 824,222,664

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	$ 4,833,481	$ 766,456	$ -	$ 1,439,676	$ 16,659	$ -	$ 3,684,757	$ 10,741,029
U.S. treasury and agency securities	26,509,210	-	-	-	-	-	-	26,509,210
Common and preferred stocks	328,558	-	678,844	5,390,376	-	-	771,709	7,169,487
Notes receivable	2,925,000	-	-	-	-	-	-	2,925,000
Pooled investments	498,772,779	35,524,193	32,263,689	-	-	11,948,548	-	578,509,209
Real estate	987,983	-	-	-	35,000	-	-	1,022,983
Other	659,513	-	501,658	-	2,255,816	-	-	3,416,987
Total Investments	$ 535,016,524	$ 36,290,649	$ 33,444,191	$ 6,830,052	$ 2,307,475	$ 11,948,548	$ 4,456,466	$ 630,293,905

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	$ 14,033,518	$ 3,083,707	$ 10,779,712	$ 2,399,571	$ 262,401	$ 30,558,909
Less:						
Allowance for uncollectibles	(283,964)	(111,778)	(625,488)	(88,581)	(3,340)	(1,113,151)
Discounting to present value	(655,927)	(225,269)	(100,559)	(531,182)	-	(1,512,937)
Net pledges receivable	13,093,627	2,746,660	10,053,665	1,779,808	259,061	27,932,821
Less:						
Current pledges receivable	(4,430,858)	(1,152,438)	(2,741,216)	(992,425)	(126,251)	(9,443,188)
Total non-current pledges receivable	$ 8,662,769	$ 1,594,222	$ 7,312,449	$ 787,383	$ 132,810	$ 18,489,633

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	$ -	$ -	$ -	$ 2,936,577	$ 6,565,420
Historical treasures and inexhaustable works of art	5,937,740	58,711	-	-	-	-	5,996,451
Total nondepreciable capital assets	$ 9,303,667	$ 321,627	$ -	$ -	$ -	$ 2,936,577	$ 12,561,871
Depreciable:							
Building	$ 7,418,334	$ -	$ -	$ 384,914	$ -	$ 10,360,462	$ 18,163,710
Equipment, vehicles and furniture	7,229,926	108,945	109,657	449,791	118,556	180,184	8,197,059
Improvements, other than building	338,138	-	-	-	-	-	338,138
	14,986,398	108,945	109,657	834,705	118,556	10,540,646	26,698,907
Less accumulated depreciation	(7,836,541)	(88,095)	(97,103)	(712,954)	(74,661)	(971,951)	(9,781,305)
Total depreciable capital assets	$ 7,149,857	$ 20,850	$ 12,554	$ 121,751	$ 43,895	$ 9,568,695	$ 16,917,602

Long-term Liabilities

	The College of William & Mary Foundation	Richard Bland College Foundation	William & Mary Real Estate Foundation	Total
Compensated absences	$ 114,326	$ -	$ -	$ 114,326
Notes payable	2,045,487	-	3,498,713	5,544,200
Bonds payable	8,090,000	23,249,958	4,516,711	35,856,669
Trust & Annuity Obligations	3,118,014	-	-	
Other liabilities	15,976,979	-	-	15,976,979
Total long-term liabilities	29,344,806	23,249,958	8,015,424	57,492,174
Less current portion	(915,948)	(632,008)	(251,657)	(1,799,613)
Total long-term liabilities	$ 28,428,858	$ 22,617,950	$ 7,763,767	$ 58,810,575

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. On June 29, 2014 the amount available under the line of credit was reduced to $2,145,000 and the due date was extended to June 29, 2015. On June 29, 2015, the total amount available under the line of credit was reduced to $1,300,000 and the due date was extended to June 29, 2016. Interest only, which accrues daily at the one month LIBOR Market Index Rate plus 1.35%, is payable monthly. The amount outstanding was $1,247,541 at June 30, 2015 and $2,145,000 at June 30, 2014. Interest paid during the years ended June 30, 2015 and 2014, was $28,022 and $35,343, respectively.

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, 2015 and 2014 was $1,732,487 and $1,975,148, respectively. Interest paid during the fiscal years ended June 30, 2015 and 2014, on the loans was $95,892 and $107,778, 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, 2015 and 2014 was $313,000 and $615,000, respectively. Interest paid during the fiscal years ended June 30, 2015 and 2014, on the loans was $18,661 and $31,575, 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. The note was paid in full in June 2014. Interest accrued 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, 2015 and 2014 was $0. Interest paid during the fiscal year ended June 30, 2015 and 2014 was $0 and $19,333, respectively.

The Foundation and its affiliated are in compliance with all debt covenants.

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, 2015 and 2014, was $8,090,000. Interest paid on the Series 2011 Bonds during the fiscal years ended June 30, 2015 and 2014 was $242,790.

The Foundation is in compliance with all bond covenants.

Commitments and Contingencies

During the fiscal year ended June 30, 2012 New Town Associates entered into a financing arrangement, with Chesapeake Bank. The 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, 2015 and 2014 the principal amount outstanding under this note was $0. Letters of credit outstanding under this facility totaled $0 and $1,240,000 at June 30, 2015 and 2014. No draws had been made on the letters of credit as of June 30, 2015.

MARSHALL-WYTHE SCHOOL OF LAW FOUNDATION

Law Library Bond Issuance

The construction and renovations of the Wolf Law Library at the Marshall-Wythe School of Law were funded by proceeds allocated to the Marshall-Wythe School of Law from the College of William & Mary's 2007A(9D) Bond Issue ("Bond"). The Foundation makes principal and interest payments to the College on the Bond using private contributions restricted for the Law Library addition. However, the Bond was issued to and in the name of the College, and the Foundation is not obligated to make these debt service payments.

Bond payments made to the College totaled $362,356, including principal and interest, in 2015 and are included in law school bond payments on the Foundation's statement of activities.

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 Raymond A. 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 the 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 $288,418 in interest payments and $4,860,000 in principle during 2015. The difference of $692,478 between the total cash paid to the College of $5,148,418 in 2015 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 2015 statement of activities. The final payment of $5,147,900 was paid to the College in August 2015.

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. Due to the timing of the collections of donations and pledge payments, the Foundation's Executive Committee authorized the borrowing of temporarily restricted funds held in WAMIT in the amount of $1,330,000 on July 8, 2015 in order to provide the necessary liquidity to make the final payment to the College in August of 2015 related to the construction of Alan B. Miller Hall. These funds will be repaid to the temporarily restricted funds as related pledge payments are collected.

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 2.4%. The interest rate will adjust at the ten year anniversary of the refinancing and every 5 years thereafter at 70% 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, 2012, 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 three lease agreements for tenants in the first floor retail area, which is 75% occupied as of June 30, 2015. 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 $486,047 and $476,050 for 2015 and 2014, respectively.

Discovery II

During 2013, the Foundation purchased property held and referred to as Discovery II. The property is being leased to the College for use as office space under an agreement with an initial lease term ending June 30, 2018.

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 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.

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 $389,844 and $382,200 for 2015 and 2014, respectively.

Richmond Road

The Foundation leases office space at 327 Richmond Road in Williamsburg, Virginia to the College under a five-year lease with the initial term beginning on January I, 2011 and terminating on December 31, 2016. The lease will automatically renew for an additional five years at the end of the initial term. Rental income under this lease agreement was $33,452 during both 2015 and 2014. The rate remains the same throughout lease term.

Line of Credit

The Foundation has a revolving line of credit with a bank with a maximum principal amount of $1,000,000 and $2,500,000 at June 30, 2015 and 2014, respectively. There was no outstanding balance at June 30, 2015 and 2014. The loan requires quarterly payments of interest only, at a rate equal to one month London Interbank Offered Rate (LIBOR) plus 1.4% (1.59% at June 30, 2015). Principal and all outstanding interest is due on January 21, 2016. The College provided a letter of support acknowledging that the loan is to be used for support of the College's mission. There is no penalty for prepayment of the loan. The loan agreement provides the lender with a security interest in gross receipts, as defined in the document. Gross receipts does not include any revenues, income, receipts, rentals, proceeds and money derived from or securing bonds or notes or other indebtedness of the Foundation now existing, or derived from Tribe Square. During 2013, letters of credit were made available through a modification to the original agreement. There were no outstanding letters of credit at June 30, 2015.

Bonds Payable

The Foundation obtained a tax-exempt student housing facilities revenue bond, dated September 16, 2011, twenty-five (25) year term. 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 $4,516,711 at June 30, 2015.

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 $3,490,903 at June 30, 2015.

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. 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 $7,810 at June 30, 2015.

14. RETIREMENT PLANS

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 Virginia Retirement System. 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 $ 8,798,254 for the year ended June 30, 2015. Contributions to the optional retirement plans were calculated using the base salary amount of $88,678,459 for fiscal year 2015. The College of William and Mary and Richard Bland College's total payroll for fiscal year 2015 was $188,668,367.

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 $756,419 for fiscal year 2015.

Summary of Significant Accounting Policies – Virginia Retirement System

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers’ System (VaLORS) Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan’s and the VaLORS Retirement Plan’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment, unless they are eligible faculty and choose to enroll in the optional retirement program. These plans are single-employer plans treated as cost-sharing plans for financial reporting purposes. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer make contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and, Hybrid and two different benefit structures for covered employees in the VaLORS Retirement Plan – Plan 1 and Plan 2. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the

		defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable

benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.		compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan

retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.		when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.		contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Not applicable.
Normal Retirement Age **VRS:** Age 65. **VaLORS:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **<u>Defined Benefit Component:</u>** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility	**Earliest Unreduced Retirement Eligibility**	**Earliest Unreduced Retirement Eligibility**

VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **VaLORS:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**<u>Defined Benefit Component:</u>** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **VaLORS:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **<u>Eligibility:</u>** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **<u>Eligibility:</u>** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2.

1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65%	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered

multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

<u>Contributions</u>

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, the 5.00% member contribution was paid by the employer. Beginning July 1, 2012 state employees were required to pay the 5.00% member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2015 was 12.33% of covered employee compensation for employees in the VRS State Employee Retirement Plan and 18.24% of covered employee compensation for employees in the VaLORS Retirement Plan. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the VRS State Employee Retirement Plan was 15.80% and the actuarial rate for VaLORS Retirement Plan was 21.74%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions for the VRS State Employee Retirement Plan were funded at 78.02% of the actuarial rate and the contributions for the VaLORS Retirement Plan were funded at 83.88% of the actuarial rate for the year ended June 30, 2015. Contributions from the College to the VRS State Employee Retirement Plan were $8,668,857 and $5,834,715 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions from the College to the VaLORS Retirement Plan were $174,908 and $162,984 for the years ended June 30, 2015 and June 30, 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the College reported a liability of $99,411,000 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability and a liability of $2,024,000 for its proportionate share of the VaLORS Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The College's proportion of the Net Pension Liability was based on the College's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the College's proportion of the VRS State Employee Retirement Plan was 1.35% for The College of William and Mary, 0.32% for VIMS and 0.11% for RBC as compared to 1.28% for The College of William and Mary, 0.32% for VIMS and 0.11% for RBC at June 30, 2013. At June 30, 2014, the College's proportion of the VaLORS Retirement Plan was 0.26% for The College of William and Mary and 0.04% for RBC as compared to 0.26% for The College of William and Mary and 0.05% for RBC at June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of $7,731,000 for the VRS State Employee Retirement Plan and $164,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

VRS Retirement Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	17,744,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,308,000	203,000
Employer contributions subsequent to the measurement date	8,615,196	-
Total	$ 11,923,196	$ 17,947,000

VaLORS Retirement Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	209,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	58,000
Employer contributions subsequent to the measurement date	207,143	-
Total	$ 207,143	$ 267,000

$8,822,339 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30
($ thousands)

	VRS Retirement Plan	VaLORS Retirement Plan
2016	$ 3,359	$ 75
2017	$ 3,359	$ 75
2018	$ 3,488	$ 67
2019	$ 4,433	$ 50

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females were set back 3 years.

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 5 years and females were set back 3 years.

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back 1 year.

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2014, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan	**VaLORS Retirement Plan**
Total Pension Liability	$ 21,766,933	$ 1,824,577
Plan Fiduciary Net Position	16,168,535	1,150,450
Employers' Net Pension Liability (Asset)	$ 5,598,398	$ 674,127

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.28%	63.05%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the state agency for the VRS State Employee Retirement Plan and the

ValORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the State Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the state agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

($ thousands)	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
The College of William and Mary proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 145,628	$ 99,411	$ 60,658

The following presents the College's proportionate share of the VaLORS Retirement Plan net pension liability using the discount rate of 7.00%, as well as what the state agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
The College of William and Mary proportionate share of the VaLORS Retirement Plan Net Pension Liability	$ 2,766	$ 2,024	$ 1,414

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

The College reported $390,044 in payables to the VRS.

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, 2015, 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. ADVANCE FROM THE TREASURER OF VIRGINIA

Section 4-3.02 of the Appropriation Act describes the circumstances under which agencies and institutions may borrow funds from the state treasury, including prefunding for capital projects in anticipation of bond sale proceeds and operating funds in anticipation of federal revenue. As of June 30, 2015, there was $129,092 in outstanding Advances from the Treasurer representing advances from the Commonwealth of Virginia for working capital pending the receipt of Equipment Trust Fund reimbursements for Richard Bland College.

Schedule of The College of William and Mary's (CWM) Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Year Ended June 30, 2015 *

	2014
CWM's Proportion of the Net Pension Liability (Asset)	1.78%
CWM's Proportionate Share of the Net Pension Liability (Asset)	99,411,000
CWM's Covered-Employee Payroll	$66,605,228
CWM's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	149.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.28%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of The College of William and Mary's (CWM) Share of Net Pension Liability
VaLORS Retirement Plan
For the Year Ended June 30, 2015 *

	2014
CWM's Proportion of the Net Pension Liability (Asset)	0.30%
CWM's Proportionate Share of the Net Pension Liability (Asset)	2,024,000
CWM's Covered-Employee Payroll	$1,101,243
CWM's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	183.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.05%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions

Schedule of Employer Contributions
For the Year Ended June 30, 2015

Plan	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
State Employee	8,668,857	8,668,857	-	70,307,029	12%
VaLORS Employee	174,908	174,908	-	989,861	18%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplemental Information
For the Year Ended June 30, 2015

Changes of benefit terms

There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013.and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions

The following changes in actuarial assumptions were made for the VRS - State Employee Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of withdrawals for less than 10 years of service
- Decrease in rates of male disability retirement
- Reduce rates of salary increase by 0.25% per year

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for females under 10 years of service
- Increase in rates of disability
- Decrease service related disability rate from 60% to 50%

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 8, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Vice-Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
The 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, including the Virginia Institute of Marine Science and Richard Bland College (the College), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2015, 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, 2015, 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

Change in Accounting Principle

As discussed in Notes 1 and 2 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71, related to pension accounting and financial reporting for employers. 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 one through nine, the Schedule of the College of William and Mary's Share of Net Pension Liability on pages 64 through 65, the Schedule of Employer Contributions on page 66, and the Notes to Required Supplementary Information on page 66 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 February 8, 2016, 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

BDH/alh

The College of William and Mary in Virginia
Richard Bland College

June 30, 2015

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Richard Bland College

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