

Williams College
Financial Statements
June 30, 2009 and 2008

Williams College
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June 30, 2009 and 2008

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Report of Independent Auditors

To the Board of Trustees of
Williams College

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Williams College (the "College") at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

During 2009, as discussed in Note 1, the College adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*.



October 27, 2009

Williams College
Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
Assets		
Cash	\$ 6,613,630	\$ 3,127,058
Accounts receivable, net of allowance of \$66,719 (\$35,584 in 2008)	1,032,884	554,520
Contributions receivable, net of allowance and discount of \$14,039,117 in 2009 (\$13,947,612 in 2008) (Note 2)	80,652,297	83,912,496
Notes receivable - student loans, net of allowance of \$183,505 in 2009 (\$93,505 in 2008) (Note 3)	4,921,416	5,801,925
Notes receivable - other	2,921,500	3,011,500
Deposits with bond trustee	-	15,576,135
Collateral on securities loaned (Note 5)	-	10,833,023
Other assets	3,055,681	3,076,441
Real property held as an investment (Note 4)	22,437,740	1,588,169
Investments (Note 5)	1,483,163,353	1,895,401,740
Land, buildings and equipment, net (Note 6)	383,810,191	384,650,983
Total assets	<u>\$ 1,988,608,692</u>	<u>\$ 2,407,533,990</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 12,442,430	\$ 15,754,235
Accrued salaries and benefits (Notes 7 and 8)	22,860,781	20,922,498
Securities lending liability (Note 5)	-	10,833,023
Deferred revenue and deposits	3,449,759	3,212,590
U. S. Government advances for student loans	3,522,874	3,519,794
Present value of beneficiary payments	52,180,209	34,337,761
Bonds payable (Note 10)	256,808,452	262,003,384
Total liabilities	<u>\$ 351,264,505</u>	<u>\$ 350,583,285</u>
Net Assets		
Unrestricted	272,772,520	338,244,969
Temporarily restricted	900,453,562	1,262,735,169
Permanently restricted	464,118,105	455,970,567
Total net assets	<u>1,637,344,187</u>	<u>2,056,950,705</u>
Total liabilities and net assets	<u>\$ 1,988,608,692</u>	<u>\$ 2,407,533,990</u>

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

Williams College
Statement of Activities
Year Ended June 30, 2009 (with summarized financial information
For the Year Ended June 30, 2008)

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenue, gains and other					
Student revenues					
Tuition and fees	\$ 77,052,277	\$ -	\$ -	\$ 77,052,277	\$ 72,753,191
Room and board	18,098,098	-	-	18,098,098	17,032,951
Less: Financial aid	(36,497,650)	-	-	(36,497,650)	(29,284,650)
Net student revenues	58,652,725	-	-	58,652,725	60,501,502
Auxiliary enterprises - other	6,105,149	-	-	6,105,149	5,569,828
Special purpose grants expended	1,790,021	-	-	1,790,021	1,694,402
Gifts and grants, net	36,894,844	4,444,502	-	41,339,346	19,642,667
Investment income	7,353,269	1,056,888	-	8,410,157	8,688,515
Realized gains utilized	9,312,199	60,276,115	-	69,588,314	65,110,810
Other	1,420,919	-	-	1,420,919	1,315,493
Net assets released from restrictions	69,673,720	(69,673,720)	-	-	-
Total operating revenue, gains, and other	191,202,846	(3,896,215)	-	187,306,631	162,523,217
Operating expenses and other					
Instructional and research	79,522,547	-	-	79,522,547	75,463,806
Academic support	16,020,534	-	-	16,020,534	15,848,862
Student services	22,974,353	-	-	22,974,353	22,590,747
Institutional support	30,784,065	-	-	30,784,065	32,987,834
Auxiliary enterprises	29,767,070	-	-	29,767,070	29,455,306
Other	330,595	-	-	330,595	177,195
Total operating expenses and other	179,399,164	-	-	179,399,164	176,523,750
Change in net assets from operating activities	11,803,682	(3,896,215)	-	7,907,467	(14,000,533)
Nonoperating activities					
Net realized and unrealized losses on investments, investment income on split interest agreements, and reinvested investment income					
	(56,246,997)	(280,463,387)	(10,162,164)	(346,872,548)	(28,476,777)
Realized gains utilized for current operations	(9,312,199)	(60,276,115)	-	(69,588,314)	(65,110,810)
Actuarial changes and payments of annuities	(2,607,972)	(10,471,112)	(8,812,893)	(21,891,977)	(2,132,346)
Life income and endowment gifts, net	-	(513,110)	13,893,852	13,380,742	28,645,269
Fund retirements and gifts further designated	2,546,084	(4,176,965)	1,630,881	-	-
Loss on retirement of debt	-	-	-	-	(263,633)
Loss on disposition of fixed assets	(15,196)	-	-	(15,196)	(164,865)
Gain (loss) on financial contracts	(2,526,692)	-	-	(2,526,692)	(2,107,992)
Transfers between net asset categories	8,771,597	(20,369,459)	11,597,862	-	-
Adjustment for endowment funds with fair value below historic dollar value	(17,884,756)	17,884,756	-	-	-
Change in net assets from nonoperating activities	(77,276,131)	(358,385,392)	8,147,538	(427,513,985)	(69,611,154)
Change in net assets	(65,472,449)	(362,281,607)	8,147,538	(419,606,518)	(83,611,687)
Beginning net assets	338,244,969	1,262,735,169	455,970,567	2,056,950,705	2,140,562,392
Ending net assets	\$ 272,772,520	\$ 900,453,562	\$ 464,118,105	\$ 1,637,344,187	\$ 2,056,950,705

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

Williams College
Statement of Activities
Year Ended June 30, 2008

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue, gains and other				
Student revenues				
Tuition and fees	\$ 72,753,191	\$ -	\$ -	\$ 72,753,191
Room and board	17,032,961	-	-	17,032,961
Less: Financial aid	<u>(29,284,650)</u>	<u>-</u>	<u>-</u>	<u>(29,284,650)</u>
Net student revenues	60,501,502	-	-	60,501,502
Auxiliary enterprises - other	5,569,828	-	-	5,569,828
Special purpose grants expended	1,694,402	-	-	1,694,402
Gifts and grants, net	13,720,948	5,921,719	-	19,642,667
Investment income	6,087,783	2,600,732	-	8,688,515
Realized gains utilized	9,412,962	55,697,848	-	65,110,810
Other	1,315,493	-	-	1,315,493
Net assets released from restrictions	<u>62,934,345</u>	<u>(62,934,345)</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains, and other	161,237,263	1,285,954	-	162,523,217
Operating expenses and other				
Instructional and research	75,463,806	-	-	75,463,806
Academic support	15,848,862	-	-	15,848,862
Student services	22,590,747	-	-	22,590,747
Institutional support	32,987,834	-	-	32,987,834
Auxiliary enterprises	29,455,306	-	-	29,455,306
Other	<u>177,195</u>	<u>-</u>	<u>-</u>	<u>177,195</u>
Total operating expenses and other	<u>176,523,750</u>	<u>-</u>	<u>-</u>	<u>176,523,750</u>
Change in net assets from operating activities	(15,286,487)	1,285,954	-	(14,000,533)
Nonoperating activities				
Realized and unrealized losses on investments, investment income on split interest agreements, and reinvested investment income	(9,608,617)	(17,206,817)	(1,661,343)	(28,476,777)
Realized gains utilized for current operations	(9,412,962)	(55,697,848)	-	(65,110,810)
Adjustment for endowment funds with fair value below historic dollar value	(748,721)	748,721	-	-
Actuarial changes and payments of annuities	(4,525,758)	1,133,050	1,260,362	(2,132,346)
Life income and endowment gifts, net	-	2,243,865	26,401,404	28,645,269
Fund retirements and gifts further designated	(817,869)	2,153,089	(1,335,220)	-
Loss on retirement of debt	(263,633)	-	-	(263,633)
Loss on disposition of fixed assets	(164,865)	-	-	(164,865)
Gain (loss) on financial contracts	(2,107,992)	-	-	(2,107,992)
Transfers between net asset categories	<u>-</u>	<u>7,329,978</u>	<u>(7,329,978)</u>	<u>-</u>
Change in net assets from nonoperating activities	(27,650,417)	(59,295,962)	17,335,225	(69,611,154)
Change in net assets	(42,936,904)	(58,010,008)	17,335,225	(83,611,687)
Beginning net assets	<u>381,181,873</u>	<u>1,320,745,177</u>	<u>438,635,342</u>	<u>2,140,562,392</u>
Ending net assets	<u>\$ 338,244,969</u>	<u>\$ 1,262,735,169</u>	<u>\$ 455,970,567</u>	<u>\$ 2,056,950,705</u>

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

Williams College
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash flow from operating activities		
Total change in net assets	\$ (419,606,518)	\$ (83,611,687)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation, amortization and accretion	20,496,166	17,997,466
Provision for doubtful accounts receivable and student loans	121,135	(14,586)
Net unrealized and realized (gains) losses on investments and reinvested income	346,872,549	31,211,739
Loss on disposal of plant assets	15,196	164,865
Receipt of contributed securities	(1,954,061)	(21,351,638)
Gifts restricted for long-term investment	(14,474,930)	(9,724,659)
Gifts in kind	(936,168)	(1,070,675)
Changes in operating assets and liabilities		
Accounts receivable	(509,499)	508,505
Contributions receivable	3,260,199	4,489,446
Other assets	(20,828,811)	216,081
Accounts payable and accrued liabilities	(477,745)	(2,486,979)
Present value of beneficiary payments	22,829,316	5,995,217
Accrued salaries and benefits	1,938,283	3,803,467
Deferred revenue and deposits	237,169	(208,625)
Net cash used in operating activities	<u>(63,017,719)</u>	<u>(54,082,063)</u>
Cash flow from investing activities		
Proceeds from sale of investments	860,217,587	2,464,363,911
Purchase of investments	(792,897,688)	(2,397,683,006)
Additions to land, buildings and equipment	(21,754,394)	(48,133,521)
Notes receivable - other	-	381,874
Proceeds utilized from deposits with bond trustee	15,576,135	34,768,019
Additional student loans granted	(125,758)	(753,695)
Student loans repaid	916,267	855,470
Net cash provided by investing activities	<u>61,932,149</u>	<u>53,799,052</u>
Cash flow from financing activities		
Gifts restricted for endowments	14,474,930	9,724,659
Payments to beneficiaries	(4,986,868)	(4,525,758)
Deposits with bond trustee	(36,000,000)	(36,000,000)
Issuance of new debt	36,000,000	36,000,000
Repayment of debt	(4,919,000)	(4,829,000)
U.S. Government advances for student loans	3,080	34,502
Net cash provided by financing activities	<u>4,572,142</u>	<u>404,403</u>
Net increase (decrease) in cash	3,486,572	121,392
Cash at beginning of the year	<u>3,127,058</u>	<u>3,005,666</u>
Cash at end of the year	<u>\$ 6,613,630</u>	<u>\$ 3,127,058</u>
Supplemental disclosures		
Cash paid during the year for interest	\$ 8,160,372	\$ 10,377,843
Noncash transactions		
Exchange of land for notes receivable	(90,000)	(112,500)
Gain deferred on sale of land	-	(18,126)
Amounts included in accounts payable related to construction in progress	1,424,890	5,472,830
Receipt of contributed securities	1,954,061	21,351,638

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

Williams College

Notes to Financial Statements

June 30, 2009 and 2008

1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of Williams College (the "College") have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Net assets are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined as follows:

Permanently Restricted

Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets. Permanently restricted net assets are primarily composed of the College's permanent endowment funds.

Temporarily Restricted

Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Realized and unrealized gains and losses on permanently and temporarily restricted assets are reported as temporarily restricted net assets in accordance with donor stipulations and Massachusetts law.

Unrestricted

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Expenses are reported as decreases in unrestricted net assets. Expirations or changes in donor-imposed stipulations are reported as net assets released from restrictions and reclassifications between the applicable classes of net assets.

Cash

Cash represents highly liquid investments with a maturity of three months or less when purchased.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions and investment return with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expenditure is incurred that satisfies the donor-imposed restriction. Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or when the asset is placed into service. Gifts-in-kind are reported as unrestricted revenue unless use of the asset is restricted by the donor.

Nonoperating activities include transactions of a capital nature including realized and unrealized gain and losses on investments to be reinvested by the College to generate a return that will support operations, additions to or changes in the value of split-interest arrangements, and life income and endowment gifts.

Williams College
Notes to Financial Statements
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Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Contributions to be received after one year are discounted to their fair value at a discount rate commensurate with the terms of the contribution. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution. An allowance is made for uncollectible contributions based upon management's judgment, past collection experience and other relevant factors. The current year increment to such allowance, along with modifications to contributions receivable for changes in payment methodology are netted against current year contribution revenue. Amounts netted against contribution revenue were \$3,587,000 and \$1,766,000 for the years ended June 30, 2009 and 2008, respectively.

Deposits with Bond Trustee

In conjunction with the issuance of Series L and M debt, the College was required to deposit the proceeds of the issuance into a restricted escrow account. As of June 30, 2009 all amounts have been drawn and the escrow account has been closed.

Other Assets

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

Real Property Held as an Investment

Real property held as an investment consists of real estate owned that the College is either actively marketing or intends to sell. This real estate includes residential houses and commercial property and is recorded at fair value.

Investments

The fair values of investments are determined as follows:

Investments	Value as Recorded
Temporary investments, principally money market funds and short-term notes	At cost which approximates fair value
Stocks, bonds, mutual funds, and other publicly traded securities	At quoted market value
Privately held partnerships, including alternative investments, such as private equity, real estate and hedge fund limited partnerships	Estimated fair value determined by the general partner
Real estate and faculty and staff mortgages	Estimated fair value determined by the real estate partnership, if available, otherwise at cost

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

Williams College
Notes to Financial Statements
June 30, 2009 and 2008

Temporary investments are defined as securities with dates of maturities at purchase of three months or less.

Alternative investment asset managers may invest in both publicly and privately owned securities; such securities are carried at estimated fair value provided by the management of the partnerships or funds as of June 30, 2009 and 2008. Certain of these investments are not readily marketable; as such, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting.

Realized gains and losses when securities are sold are recognized on a first-in, first-out basis.

The College pools the majority of its investments in a unitized account similar to an open-ended mutual fund. Funds added or withdrawn from the pool are recorded at their share of the then current fair value of the pool. Investment income of the pools is recognized by the funds owning the assets based on their share of the investment pool, which is determined on a monthly basis.

The College utilizes a "total return" approach to managing the investment pool. This emphasizes total return, which consists of current yield (interest and dividends) as well as the net appreciation (realized and unrealized gains) in the fair value of pooled investments.

The College establishes a spending rate expressed as a percentage of the beginning of the year fair value of the investment pool. This rate increases by a certain percentage each year, as determined by the College. The spending rate is allocated to pool participants, with the difference between the spending rate and current yield (which typically is lower than the spending rate) recorded as realized gains utilized in operating revenue.

The total return in excess of the spending rate is reported in nonoperating gains or losses.

Valuation

During 2009, the College adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Land, Buildings and Equipment

Capital expenditures for and gifts of land, buildings and equipment are recorded at cost at the date of acquisition or fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (60 years), building systems, renovations and land improvements (20 years), equipment (3-10 years) and software (3 years).

The College's art and rare book collections are recorded at cost or appraised value at the date of acquisition. Collections are not depreciated. The College does not capitalize library books and periodicals.

Williams College
Notes to Financial Statements
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Conditional Asset Retirement Obligation

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"), and Financial Accounting Standards Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations (an interpretation of FASB Statement No. 143)* ("FIN 47"). When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of activities.

	2009	2008
Change in asset retirement obligation		
Asset retirement obligation at beginning of year	\$ 3,353,814	\$ 3,336,364
Settlement of obligation	(487,728)	(96,277)
Additional obligations	1,196,640	-
Accretion expense	107,241	113,727
Asset retirement obligation at end of year	<u>\$ 4,169,967</u>	<u>\$ 3,353,814</u>

Employee Benefits

Retirement benefits for substantially all full-time employees are individually funded and vested under a defined contribution program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund ("TIAA" and "CREF", respectively). Under this agreement, the College and plan participants make monthly contributions to TIAA and CREF.

The College provides postretirement benefits that include retiree life insurance and a portion of early retiree medical, dental and life insurance premiums.

The College accrues for postemployment benefits which include, but are not limited to, salary continuation, severance benefits, workers' compensation and other disability related benefits, and the post employment continuation of health care benefits, life insurance benefits and similar benefits to certain employees and beneficiaries.

U.S. Government Advances for Student Loans

Funds provided by the United States Government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collection. If the College were to terminate the Federal Perkins Loan Program, these funds would be refundable to the government and, therefore, are recorded as a liability.

Williams College

Notes to Financial Statements

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Split Interest Agreements and Outside Trusts

The College's split interest agreements generally consist of irrevocable charitable remainder trusts. For those trusts for which the College serves as trustee, the assets held are included with its pooled investments. Assets under these agreements are recorded at fair value. Contribution revenues are recognized at the dates the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities, recorded in present value of beneficiary payments on the statements of financial position, are adjusted during the term of the trusts for changes in the value of the assets, amortization of the discount and other changes in the estimates of future benefits.

For those irrevocable charitable remainder trusts for which the College does not serve as trustee, the College records its beneficial interest in those assets as contribution revenue and contributions receivable at the present value of the expected future cash inflows. Such trusts are recorded at the date the College has been notified of the trust's existence and sufficient information regarding the trust has been accumulated to form the basis for an accrual. Changes in the value of these assets related to the amortization of the discount or revisions in the income beneficiary's life expectancy are recorded as a nonoperating change in the valuation of contributions receivable of either temporarily or permanently restricted net assets.

The College is also the beneficiary of certain perpetual trusts held and administered by others. The fair value of these trusts, which is reported by the outside trustee, is included in investments. Distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as nonoperating gains or losses in temporarily and permanently restricted net assets. The College has a remainder interest in other outside trusts; the present values of the estimated future cash receipts from these trusts are recognized as contributions receivable and contribution revenues at the date the College is notified of the establishment of the trust and sufficient information regarding the trust has been obtained by the College.

Allocation of Interest, Depreciation and Operation and Maintenance of Plant

Certain expenses have been allocated to functional areas based on the following:

- Interest – by bond issue, by functional nature of building use
- Depreciation – by square footage, by functional nature of building use
- Operation and maintenance of plant – by specific identification where applicable and by square footage, by functional nature of building use

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The College's significant estimates include the valuation of its investments, its valuation of contributions receivable, recognition of its conditional asset retirement obligations, its postretirement health benefits and other accruals for expenses incurred which will be settled in the future. Actual results could differ from those estimates.

Williams College
Notes to Financial Statements
June 30, 2009 and 2008

Income Taxes/Tax-Exempt Status

The College is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly no provision for income taxes has been recorded in the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to 2008 amounts to conform to the 2009 presentation.

2. Contributions Receivable

Contributions receivable are as follows at June 30:

	2009	2008
Expected Collection Period		
Less than one year	\$ 23,798,843	\$ 28,007,637
One year to five years	41,933,421	38,382,758
Over five years	1,146,497	1,432,611
Less: Discount to present value	(8,233,246)	(9,792,259)
Allowance for uncollectible contributions	<u>(5,805,870)</u>	<u>(4,155,353)</u>
Net contributions receivable	52,839,645	53,875,394
Charitable remainder trusts held by others	<u>27,812,652</u>	<u>30,037,102</u>
Contributions receivable, net	<u>\$ 80,652,297</u>	<u>\$ 83,912,496</u>

At June 30, 2009 and 2008, the College had also received conditional promises to give of approximately \$52,900,000 and \$47,900,000, respectively. These conditional promises to give are not recognized as assets until the removal or lapse of the condition.

3. Loans to Students

The College is required to disclose fair value of student loans. Management believes that it is not practicable to determine the fair value of loans receivable because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer or disposition. College sponsored and donor provided loans are similarly restricted as to interest rate and disposition.

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Notes to Financial Statements
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4. Real Property Held as an Investment

The College owns houses in Williamstown that are for sale to eligible College employees. In June 2009, the Williams Club donated the land and building located at 24 East 39th Street in New York City, New York to the College. The real estate gift was recorded at its appraised value of \$21,000,000, as an asset and unrestricted gift revenue.

	2009	2008
New York City, NY real estate	\$ 21,000,000	\$ -
Pine Cobble Houses	<u>1,437,740</u>	<u>1,588,169</u>
Total real property held as an investment	<u>\$ 22,437,740</u>	<u>\$ 1,588,169</u>

5. Investments

Investments held by the College are comprised of:

	Fair Value	
	2009	2008
Investment pool	\$ 1,409,055,720	\$ 1,808,171,413
Split interest agreements	49,439,418	66,391,391
Faculty mortgages	11,038,709	10,743,149
Other investments	<u>13,629,506</u>	<u>10,095,787</u>
Total	<u>\$ 1,483,163,353</u>	<u>\$ 1,895,401,740</u>

As of June 30, 2009, accounts receivable and payable related to the unsettled sales and purchases of securities were \$0 and \$1,277,782, respectively. As of June 30, 2008, accounts receivable and payable related to the unsettled sales and purchases of securities were \$823,960 and \$951,120, respectively.

As of June 30, 2009 and 2008, temporary investments include accrued investment income of \$144,866 and \$144,376, respectively.

Governance

The Investment Committee, a standing committee of the Board of Trustees, is responsible for setting asset allocation, investment policy and the strategic direction of the Williams endowment. Committee members approve the operating budget and annual goals for the investment office and monitor investment results to ensure that policy objectives are met. In addition, three Advisory Committees (Marketable Assets, Non-Marketable Assets and Real Assets) that serve as sub-committees to the Investment Committee provide focused asset class advice. Reporting to the College President, the Chief Investment Officer ("CIO") oversees and manages the College's Investment Office, including the selection of investments, investment managers and consultants, subject to the approval of the Investment Committee and according to the Committee's policies and procedures.

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Asset Allocation

The asset allocation, asset class benchmarks and allowable ranges for each asset class for the Williams College Investment Pool is approved by the Investment Committee upon the recommendation of the CIO and reviewed every year. The target asset allocation for 2009 and 2008 is summarized below.

Asset Class	Target at June 30,	
	2009	2008
US equity	24 %	27 %
Developed international equity	19	18
Emerging market equity	5	5
Absolute return	12	10
Buyouts	9	9
Venture capital	6	6
Real assets	6	6
Real estate	6	6
Fixed income	12	12
Cash	1	1
Total investment pool	<u>100 %</u>	<u>100 %</u>

SFAS 157 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities' own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under SFAS 157 should maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the College for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Fair value for Level 1 is based upon quoted prices in active markets that the College has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The College does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3, is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

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A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following table presents the financial instruments carried at fair value as of June 30, 2009, by caption on the statement of financial position by the SFAS 157 valuation hierarchy defined above:

	June 30, 2009			June 30, 2008	
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Total Fair Value
Investment Pool					
Cash and cash equivalents	\$ 76,270,464	\$ -	\$ -	\$ 76,270,464	\$ 63,642,600
Common and preferred stocks	76,231,991	-	-	76,231,991	136,308,272
Equity mutual/commingled funds	76,123,213	155,257,588	-	231,380,801	322,722,297
Fixed income mutual/commingled funds	56,735,768	47,460,292	-	104,196,060	204,902,923
Real asset commingled funds	-	20,212,054	-	20,212,054	39,464,974
Real estate partnerships	-	-	84,571,464	84,571,464	112,755,328
Private equity partnerships	-	-	229,066,859	229,066,859	273,042,556
Private fixed income funds	-	-	59,440,077	59,440,077	8,917,704
Real asset partnerships	-	-	20,088,362	20,088,362	18,216,037
Equity hedge funds	-	-	284,370,144	284,370,144	395,133,348
Absolute return hedge funds	-	-	189,406,672	189,406,672	182,717,798
Real asset hedge funds	-	-	33,820,772	33,820,772	50,347,577
Total investment pool	285,361,436	222,929,934	900,764,350	1,409,055,720	1,808,171,413
Split Interest Agreements					
Cash and cash equivalents	2,022,255	-	444,962	2,467,217	3,066,952
Common and preferred stocks	7,891,501	-	4,946,489	12,837,990	20,178,462
Fixed income mutual/commingled funds	22,257,502	-	3,764,291	26,021,793	29,957,583
Equity mutual/commingled funds	5,429,949	-	2,452,547	7,882,496	12,076,791
Real asset commingled funds	-	-	28,270	28,270	80,469
Real estate mutual funds	190,488	-	11,164	201,652	1,031,134
Total split interest agreements	37,791,695	-	11,647,723	49,439,418	66,391,391
Faculty mortgages					
	-	-	11,038,709	11,038,709	10,743,149
Other					
Cash and cash equivalents	6,370,919	-	-	6,370,919	3,144,494
Common and preferred stocks	333,018	-	4,538,674	4,871,692	1,445,683
Fixed income mutual/commingled funds	60,291	-	-	60,291	1,864,041
Equity mutual/commingled funds	299,039	-	-	299,039	3,518,275
Private fixed income funds	-	-	1,347,565	1,347,565	84,793
Real assets - art	-	-	680,000	680,000	38,500
Total other	7,063,267	-	6,566,239	13,629,506	10,095,787
Total	\$ 341,864,121	\$ 222,929,934	\$ 930,017,021	\$ 1,483,163,353	\$ 1,895,401,740

Investments included in Level 3 primarily consist of the College's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

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Beneficial and perpetual trusts held by third parties are recorded at the present value of the future distributions expected to be received over the term of the agreement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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

Investment Pool

	Beginning	Investment Income	Realized Gains	Unrealized Gains	Net Transfers	Ending
Real estate partnerships	\$ 112,755,328	\$ 1,170,296	\$ 1,407,532	\$ (41,014,047)	\$ 10,252,355	\$ 84,571,464
Private equity partnerships	273,042,556	689,852	(1,591,661)	(58,699,374)	15,625,486	229,066,859
Private fixed income funds	8,917,704	-	60,815	772,373	49,689,185	59,440,077
Real asset partnerships	57,681,011	1,230,204	(11,004,446)	(8,352,287)	(19,466,120)	20,088,362
Equity hedge funds	395,133,348	-	(3,734,055)	(77,023,584)	(30,005,565)	284,370,144
Absolute return hedge funds	182,717,798	-	2,618,422	(8,061,709)	12,132,161	189,406,672
Real asset hedge funds	50,347,577	-	1,518,630	(16,526,805)	(1,518,630)	33,820,772
Total	<u>\$ 1,080,595,322</u>	<u>\$ 3,090,352</u>	<u>\$ (10,724,763)</u>	<u>\$ (208,905,433)</u>	<u>\$ 36,708,872</u>	<u>\$ 900,764,350</u>

Split Income Agreements

	Beginning	Investment Income	Realized Gains	Unrealized Gains	Net Transfers	Ending
Outside trusts	\$ 30,037,103	\$ -	\$ -	\$ (1,550,232)	\$ (674,219)	\$ 27,812,652
Perpetual trusts	14,791,739	-	-	(3,144,016)	-	11,647,723
Total	<u>\$ 44,828,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,694,248)</u>	<u>\$ (674,219)</u>	<u>\$ 39,460,375</u>

Other Investments

	Beginning	Investment Income	Realized Gains	Unrealized Gains	Net Transfers	Ending
Common and preferred stocks	\$ 4,324,175	\$ -	\$ (78,676)	\$ 293,176	\$ -	\$ 4,538,674
Private fixed income funds	1,699,801	-	(354,992)	-	2,756	1,347,565
Real assets - art	38,500	-	(4,200)	-	645,700	680,000
Total	<u>\$ 6,062,476</u>	<u>\$ -</u>	<u>\$ (437,868)</u>	<u>\$ 293,176</u>	<u>\$ 648,456</u>	<u>\$ 6,566,239</u>

The College is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels. The timing and amounts of the contributions are determined by the general partners. As of June 30, 2009, the College has unfunded commitments of approximately \$244,000,000.

The College holds mortgages on residences of eligible faculty and staff members that amounted to \$11,038,709 and \$10,743,149 as of June 30, 2009 and 2008, respectively. The average interest rate on the mortgages as of June 30, 2009 was 3.61%.

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Realized net gains were \$37,743,520 and \$204,319,024 for the years ended June 30, 2009 and 2008, respectively. Unrealized depreciation for the years ended June 30, 2009 and 2008 was (\$306,580,194) and (\$234,696,935), respectively. Investment income, other than reinvested amounts, was \$9,704,959 and \$11,423,477 for the years ended June 30, 2009 and 2008, respectively. Of this amount, \$2,607,972 and \$2,838,916, respectively, was investment income on split interest agreements. Reinvested income was \$6,550,543 and \$8,314,048, respectively. Investment income on split interest agreements and reinvested income is reflected as part of realized and unrealized gains (losses) on investments, investment income on split interest agreements, and reinvested income in the non-operating section of the statement of activities.

All investment management fees paid by the College are netted against investment gains reducing reported non-operating gains on investments.

In connection with the investments managed by external investment advisors, derivative financial instruments, principally options, futures and options on futures, may be employed by certain advisors. Derivative financial instruments are not an integral part of the College's overall investment strategy. As a result, it is necessary to view the results for the investment activity, including the effect of derivative financial instruments, in the aggregate.

For the years ended June 30, 2009 and June 30, 2008, the aggregate realized gains (losses) on derivative transactions for direct investment accounts of the College were \$236,599 and (\$266,612), respectively. As of June 30, 2009 and June 30, 2008, there were no open positions in derivative financial transactions.

Under the "total return" approach, the College spent accumulated gains of \$69,588,314 and \$65,110,810 for the years ended June 30, 2009 and 2008, respectively. Total return in excess of the spending rate is reported as non-operating revenue or loss.

Securities Lending Program

During 2008, the College participated in a securities lending program that was designed to enhance return on certain separate account asset holdings. The minimum collateral the College required by contract on this program was 102% of the market value of the security loaned. The College terminated its securities lending program early in fiscal 2009.

During 2008, the College received \$127,732,759 in cash and US government debt as collateral for certain securities loaned to brokers and dealers; the College returned \$180,397,765 prior to June 30, 2008. At June 30, 2009 and 2008, the College held \$0 and \$10,833,023, respectively, of collateral which is presented as an asset and related liability on the statement of financial position. All rights to this collateral as a secured party under applicable law are available to the College in the case of a borrower's failure to deliver securities for any reason within the time frame specified by the applicable securities loan agreement. The securities temporarily on loan are included in the investments of the College with an estimated fair value as of June 30, 2009 and 2008 of \$0 and \$10,482,382, respectively.

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6. Land, Buildings and Equipment

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

	2009	2008
Land and land improvements	\$ 43,470,195	\$ 41,525,394
Buildings	451,458,773	403,334,136
Equipment	61,755,113	61,485,579
Art collections	<u>34,711,391</u>	<u>34,043,784</u>
	591,395,472	540,388,893
Less accumulated depreciation	<u>(217,857,481)</u>	<u>(201,652,322)</u>
	373,537,991	338,736,571
Construction in progress	<u>10,272,200</u>	<u>45,914,412</u>
	<u>\$ 383,810,191</u>	<u>\$ 384,650,983</u>

Approximately \$43,487,000 and \$5,297,000 was transferred from construction in progress to land, buildings and equipment in 2009 and 2008, respectively.

Depreciation expense was \$19,468,218 and \$18,152,650 for the years ended June 30, 2009 and 2008, respectively. During fiscal year 2009, the College disposed of certain assets with an original cost of \$3,278,254 and accumulated depreciation of \$ 3,263,058.

Interest costs of \$332,192 and \$939,592 were capitalized in 2009 and 2008, respectively.

Included in land and land improvements are costs incurred of approximately \$1,960,000 at June 30, 2009 to develop property that the College intends to sell to qualified faculty or staff. The sales will be evidenced by notes that will be repaid at the time the property is sold or under certain other defined conditions. The College has the right of first refusal to reacquire this property.

7. Retirement Benefits

The College's expense under defined contribution retirement plans amounted to approximately \$6,645,000 and \$6,114,000 for 2009 and 2008, respectively.

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8. Postretirement Benefits Other than Pensions

The College accounts for the funded status of its other postretirement plan and recognizes its benefit liability for the plan with an offsetting adjustment to unrestricted net assets.

Change in accumulated postretirement benefit obligation	2009	2008
Postretirement benefit obligation at beginning of year		
Actives not fully eligible to retire	\$ 6,598,159	\$ 7,604,310
Actives fully eligible to retire	3,623,903	2,299,031
Retirees	<u>5,548,732</u>	<u>2,789,804</u>
	<u>\$ 15,770,794</u>	<u>\$ 12,693,145</u>
Service cost	535,157	584,348
Interest cost	1,038,508	850,539
Plan participants' contributions	-	50,864
Amendments	-	2,499,325
Actuarial loss (gain)	1,853,413	(221,214)
Benefits paid	<u>(661,692)</u>	<u>(686,213)</u>
Postretirement benefit obligation at end of year		
Actives not fully eligible to retire	\$ 7,749,039	\$ 6,598,159
Actives fully eligible to retire	4,738,002	3,623,903
Retirees	<u>5,379,139</u>	<u>5,548,732</u>
	<u>\$ 17,866,180</u>	<u>\$ 15,770,794</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Actual return on plan assets	-	-
Employer contribution, net of retiree contributions	661,692	635,349
Plan participants' contributions	-	50,864
Benefits paid	<u>(661,692)</u>	<u>(686,213)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status		
Funded status - postretirement benefit liability	<u>\$ 17,866,180</u>	<u>\$ 15,770,794</u>

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The components of the liability include:

Current liability	\$ 957,403	\$ 907,132
Noncurrent liability	16,908,777	14,863,662
Total liability	<u>\$17,866,180</u>	<u>\$15,770,794</u>

Components of the net periodic postretirement benefit cost

	2009	2008
Service cost	\$ 535,157	\$ 584,348
Interest cost	1,038,508	850,539
Amortization of prior service cost	392,396	392,396
Amortization of actuarial loss	25,787	57,925
	<u>\$ 1,991,848</u>	<u>\$ 1,885,208</u>

Amounts unrecognized and amortization amounts in following year

Amounts unrecognized in net periodic postretirement cost benefit

Prior service cost	\$ 3,828,176	\$ 4,220,572
Net actuarial (gain) loss	2,804,355	1,646,729
	<u>\$ 6,632,531</u>	<u>\$ 5,867,301</u>

Amortization amounts in following year

Prior service cost	\$ 392,396	\$ 392,396
Net actuarial (gain) loss	21,112	27,622
	<u>\$ 413,508</u>	<u>\$ 420,018</u>

Assumptions and effects

	2009	2008
Actuarial assumptions		
Medical/drug trend rate next year	8.5%/5.0%	9.0%-9.0%
Ultimate trend rate	5.0%/5.0%	5.0%-5.0%
Year ultimate trend rate is achieved	2016	2011
Dental trend rate every year	0.00%	5.00%
Discount rate used to value end of year accumulated postretirement benefit obligations	6.78%	6.78%
Discount rate used to value net periodic postretirement benefit cost	6.78%	6.26%
Effect of a 1% increase in health care cost trend rate on		
Interest cost plus service cost	\$ 90,199	\$ 97,960
Accumulated postretirement benefit obligation	\$ 596,937	\$ 474,239
Effect of a 1% decrease in health care cost trend rate on		
Interest cost plus service cost	\$ (77,929)	\$ (84,231)
Accumulated postretirement benefit obligation	\$ (527,040)	\$ (421,391)
Measurement date	6/30/09	6/30/08

Expected Future Benefit Payments

Fiscal Year

2010	1,030,000
2011	1,085,000
2012	1,187,000
2013	1,287,000
2014 through 2018	6,625,000

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9. Commitments and Contingencies

The College is committed as of June 30, 2008 to invest approximately \$244,000,000 in certain limited partnerships.

At June 30, 2009, the College has outstanding construction and purchase contracts totaling approximately \$4,514,000. Completion of these projects is estimated to extend through December 2011.

The College has entered into long-term noncancelable operating leases with lease terms extending through the year 2017. The following is a schedule by year of future minimum rental payments required under all operating leases that have initial or remaining noncancelable lease terms of one year or more as of June 30, 2009.

2010	232,000
2011	229,200
2012	197,000
2013	187,000
2014	198,000
Thereafter	542,000
	<u>\$ 1,585,200</u>

Total rental expense on operating leases was approximately \$224,000 and \$340,000 in 2009 and 2008, respectively.

10. Bonds Payable

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

	2009	2008
Massachusetts Health and Educational Facilities Authority Bonds (Williams College)		
Series E, variable rate, due through 2014	\$ 10,400,000	\$ 12,100,000
Series H, 2.00% to 5.00%, due through 2033	37,201,475	38,694,800
Series I, variable rate, due through 2033	27,076,000	27,841,000
Series J, variable rate, due through 2026	32,307,000	32,471,000
Series K, 3.50% to 5.00%, due through 2033	37,735,551	38,628,942
Series L, 4.00% to 5.00%, due through 2036	76,088,427	76,267,642
Series M, 1-year put at .58% through April 10, 2010, variable thereafter, due through 2037	<u>36,000,000</u>	<u>36,000,000</u>
Total net bonds payable	<u>\$ 256,808,452</u>	<u>\$ 262,003,384</u>

The Series E bonds are variable rate demand revenue bonds. The annualized interest rate ranged from .15% to 7.3% during fiscal year 2009 with an average rate of 1.09% for the year. The bonds bear interest at a variable rate based on the prevailing market rate for equivalent bonds. The College may convert the bonds to a fixed rate at its option. Annual principal payments are currently \$1,700,000 and increase to \$1,750,000 over the repayment period of the bonds.

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The Series H bonds are fixed rate revenue bonds. Subject to 30 days notice, the bonds may be called by the College on July 13, 2013 at 100% par. Annual principal payments are currently \$1,420,000 and increase to \$2,030,000 over the repayment period of the bonds.

The Series I bonds are variable rate demand revenue bonds. The annualized interest rate ranged from .09% to 6.4% during fiscal year 2009 with an average rate of .98% for the year. The bonds bear interest at a variable rate based on the prevailing market rate for equivalent bonds. The College may convert the bonds to a fixed rate at its option. Annual principal payments are currently \$765,000 and increase to \$1,552,000 over the repayment period of the bonds.

The Series J bonds are variable rate demand revenue bonds. The annualized interest rate ranged from .05% to 7.2% with an average rate of 1.08% for the year. The bonds bear interest at a variable rate based on the prevailing market rate for equivalent bonds. The College may convert the bonds to a fixed rate at its option. Annual principal payments are currently \$164,000 and increase to \$3,185,000 over the repayment period of the bonds.

The Series K bonds are fixed rate revenue bonds. Subject to 30 days notice, the bonds may be called by the College on July 13, 2013 at 100% of par. Annual principal payments are currently \$870,000 and increase to \$2,480,000 over the repayment period of the bonds.

The Series L bonds are fixed rate revenue bonds issued on January 4, 2007, in the principal amount of \$71,160,000 and a premium of \$5,376,465. On June 30, 2012, the College will make its first principal payment of \$1,325,000. Remaining annual principal payments range from \$1,380,000 to \$4,235,000. The bonds are callable beginning on July 1, 2016 at 100% of par.

On April 4, 2009, the Series M variable rate demand revenue bonds, issued on January 4, 2007 in a weekly auction rate mode with an original principal value of 36,000,000, were reissued with a one year put at an annualized interest rate of .53%. On June 30, 2012, the College will make its first principal payment of \$875,000. Remaining annual principal payments range from \$900,000 to \$2,200,000. The bonds are non callable in the first 5 years. At June 30, 2008, \$4,345,842 of bond proceeds from the Series M bond was on deposit with the bond trustee.

Based on current borrowing rates for bonds with similar terms and maturities, the fair value of the College's long-term debt as of June 30, 2009 was approximately \$255,000,000.

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

Bond issuance costs of \$1,468,321 are amortized to other expense over the life of the respective bonds. Bond premiums of \$7,225,452 at June 30, 2009, are amortized to other income over the life of the respective bonds. Combined debt principal payment requirements for the years 2010 through 2014 approximate \$41,032,000, \$5,171,000, \$6,680,000, \$6,880,000, and \$7,471,000, respectively. The 2010 debt principal payment includes \$36,000,000 original principal value of the Series M variable rate demand revenue bonds which the College plans to remarket in April 2010.

The Series E, I, and J bonds are subject to tender by bondholders. To the extent that tendered bonds cannot be remarketed, the College is required to repurchase the bonds.

The combined debt principal payment requirements above reflects the repayment of such bonds according to their scheduled maturity dates. If these bonds were fully tendered as of June 30, 2009, the debt principal payment requirements for the years 2010 through 2014 would approximate \$108,158,000, \$2,485,000, \$3,915,000, \$4,080,000, and \$4,640,000, respectively.

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Interest expense for the years ended June 30, 2009 and 2008 was \$8,160,372 and \$10,377,842, respectively.

Forward Interest Rate Swap

In 2005, the College entered into a forward interest rate swap agreement related to the anticipated remarketing of the Series F Bonds. The agreement has a notional amount of \$33,234,000. Under the terms of the agreement, the College pays a fixed rate of 3.457% to a third party who in turn pays a variable rate, estimated as 68% of LIBOR, on the respective notional principal amount to the bondholders. The interest rate swap agreement was not entered into for trading or speculative purposes. Because market risks arise from movements in interest rates, the College entered into the interest rate swap to reduce interest rate volatility on the outstanding debt.

As of June 30, 2009 and 2008, the fair value of the swap was a liability of approximately \$2,628,000 and \$785,000, respectively. The interest rate swap expires on July 1, 2026.

11. Lines of Credit

At June 30, 2009, the College maintained four lines of credit which total \$176,000,000. Two lines totaling \$107,000,000 are dedicated to supporting the College's variable rate debt. These lines of credit bear interest at either the bank's prime rate or at a LIBOR rate plus 75 basis points, at the College's option. Additionally, the College pays a commitment fee equal to 25-75 basis points per year for any unused borrowing capacity. In addition there are two working capital lines totaling \$69,000,000. Of the lines of credit, \$49,000,000 bears interest at the bank's prime rate or at a LIBOR rate plus 10 basis points while the remaining \$20,000,000 bears interest at a minimum of 2%. There were no amounts drawn on the lines of credit at June 30, 2009 or 2008.

12. Endowments

In 2009, the College adopted FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1), which provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to a Uniform Prudent Management of Institutional Funds Act (UPMIFA) as well as requires enhanced disclosures for endowment fund net assets, spending policies and related investment policies.

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

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The Board of Trustees has interpreted the Massachusetts “Uniform Prudent Management of Institutional Funds Act” statute, which was effective June 2009 (“UPMIFA”), as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The College considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the College and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the College
- (7) The investment policies of the College.

Prior to the enactment of UPMIFA, the College followed the provisions of the Uniform Management of Institutional Funds Act which was in effect for the College's years ending June 30, 2009 and 2008.

The College had the following endowment activities during the year ended June 30, 2009 delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30 (in thousands):

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 772,281,331	\$ 417,563,792	\$ 1,189,845,123
Adjustment for funds underwater	(18,633,477)	18,633,477	-	-
Board-designated endowment funds	166,538,414	-	-	166,538,414
Total endowment funds	<u>\$ 147,904,937</u>	<u>\$ 790,914,808</u>	<u>\$ 417,563,792</u>	<u>\$ 1,356,383,537</u>
	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,118,029,956	\$ 396,419,245	\$ 1,514,449,201
Adjustment for funds underwater	(748,721)	748,721	-	-
Board-designated endowment funds	226,719,386	-	-	226,719,386
Total endowment funds	<u>\$ 225,970,665</u>	<u>\$ 1,118,778,677</u>	<u>\$ 396,419,245</u>	<u>\$ 1,741,168,587</u>

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

	2009			
	Board Designated	Donor Designated		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net endowment assets, June 30, 2008	\$ 225,970,665	\$ 1,118,778,677	\$ 396,419,245	\$ 1,741,168,587
Gifts and transfers				
Gifts received	-	755,943	13,966,447	14,722,390
Transfers and gifts further designated	(6,351,085)	(4,386,791)	6,431,725	(4,306,151)
Investment return				
Net gains (losses)	(44,529,869)	(282,361,621)	-	(326,891,490)
Accumulated gains spent for operations	(9,312,199)	(60,276,115)	-	(69,588,314)
Income earned returned to principal	12,181	519,959	746,375	1,278,515
Underwater endowment				
Current year appropriation of funds to cover permanent endowments where fair value is less than historic dollar value	(17,884,756)	17,884,756	-	-
Net endowment assets, June 30, 2009	\$ 147,904,937	\$ 790,914,808	\$ 417,563,792	\$ 1,356,383,537

	2008			
	Board Designated	Donor Designated		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net endowment assets, June 30, 2007	\$ 258,189,265	\$ 1,132,763,331	\$ 375,035,311	\$ 1,765,987,907
Gifts and transfers				
Gifts received	-	8,522,509	19,295,529	27,818,038
Transfers and gifts further designated	(19,506,233)	6,596,045	1,451,644	(11,458,544)
Investment return				
Net gains (losses)	(2,529,750)	25,392,396	-	22,862,646
Accumulated gains spent for operations	(9,445,104)	(55,665,706)	-	(65,110,810)
Income earned returned to principal	11,208	421,381	636,761	1,069,350
Underwater endowment				
Current year appropriation of funds to cover permanent endowments where fair value is less than historic dollar value	(748,721)	748,721	-	-
Net endowment assets, June 30, 2008	\$ 225,970,665	\$ 1,118,778,677	\$ 396,419,245	\$ 1,741,168,587

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reduced unrestricted net assets by \$18,633,477 and \$748,721 as of June 30, 2009 and 2008, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

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Return Objectives and Risk Parameters

The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The College expects its endowment funds over time, to provide an average rate of return of approximately 8.0 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The College targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

Spending from the endowment to support operations, referred to as asset use at Williams, is expected to be at most 4.5-5.0% of the beginning-of-year total financial assets over the long run. This policy is based on the expectation that the endowment will grow by 8-9% annually and operating expenditures will increase by 4-5% each year. Using one-half of the annual growth to support operations allows for reinvestment of the other half to sustain the permanent nature of the endowment.

The Trustees' Budget and Financial Planning Committee approves the asset use rate each year. The asset use rate the last two fiscal years has been 4.3% and 4.5% and is budgeted at 5.6% for 2009-10.

13. Temporarily Restricted and Permanently Restricted Net Assets

Following is the composition of the College's temporarily restricted and permanently restricted net assets at June 30, 2009 and 2008:

	2009	2008
Temporarily restricted net assets		
Gifts for restricted purposes	\$ 93,045,136	\$ 65,851,671
Contributions to be paid in the future	17,780,330	20,897,384
Split-interest agreements, including outside managed trusts	23,679,899	45,232,965
Underwater funds	18,633,477	748,721
Endowment funds - unspent appreciation	<u>747,314,720</u>	<u>1,130,004,428</u>
	<u>900,453,562</u>	<u>1,262,735,169</u>
Permanently restricted net assets		
Student loan funds	475,361	477,000
Split-interest agreements and perpetual trusts, including outside managed trusts	46,078,952	66,644,084
Contributions to be paid in the future	35,822,979	37,034,560
Endowment funds - original principal	<u>381,740,813</u>	<u>351,814,923</u>
	<u>\$ 464,118,105</u>	<u>\$ 455,970,567</u>

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14. Subsequent Events

The College has performed an evaluation of subsequent events through October 27, 2009, which is the date the financial statements were issued.