Williams College
Financial Statements
June 30, 2013 and 2012
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Financial Statements

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Independent Auditor’s Report

To the Board of Trustees of Williams College:

We have audited the accompanying financial statements of Williams College (the “College”), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the College’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 College’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Williams College at June 30, 2013 and 2012, and the statement of activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

November 6, 2013
Williams College  
Statements of Financial Position  
June 30, 2013 and 2012

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$9,193,872</td>
<td>$13,024,791</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance of $173,869</td>
<td>748,102</td>
<td>801,703</td>
</tr>
<tr>
<td>($120,158 in 2012)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes receivable - student loans, net of allowance of $137,655 in 2013 ($153,609 in 2012) (Note 3)</td>
<td>3,792,343</td>
<td>3,695,782</td>
</tr>
<tr>
<td>Notes receivable - other (Note 4)</td>
<td>14,944,861</td>
<td>12,781,833</td>
</tr>
<tr>
<td>On deposit with bond trustee</td>
<td>59,623,769</td>
<td>21,058,518</td>
</tr>
<tr>
<td>Other assets</td>
<td>10,696,055</td>
<td>10,342,634</td>
</tr>
<tr>
<td>Real property held for sale (Note 5)</td>
<td>5,062,375</td>
<td>5,068,143</td>
</tr>
<tr>
<td>Investments (Note 6)</td>
<td>2,055,329,778</td>
<td>1,855,481,263</td>
</tr>
<tr>
<td>Land, buildings and equipment, net (Note 7)</td>
<td>395,262,731</td>
<td>373,081,316</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$2,623,660,870</strong></td>
<td><strong>$2,361,903,398</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$21,936,507</td>
<td>$19,050,432</td>
</tr>
<tr>
<td>Accrued salaries and benefits (Note 8)</td>
<td>28,690,993</td>
<td>30,346,358</td>
</tr>
<tr>
<td>Deferred revenue and deposits</td>
<td>2,989,269</td>
<td>3,303,248</td>
</tr>
<tr>
<td>U. S. Government advances for student loans</td>
<td>3,305,953</td>
<td>3,361,296</td>
</tr>
<tr>
<td>Present value of beneficiary payments</td>
<td>53,476,847</td>
<td>52,256,225</td>
</tr>
<tr>
<td>Bonds payable (Note 10)</td>
<td>357,129,298</td>
<td>294,735,441</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>467,528,867</strong></td>
<td><strong>403,053,000</strong></td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>306,460,404</td>
<td>296,982,181</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>1,295,321,733</td>
<td>1,127,452,096</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>554,349,866</td>
<td>534,416,121</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>2,156,132,003</strong></td>
<td><strong>1,958,850,398</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$2,623,660,870</strong></td>
<td><strong>$2,361,903,398</strong></td>
</tr>
</tbody>
</table>

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

### Statement of Activities

Year Ended June 30, 2013

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

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### Operating revenue, gains and other

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
<th>2012 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$93,559,769</td>
<td>$ -</td>
<td>$ -</td>
<td>$93,559,769</td>
<td>$89,634,421</td>
</tr>
<tr>
<td>Room and board</td>
<td>$21,812,478</td>
<td>$ -</td>
<td>$ -</td>
<td>$21,812,478</td>
<td>$20,554,398</td>
</tr>
<tr>
<td>Net student revenues</td>
<td>$69,175,020</td>
<td>$ -</td>
<td>$ -</td>
<td>$69,175,020</td>
<td>$66,116,842</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>$5,534,755</td>
<td>$ -</td>
<td>$ -</td>
<td>$5,534,755</td>
<td>$5,516,583</td>
</tr>
<tr>
<td>Special purpose grants</td>
<td>$1,921,592</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,921,592</td>
<td>$2,522,694</td>
</tr>
<tr>
<td>Gifts and grants, net</td>
<td>$508,033</td>
<td>$2,233</td>
<td>$ -</td>
<td>$508,033</td>
<td>$527,724</td>
</tr>
<tr>
<td>Realized gains utilized</td>
<td>$9,480,304</td>
<td>$71,343,260</td>
<td>$ -</td>
<td>$80,823,564</td>
<td>$63,784,538</td>
</tr>
<tr>
<td>Other</td>
<td>$1,022,559</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,022,559</td>
<td>$1,221,016</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>$71,556,681</td>
<td>$( - )</td>
<td>$ -</td>
<td>$71,556,681</td>
<td>$71,556,681</td>
</tr>
<tr>
<td>Total operating revenue, gains, and other</td>
<td>$172,820,175</td>
<td>$10,576,363</td>
<td>$ -</td>
<td>$183,396,538</td>
<td>$156,687,389</td>
</tr>
</tbody>
</table>

### Operating expenses and other

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
<th>2012 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructional and research</td>
<td>$83,850,597</td>
<td>$ -</td>
<td>$ -</td>
<td>$83,850,597</td>
<td>$83,238,688</td>
</tr>
<tr>
<td>Academic support</td>
<td>$15,185,435</td>
<td>$ -</td>
<td>$ -</td>
<td>$15,185,435</td>
<td>$14,112,540</td>
</tr>
<tr>
<td>Student services</td>
<td>$24,427,996</td>
<td>$ -</td>
<td>$ -</td>
<td>$24,427,996</td>
<td>$21,973,711</td>
</tr>
<tr>
<td>Institutional support</td>
<td>$29,769,474</td>
<td>$ -</td>
<td>$ -</td>
<td>$29,769,474</td>
<td>$31,604,694</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>$31,538,116</td>
<td>$ -</td>
<td>$ -</td>
<td>$31,538,116</td>
<td>$32,305,816</td>
</tr>
<tr>
<td>Other</td>
<td>$1,276</td>
<td>$ -</td>
<td>$72</td>
<td>$1,348</td>
<td>$118,634</td>
</tr>
<tr>
<td>Total operating expenses and other</td>
<td>$184,772,894</td>
<td>$ -</td>
<td>$72</td>
<td>$184,772,966</td>
<td>$183,354,083</td>
</tr>
<tr>
<td>Change in net assets from operating activities</td>
<td>$(11,952,719)</td>
<td>$10,576,363</td>
<td>$(72)</td>
<td>$(1,376,428)</td>
<td>$(26,666,894)</td>
</tr>
</tbody>
</table>

### Non-operating activities

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
<th>2012 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized and change in unrealized gains on investments, and investment income</td>
<td>$29,074,152</td>
<td>$227,427,169</td>
<td>$5,944,196</td>
<td>$262,445,517</td>
<td>$47,853,933</td>
</tr>
<tr>
<td>Investment income on split interest agreements</td>
<td>$9,109,961</td>
<td>$(71,713,603)</td>
<td>$624,613</td>
<td>$2,107,945</td>
<td>$(63,784,538)</td>
</tr>
<tr>
<td>Realized gains utilized for current operations</td>
<td>$(9,109,961)</td>
<td>$(71,713,603)</td>
<td>$624,613</td>
<td>$(2,107,945)</td>
<td>$(63,784,538)</td>
</tr>
<tr>
<td>Payments of annuities</td>
<td>$2,602,859</td>
<td>$2,463,300</td>
<td>$5,066,159</td>
<td>$7,066,159</td>
<td>$(4,748,660)</td>
</tr>
<tr>
<td>Change in actuarial valuation of split interest agreements</td>
<td>$46,359</td>
<td>$427,194</td>
<td>$380,835</td>
<td>$808,324</td>
<td>$2,445,981</td>
</tr>
<tr>
<td>Life income and endowment gifts, net</td>
<td>$3,434,633</td>
<td>$17,577,026</td>
<td>$21,011,659</td>
<td>$33,723,314</td>
<td>$33,173,622</td>
</tr>
<tr>
<td>Gain (loss) on disposition of fixed assets</td>
<td>$428,671</td>
<td>$ -</td>
<td>$428,671</td>
<td>$(3,823,869)</td>
<td>$3,823,869</td>
</tr>
<tr>
<td>Change in valuation of real estate held for sale, net</td>
<td>$(1,956,343)</td>
<td>$(6,123,343)</td>
<td>$(4,179,686)</td>
<td>$(10,258,354)</td>
<td>$(10,258,354)</td>
</tr>
<tr>
<td>Gain (loss) on financial contracts and</td>
<td>$3,197,488</td>
<td>$ -</td>
<td>$3,197,488</td>
<td>$(3,197,488)</td>
<td>$3,197,488</td>
</tr>
<tr>
<td>Change in valuation of real estate held for sale, net</td>
<td>$(1,956,343)</td>
<td>$(6,123,343)</td>
<td>$(4,179,686)</td>
<td>$(10,258,354)</td>
<td>$(10,258,354)</td>
</tr>
<tr>
<td>Gain (loss) on the retirement of long term debt</td>
<td>$3,197,488</td>
<td>$ -</td>
<td>$3,197,488</td>
<td>$(3,197,488)</td>
<td>$3,197,488</td>
</tr>
<tr>
<td>Gain (loss) on the retirement of long term debt</td>
<td>$(1,956,343)</td>
<td>$(6,123,343)</td>
<td>$(4,179,686)</td>
<td>$(10,258,354)</td>
<td>$(10,258,354)</td>
</tr>
<tr>
<td>Adjustment for endowment funds</td>
<td>$2,164,048</td>
<td>$2,164,048</td>
<td>$4,328,096</td>
<td>$8,490,144</td>
<td>$8,490,144</td>
</tr>
<tr>
<td>Funds further designated and income to principal</td>
<td>$1,332,947</td>
<td>$(1,332,947)</td>
<td>$1,332,947</td>
<td>$(1,332,947)</td>
<td>$(1,332,947)</td>
</tr>
<tr>
<td>Transfers between net asset categories</td>
<td>$(145,998)</td>
<td>$469,300</td>
<td>$(323,302)</td>
<td>$(486,604)</td>
<td>$(486,604)</td>
</tr>
<tr>
<td>with fair value below historical cost</td>
<td>$1,332,947</td>
<td>$(1,332,947)</td>
<td>$1,332,947</td>
<td>$(1,332,947)</td>
<td>$(1,332,947)</td>
</tr>
<tr>
<td>Change in net assets from nonoperating activities</td>
<td>$21,430,942</td>
<td>$157,293,274</td>
<td>$19,933,817</td>
<td>$198,659,033</td>
<td>$10,458,247</td>
</tr>
<tr>
<td>Total change in net assets</td>
<td>$9,478,223</td>
<td>$167,869,637</td>
<td>$19,933,817</td>
<td>$197,281,605</td>
<td>$(16,208,447)</td>
</tr>
<tr>
<td>Beginning net assets</td>
<td>$296,982,181</td>
<td>$1,127,452,096</td>
<td>$534,416,121</td>
<td>$1,958,850,398</td>
<td>$1,958,850,398</td>
</tr>
<tr>
<td>Ending net assets</td>
<td>$306,460,404</td>
<td>$1,295,321,733</td>
<td>$554,349,866</td>
<td>$2,156,132,003</td>
<td>$2,156,132,003</td>
</tr>
</tbody>
</table>

---

The accompanying notes are an integral part of these financial statements.
## Williams College
### Statement of Activities
#### Year Ended June 30, 2012

The accompanying notes are an integral part of these financial statements.
## Williams College
### Statements of Cash Flows
#### Years Ended June 30, 2013 and 2012

- **Cash flow from operating activities**
  - Total change in net assets: $197,281,605 $ (16,208,447)
  - Adjustments to reconcile change in net assets:
    - Depreciation, amortization and accretion: 19,647,235 19,209,514
    - Provision for doubtful accounts receivable and student loans: 88,653 (28,804)
    - Net change in realized and unrealized (gains) losses on investments and income: (262,445,517) (47,853,933)
    - Loss on real property held for sale: 483,143 3,525,477
    - Loss on disposal of plant assets: 75,929 28,391
    - Gifts restricted for long-term investment: (21,967,456) (26,131,391)
    - Gifts in kind: (405,840) (1,298,550)
  - Changes in operating assets and liabilities:
    - Accounts receivable: (110) (29,742)
    - Contributions receivable: (2,439,569) (5,044,412)
    - Other assets: (2,163,028) 231,000
    - Accounts payable and accrued liabilities: (1,625,322) 2,525,747
    - Present value of beneficiary payments: 6,261,863 4,914,868
    - Accrued salaries and benefits: (1,655,367) 4,163,781
    - Deferred revenue and deposits: (313,979) (340,547)
  - Net cash used in operating activities: $(69,177,760) $(62,337,048)

- **Cash flow from investing activities**
  - Proceeds from sale of investments: 648,787,225 953,382,231
  - Purchase of investments: (586,190,224) (900,574,818)
  - Additions to land, buildings and equipment: (38,050,305) (26,123,147)
  - Funds on deposit with bond trustee: (38,565,251) 22,942,843
  - Proceeds from sale of real estate: - 8,974,524
  - Additional student loans granted: (697,075) (376,030)
  - Student loans repaid: 565,574 780,060
  - Net cash provided by investing activities: $(14,150,056) 59,005,663

- **Cash flow from financing activities**
  - Gifts restricted for endowments: 21,967,456 15,662,167
  - Payments to beneficiaries: (5,041,241) (4,841,537)
  - Retirement of bond premium: (3,659,394) -
  - Deposits with bond trustee: (225,000) (3,984,000)
  - Issuance of new debt: 148,355,419 -
  - Repayment of debt: (81,845,000) 148,355,419
  - U.S. Government advances for student loans: (55,343) (5,171,000)
  - Net cash provided by financing activities: 79,496,897 1,609,150
  - Net (decrease) increase in cash: (3,830,919) (1,722,235)

- **Supplemental disclosures**
  - Cash paid during the year for interest: $10,131,775 $ 8,829,604
  - Noncash transactions:
    - Exchange of land for notes receivable: (109,000) 231,000
    - Amounts included in accounts payable related to construction in progress: 6,205,484 3,238,640
    - Receipt of contributed securities: - 10,469,224

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

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

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

Contributions to be received after one year are measured at fair value using a discount rate commensurate with the terms of the contribution. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution. An allowance is made for uncollectible contributions based upon management’s judgment, past collection experience and other relevant factors. The current year increment to such allowance, along with modifications to contributions receivable for changes in payment methodology, are netted against current year contribution revenue. Amounts netted against contribution revenue were income of $(2,687,589) and $(3,820,799) for the years ended June 30, 2013 and 2012, respectively.

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

Real Property Held for Sale
Real property held as an investment consists of residential real estate owned that the College is either actively marketing or intends to sell. This real estate is recorded at fair value.

Investments
The College reports its investments at fair value in accordance with GAAP. Fair value is defined as the amount that would be received as a result of selling an asset or, the amount that would be paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date.

The fair values of investments are determined as follows:

<table>
<thead>
<tr>
<th>Investments</th>
<th>Value as Recorded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary investments, principally money market funds and short-term notes</td>
<td>At cost which approximates fair value</td>
</tr>
<tr>
<td>Stocks, bonds, mutual funds, and other publicly traded securities</td>
<td>At quoted market value</td>
</tr>
<tr>
<td>Privately held partnerships, including investments with managers managing global long/short equities, absolute return strategies, venture capital, buyouts, real estate, real assets and other strategies</td>
<td>Estimated fair value determined by the general partner of the privately held partnership</td>
</tr>
<tr>
<td>Real estate partnerships</td>
<td>Estimated fair value determined by the real estate partnership, otherwise at cost, which approximates fair value</td>
</tr>
</tbody>
</table>
Certain investment vehicles do not have quoted market prices. These include 1) hedge fund investments with managers of global long/short equities and absolute return strategies; and 2) investments in venture capital, buyout, real asset and real estate partnerships. In the absence of quoted market prices of these investment vehicles, the fair value is determined by the external managers. Most of these external managers calculate the College’s capital account or Net Asset Value (NAV) in accordance with, or in a manner consistent with, US GAAP. As a practical expedient, the College is permitted under US GAAP to estimate the fair value of its investments managed by these external managers using the reported NAV provided by the external managers. The College has performed due diligence procedures related to these investments to support recognition at fair value as of June 30, 2013 and 2012. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly under specific criteria from the values that would have been reported had a readily available market for these investments existed, and these differences could be material.

Beneficial and perpetual trusts held by third parties are recorded at the present value of the future distributions expected to be received over the term of the agreement. These methods may result in a fair value measurement that may not be indicative of net realizable value or reflective of future fair values.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**Land, Buildings and Equipment**

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

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

**Conditional Asset Retirement Obligation**

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the Obligation is incurred, in accordance with ASC 410, *Asset Retirement and Environmental Obligations*. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of activities.
Change in asset retirement obligation

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset retirement obligation at beginning of year</td>
<td>$4,614,470</td>
<td>$4,266,123</td>
</tr>
<tr>
<td>Settlement of obligation</td>
<td>(160,448)</td>
<td>(356,129)</td>
</tr>
<tr>
<td>Additional obligations</td>
<td>796,675</td>
<td>610,660</td>
</tr>
<tr>
<td>Accretion expense</td>
<td>142,083</td>
<td>93,816</td>
</tr>
<tr>
<td>Asset retirement obligation at end of year</td>
<td>$5,392,780</td>
<td>$4,614,470</td>
</tr>
</tbody>
</table>

Employee Benefits

Retirement benefits for substantially all full-time employees are individually funded and vested under a defined contribution retirement program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (“TIAA” and “CREF”, respectively). Under this agreement, the College and plan participants make periodic contributions to TIAA and CREF. The College’s expense under defined contribution retirement plans amounted to approximately $7,075,264 and $7,010,788 for 2013 and 2012, respectively.

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

The College accrues postemployment benefits which may include, salary continuation, severance benefits, workers’ compensation and other disability related benefits, and the post employment continuation of health care benefits, life insurance benefits and similar benefits to certain employees and beneficiaries.

U.S. Government Advances for Student Loans

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

Split Interest Agreements and Outside Trusts

The College’s split interest agreements generally consist of irrevocable charitable remainder trusts. For those trusts for which the College serves as trustee, the assets held are included with its pooled investments. Assets under these agreements are recorded at fair value. Contribution revenues are recognized at the dates the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities, recorded in present value of beneficiary payments on the 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 may 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 fair asset retirement obligations, its postretirement health benefits and other accruals for expenses incurred which will be settled in the future. Actual results could differ from those estimates.

**Income Taxes/Tax-Exempt Status**

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

Contributions receivable are as follows at June 30:

<table>
<thead>
<tr>
<th>Expected collection period</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$10,245,268</td>
<td>$13,521,390</td>
</tr>
<tr>
<td>One year to five years</td>
<td>13,302,825</td>
<td>12,126,868</td>
</tr>
<tr>
<td>Over five years</td>
<td>2,216,665</td>
<td>1,520,833</td>
</tr>
<tr>
<td>Less: Discount to present value</td>
<td>(2,225,833)</td>
<td>(2,699,754)</td>
</tr>
<tr>
<td>Allowance for uncollectible contributions</td>
<td>(3,313,371)</td>
<td>(2,766,215)</td>
</tr>
<tr>
<td>Net contributions receivable</td>
<td>20,225,554</td>
<td>21,703,122</td>
</tr>
<tr>
<td>Charitable remainder trusts held by others</td>
<td>48,781,430</td>
<td>44,864,293</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>$69,006,984</td>
<td>$66,567,415</td>
</tr>
</tbody>
</table>

At June 30, 2013 and 2012, the College had also received conditional promises to give of approximately $66,021,000 and $57,896,000, respectively. These conditional promises to give are not recognized as assets until the removal or lapse of the condition.

Funds held in trust by others totaled $48,781,430 and $44,864,293 at June 30, 2013 and 2012, respectively, and are considered Level 3 inputs (see Note 6 for discussion on classification of fair value measurements). Following is a reconciliation of funds held in trust by others in which significant unobservable inputs (Level 3) were used in determining value:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year balance</td>
<td>$44,864,293</td>
<td>$31,740,429</td>
</tr>
<tr>
<td>Change in unrealized gains</td>
<td>4,886,400</td>
<td>14,208,369</td>
</tr>
<tr>
<td>Net additions/retirements</td>
<td>(969,263)</td>
<td>(1,084,505)</td>
</tr>
<tr>
<td>End of year balance</td>
<td>$48,781,430</td>
<td>$44,864,293</td>
</tr>
</tbody>
</table>

3. Loans to Students

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

4. Notes Receivable

The College holds mortgages on residences of eligible faculty and staff members that amounted to $9,160,433 and $9,519,700 as of June 30, 2013 and 2012, respectively. The average stated interest rate paid on the mortgages as of June 30, 2013 and 2012 were 3.30% and 3.44%, respectively. The College holds other notes receivable totaling $5,784,428 and $3,262,133 as of June 30, 2013 and 2012, respectively.
5. **Real Property Held for Sale**

The College owns the following real property which it intends to sell:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Williamstown, MA real estate</td>
<td>$ 5,062,375</td>
<td>$ 5,068,143</td>
</tr>
</tbody>
</table>

The carrying value of the real property is based upon external market appraisals and approximates fair value. Changes in the valuation of real estate held for sale amounted to ($483,143) and $0 for 2013 and 2012, respectively.

6. **Investments**

Investments held by the College are comprised of:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment pool</td>
<td>$ 1,996,680,964</td>
<td>$ 1,799,376,647</td>
</tr>
<tr>
<td>Split interest agreements</td>
<td>50,991,537</td>
<td>49,617,101</td>
</tr>
<tr>
<td>Other investments</td>
<td>7,657,277</td>
<td>6,487,515</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,055,329,778</strong></td>
<td><strong>$ 1,855,481,263</strong></td>
</tr>
</tbody>
</table>

**Investment Pool Governance**

The Investment Committee, a standing committee of the Board of Trustees, is responsible for setting asset allocation, investment policy and the strategic direction of the Williams College investment pool. Committee members approve the operating budget and annual goals for the investment office and monitor investment results to ensure that policy objectives are met. In addition, three Advisory Committees ( Marketable Assets, Non Marketable Assets and Real Assets) that serve as sub-committees 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 in accordance with the Committee’s policies and procedures.

**Investment Pool Mission, Objectives and Strategy**

The mission of the Investment Pool is to contribute financial support to both the present and future needs of the College as well as to provide sufficient liquidity to meet such needs on a timely basis.

The College’s overall investment objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. The College’s risk tolerance is informed by the degree to which it relies on the Investment Pool to support its operations. A high degree of reliance may suggest a policy portfolio with reduced expected volatility which may, in turn, moderate the long-term expected return. Williams’ policy portfolio, and long-term returns, may therefore look different from those of other schools.

The College’s investment strategy is designed to meet its investment objectives and has the following characteristics: an equity bias to help achieve the College’s long-term return objective; diversification to dampen volatility; an emphasis on alternative investments; and an advantageous liquidity position.
Investment Pool Asset Allocation
The asset allocation, asset class benchmarks and allowable ranges for each asset class for the Williams College Investment Pool is approved by the Investment Committee upon the recommendation of the CIO and reviewed every year. The target asset allocation for 2013 and 2012 is summarized below.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global equity</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td>Global long/short equity</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Absolute return</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>Venture capital</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Buyouts</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Real assets</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Real estate</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Investment grade fixed income</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>Noninvestment grade fixed income</td>
<td>10%</td>
<td>4%</td>
</tr>
<tr>
<td>Cash</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

In addition to the asset class diversification presented above, the College diversifies its investments among various investment strategies. The investments are managed by a select group of external investment management firms and held in custody by a major commercial bank, except for assets structured as partnerships, LLCs and commingled funds, which have separate arrangements appropriate to their legal structure.

ASC 820 Disclosure - Fair Value Hierarchy
U.S. GAAP has established a framework to measure fair value, and defined the required disclosures about fair value measurements. *FASB Accounting Standards Codification ASC 820 on Fair Value Measurements*, previously known as SFAS 157, favors the use of market-based information over entity-specific information. The standard prescribes a three-level hierarchy for fair value measurements based on the transparency of information, such as the pricing source, used in the valuation of an asset as of the measurement date.
Investments measured and reported at fair value are classified and disclosed in one of the following categories:

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 include listed equity securities held in the name of the College in separately managed accounts and exchange traded mutual fund investments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 2</td>
<td>Pricing inputs, including broker quotes, other than exchange traded quoted prices in active markets. The inputs are either directly or indirectly observable as of the reporting date. The type of investments in Level 2 include institutional commingled funds that offer frequent (e.g. daily) liquidity and certain hedge fund investments that are valued using a net asset value per share (or its equivalent) that are redeemable within 90 days of the reporting date.</td>
</tr>
<tr>
<td>Level 3</td>
<td>Pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the investment. The type of investments in Level 3 includes the College’s investments in private equity, real estate and real estate partnerships and certain hedge funds for which the College has measured fair value using NAV as a practical expedient that are redeemable over 90 days from the reporting date.</td>
</tr>
</tbody>
</table>

The categories presented above (e.g. Level 3) are designed to be measures of price transparency, not liquidity. Different investors may classify similar or even identical investments in different categories. In certain instances, an investment may offer quarterly liquidity (and hence have observable inputs at the reporting date), however, the amount that may be redeemed may be limited (e.g. one-third of the College’s capital account balance on any given quarter). In such instances, the College has elected to categorize the entire asset as a Level 3 investment. Further, the ASC 820 categories may not be indicative of the College’s transparency into the underlying portfolio holdings of many of the College’s fund investments. The College generally obtains significant transparency into the underlying positions of the venture capital, buyouts, real assets, and real estate partnership (e.g. drawdown) investments.

The College has various sources of internal liquidity at its disposal, including cash, marketable equity and debt securities, commingled funds and hedge funds. At June 30, 2013, management estimates that it could have liquidated $495 million or 24% of the investment pool with 30 days notice or less (unaudited).
The following table presents the College’s financial instruments carried at fair value as of June 30, 2013 and 2012, by caption on the statements of financial position and by the ASC 820 fair value valuation hierarchy defined above:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quoted Prices in Active Markets (Level 1)</td>
</tr>
<tr>
<td>Investment pool</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 36,517,902</td>
</tr>
<tr>
<td>Common and preferred stocks</td>
<td>59,816,867</td>
</tr>
<tr>
<td>Equity mutual/commingled funds</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income funds</td>
<td>80,121,518</td>
</tr>
<tr>
<td>Real asset commingled funds</td>
<td>-</td>
</tr>
<tr>
<td>Real estate partnerships</td>
<td>-</td>
</tr>
<tr>
<td>Private equity partnerships</td>
<td>-</td>
</tr>
<tr>
<td>Private fixed income funds</td>
<td>-</td>
</tr>
<tr>
<td>Real asset partnerships</td>
<td>-</td>
</tr>
<tr>
<td>Equity hedge funds</td>
<td>-</td>
</tr>
<tr>
<td>Absolute return hedge funds</td>
<td>-</td>
</tr>
<tr>
<td>Real asset hedge funds</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>176,456,287</td>
</tr>
<tr>
<td>Investment pool - other</td>
<td></td>
</tr>
<tr>
<td>Advance contribution to underlying fund</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Redemption receivable from underlying fund</td>
<td>7,161,597</td>
</tr>
<tr>
<td>Other assets and liabilities</td>
<td>(163,229)</td>
</tr>
<tr>
<td>Total</td>
<td>13,998,368</td>
</tr>
<tr>
<td>Total investment pool</td>
<td>190,454,655</td>
</tr>
<tr>
<td>Split interest agreements</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,011,854</td>
</tr>
<tr>
<td>Common and preferred stocks</td>
<td>11,670,422</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>14,746,530</td>
</tr>
<tr>
<td>Fixed income mutual/commingled funds</td>
<td>3,013,254</td>
</tr>
<tr>
<td>Equity mutual/commingled funds</td>
<td>5,397,877</td>
</tr>
<tr>
<td>Real asset commingled funds</td>
<td>-</td>
</tr>
<tr>
<td>Real estate mutual funds</td>
<td>1,222,017</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
</tr>
<tr>
<td>Total split interest agreements</td>
<td>38,061,954</td>
</tr>
<tr>
<td>Other investments</td>
<td>860,234</td>
</tr>
<tr>
<td>Total</td>
<td>$ 229,376,843</td>
</tr>
</tbody>
</table>
## Notes to Financial Statements
### June 30, 2013 and 2012

#### Quoted Significant Other Significant Unobservable
<table>
<thead>
<tr>
<th>Prices in</th>
<th>Active Markets</th>
<th>Other Inputs</th>
<th>Observable Inputs</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2012</td>
<td>$54,700,663</td>
<td>-</td>
<td>-</td>
<td>$54,700,663</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$49,601,511</td>
<td>-</td>
<td>-</td>
<td>$49,601,511</td>
</tr>
<tr>
<td>Common and preferred stocks</td>
<td>-</td>
<td>-</td>
<td>167,938,621</td>
<td>167,938,621</td>
</tr>
<tr>
<td>Equity mutual/commingled funds</td>
<td>-</td>
<td>61,912,237</td>
<td>-</td>
<td>150,718,018</td>
</tr>
<tr>
<td>Fixed income mutual/commingled funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39,539,808</td>
</tr>
<tr>
<td>Real asset commingled funds</td>
<td>-</td>
<td>-</td>
<td>98,053,088</td>
<td>98,053,088</td>
</tr>
<tr>
<td>Real estate partnerships</td>
<td>-</td>
<td>-</td>
<td>342,983,660</td>
<td>342,983,660</td>
</tr>
<tr>
<td>Private equity partnerships</td>
<td>-</td>
<td>-</td>
<td>78,982,584</td>
<td>78,982,584</td>
</tr>
<tr>
<td>Private fixed income funds</td>
<td>-</td>
<td>-</td>
<td>48,128,938</td>
<td>48,128,938</td>
</tr>
<tr>
<td>Real asset partnerships</td>
<td>-</td>
<td>-</td>
<td>1,190,467</td>
<td>1,190,467</td>
</tr>
<tr>
<td>Equity hedge funds</td>
<td>-</td>
<td>426,146,082</td>
<td>-</td>
<td>427,336,549</td>
</tr>
<tr>
<td>Absolute return hedge funds</td>
<td>-</td>
<td>108,783,213</td>
<td>-</td>
<td>294,605,643</td>
</tr>
<tr>
<td>Real asset hedge funds</td>
<td>-</td>
<td>-</td>
<td>1,171,561</td>
<td>1,171,561</td>
</tr>
<tr>
<td>Total investment pool</td>
<td>193,107,955</td>
<td>379,364,346</td>
<td>1,226,904,346</td>
<td>1,799,376,647</td>
</tr>
<tr>
<td>Split interest agreements</td>
<td>$2,876,432</td>
<td>-</td>
<td>-</td>
<td>3,139,623</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$10,281,648</td>
<td>-</td>
<td>-</td>
<td>13,100,144</td>
</tr>
<tr>
<td>Common and preferred stocks</td>
<td>$15,375,078</td>
<td>-</td>
<td>-</td>
<td>15,375,078</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>-</td>
<td>-</td>
<td>4,276,083</td>
<td>4,276,083</td>
</tr>
<tr>
<td>Fixed income mutual/commingled funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,109,987</td>
</tr>
<tr>
<td>Equity mutual/commingled funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,064,102</td>
</tr>
<tr>
<td>Real asset commingled funds</td>
<td>-</td>
<td>-</td>
<td>140,742</td>
<td>140,742</td>
</tr>
<tr>
<td>Real estate mutual funds</td>
<td>-</td>
<td>-</td>
<td>1,204,358</td>
<td>1,204,358</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>483,067</td>
<td>483,067</td>
</tr>
<tr>
<td>Total split interest agreements</td>
<td>37,101,809</td>
<td>-</td>
<td>-</td>
<td>49,617,101</td>
</tr>
<tr>
<td>Other investments</td>
<td>$945,816</td>
<td>-</td>
<td>-</td>
<td>6,487,515</td>
</tr>
<tr>
<td>Total</td>
<td>$231,155,580</td>
<td>379,364,346</td>
<td>$1,244,961,337</td>
<td>1,855,481,263</td>
</tr>
</tbody>
</table>

### Level 3 Rollforward
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

<table>
<thead>
<tr>
<th>June 30, 2012 Balance</th>
<th>Realized &amp; Change in Unrealized Gains (Losses)</th>
<th>Transfers In</th>
<th>Transfers Out</th>
<th>Purchases</th>
<th>Sales</th>
<th>June 30, 2013 Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income funds</td>
<td>$3,879,765</td>
<td>-</td>
<td>-</td>
<td>$50,000,000</td>
<td>$-</td>
<td>$53,879,765</td>
</tr>
<tr>
<td>Real estate partnerships</td>
<td>$7,505,975</td>
<td>-</td>
<td>-</td>
<td>$11,739,745</td>
<td>(20,164,830)</td>
<td>$97,133,978</td>
</tr>
<tr>
<td>Private equity partnerships</td>
<td>$29,489,139</td>
<td>-</td>
<td>-</td>
<td>$34,443,296</td>
<td>(15,375,078)</td>
<td>$334,301,162</td>
</tr>
<tr>
<td>Private fixed income funds</td>
<td>$4,563,186</td>
<td>-</td>
<td>-</td>
<td>$4,500,916</td>
<td>-</td>
<td>$9,064,102</td>
</tr>
<tr>
<td>Real asset commingled funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$140,742</td>
<td>-</td>
<td>$140,742</td>
</tr>
<tr>
<td>Real estate mutual funds</td>
<td>$7,305,975</td>
<td>-</td>
<td>-</td>
<td>$32,797</td>
<td>-</td>
<td>$97,133,978</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$483,067</td>
<td>-</td>
<td>$483,067</td>
</tr>
<tr>
<td>Total</td>
<td>$231,155,580</td>
<td>$379,364,346</td>
<td>$1,244,961,337</td>
<td>$1,855,481,263</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2012 to 2013
### Williams College
Notes to Financial Statements
June 30, 2013 and 2012

#### Split Interest Agreements

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Realized Gains</th>
<th>Change in Unrealized Gains</th>
<th>Net Additions/Retirements</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perpetual trusts</td>
<td>$12,515,292</td>
<td>$</td>
<td>$414,291</td>
<td>$</td>
<td>$12,929,583</td>
</tr>
</tbody>
</table>

#### Other Investments

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Realized Gains</th>
<th>Change in Unrealized Gains</th>
<th>Transfers In</th>
<th>Transfers Out</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other investments</td>
<td>$5,541,699</td>
<td>$</td>
<td>$495,832</td>
<td>$848,175</td>
<td>$(88,663)</td>
<td>$6,797,043</td>
</tr>
</tbody>
</table>

Transfers into Level 3 in the tables presented above are primarily due to financial instruments which had reduced transparency of market data or less observable trading activity during the year ended June 30, 2013. Transfers out of Level 3 in the tables presented above are primarily due to financial instruments which had increased transparency of market data or additional observable trading activity during the year ended June 30, 2013.

#### 2011 to 2012

**Investment Pool**

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2011 Balance</th>
<th>Realized Gains</th>
<th>Change in Unrealized Gains</th>
<th>Purchases</th>
<th>Sales</th>
<th>June 30, 2012 Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income securities</td>
<td>$7,883,661</td>
<td>$(522,288)</td>
<td>$1,540,950</td>
<td>$(8,902,323)</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Real estate partnerships</td>
<td>100,626,923</td>
<td>2,032,116</td>
<td>10,110,357</td>
<td>(14,716,308)</td>
<td>98,053,088</td>
<td></td>
</tr>
<tr>
<td>Private equity partnerships</td>
<td>346,140,573</td>
<td>29,047,038</td>
<td>46,308,314</td>
<td>(78,512,265)</td>
<td>342,983,660</td>
<td></td>
</tr>
<tr>
<td>Private fixed income funds</td>
<td>80,182,943</td>
<td>(5,454,255)</td>
<td>38,191,756</td>
<td>(33,937,860)</td>
<td>78,982,584</td>
<td></td>
</tr>
<tr>
<td>Real asset partnerships</td>
<td>39,044,213</td>
<td>(1,962,655)</td>
<td>47,926,375</td>
<td>(36,878,995)</td>
<td>48,128,938</td>
<td></td>
</tr>
<tr>
<td>Equity hedge funds</td>
<td>333,793,790</td>
<td>30,746,255</td>
<td>75,330,764</td>
<td>(13,724,727)</td>
<td>426,146,082</td>
<td></td>
</tr>
<tr>
<td>Absolute return hedge funds</td>
<td>126,745,744</td>
<td>(41,139)</td>
<td>65,828,473</td>
<td>(6,710,648)</td>
<td>185,822,430</td>
<td></td>
</tr>
<tr>
<td>Real asset hedge funds</td>
<td>47,250,621</td>
<td>(463,057)</td>
<td>-</td>
<td>-</td>
<td>46,787,564</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,081,668,468</td>
<td>$53,382,015</td>
<td>$285,236,989</td>
<td>$(193,383,126)</td>
<td>$1,226,904,346</td>
<td></td>
</tr>
</tbody>
</table>

#### Split Interest Agreements

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Realized Gains</th>
<th>Change in Unrealized Gains (Losses)</th>
<th>Net Additions/Retirements</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perpetual trusts</td>
<td>$13,400,812</td>
<td>$</td>
<td>$(885,520)</td>
<td>$</td>
<td>$12,515,292</td>
</tr>
</tbody>
</table>

#### Other Investments

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Realized Gains</th>
<th>Change in Unrealized Gains (Losses)</th>
<th>Net Transfers</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other investments</td>
<td>$5,753,206</td>
<td>$(455,000)</td>
<td>$(179,843)</td>
<td>$423,336</td>
<td>$5,541,699</td>
</tr>
</tbody>
</table>

There were no significant transfers of assets between levels for the year ended June 30, 2012.

Total change in unrealized gains (losses) for assets classified within Level 3 as of June 30, 2013 and 2012 are $71,244,816 and ($1,045,875), respectively.
Additional Fair Value Disclosure
The College uses NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value (e.g. private equity partnerships) and (b) prepare their financial statements consistent with the measurement principals of an investment company or have the attributes of an investment company. In accordance with US GAAP, the following required disclosure lists specified investment types by major category.

<table>
<thead>
<tr>
<th>Investment Pool</th>
<th>Strategy</th>
<th>Fair Value</th>
<th>Remaining Life</th>
<th>Amount of Unfunded Commitments</th>
<th>Redemption Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income Securities</td>
<td>Specific Securities (e.g. bank notes)</td>
<td>$53,879,765</td>
<td>N/A</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Real Estate Partnerships</td>
<td>Real Estate Investments</td>
<td>97,133,978</td>
<td>1 to 13 years</td>
<td>32,844,093</td>
<td>N/A</td>
</tr>
<tr>
<td>Private Equity Partnerships</td>
<td>Buyout and Venture Capital</td>
<td>334,301,162</td>
<td>1 to 10 years</td>
<td>131,791,010</td>
<td>N/A</td>
</tr>
<tr>
<td>Private Fixed Income Funds</td>
<td>Private Investments in funds and hedge funds</td>
<td>37,010,027</td>
<td>2 to 10 years</td>
<td>20,058,478</td>
<td></td>
</tr>
<tr>
<td>Real Asset Partnerships</td>
<td>Partnerships</td>
<td>55,316,846</td>
<td>2 to 11 years</td>
<td>43,804,590</td>
<td>N/A</td>
</tr>
<tr>
<td>Equity Hedge Funds</td>
<td>Equity Long/Short Hedge</td>
<td>269,686,262</td>
<td>29 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute Return Hedge Funds</td>
<td>Fundamental Multi Strategy/ Event Driven/ Global Opportunities Funds</td>
<td>271,721,070</td>
<td>4 to 38 years</td>
<td>15,312,811</td>
<td></td>
</tr>
<tr>
<td>Real Asset Hedge Funds</td>
<td>Funds exposed to Commodities, TIPS and Energy Stocks</td>
<td>21,638,340</td>
<td>N/A</td>
<td></td>
<td>N/A</td>
</tr>
</tbody>
</table>

| Total Investment Pool               |                                    | 1,140,659,450 |                             | 243,810,982               |
| Split Interest Agreements           | N/A                               | 12,929,583    | N/A                         | N/A                       |
| Total                               |                                    | 1,153,589,033 | $                             | 243,810,982               |

N/A*: These funds are in private equity structure, with no ability to be redeemed.

Other Investment-Related Disclosures
The College is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels. The timing and amounts of the contributions are determined by the general partners. The College has unfunded commitments of approximately $244,000,000 and $211,000,000 as of June 30, 2013 and 2012, respectively.

Realized net gains were $124,549,987 and $78,423,652 for the years ended June 30, 2013 and 2012, respectively. Changes in unrealized appreciation (depreciation) for the years ended June 30, 2013 and 2012 was $137,952,335 and ($37,300,025), respectively. Net investment income, other than reinvested amounts, was $510,266 and $527,724 for the years ended June 30, 2013 and 2012, respectively. Of this amount, $2,107,945 and $1,983,605, respectively, was net investment income earned on split interest agreements. Reinvested income was $4,642,698 and $12,150,031, respectively. Investment income on split interest agreements and reinvested income is reflected as part of realized and change in unrealized gains (losses) on investments, investment income on split interest agreements, and reinvested income in the nonoperating section of the statements of activities.

All investment management fees paid by the College are netted against investment gains reducing reported nonoperating gains on investments.
In connection with the investments managed by external investment advisors, derivative financial instruments, principally options, futures and options on futures, may be employed by certain advisors. Derivative financial instruments are not an integral part of the College's direct overall investment strategy.

As of June 30, 2013, receivables and payables related to the unsettled sales and purchases of securities were $7,200,269 and $100, respectively. As of June 30, 2012, receivables and payables related to the unsettled sales and purchases of securities were $728,398 and $224,544, respectively. As of June 30, 2013 and 2012, included in investments is accrued investment income of $56,723 and $208,806, respectively.

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

7. **Land, Buildings and Equipment**

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land improvements</td>
<td>$ 45,173,009</td>
<td>$ 44,482,453</td>
</tr>
<tr>
<td>Buildings</td>
<td>469,887,614</td>
<td>464,585,875</td>
</tr>
<tr>
<td>Equipment</td>
<td>66,431,428</td>
<td>63,094,251</td>
</tr>
<tr>
<td>Art collections</td>
<td>37,153,962</td>
<td>36,748,122</td>
</tr>
<tr>
<td></td>
<td>618,646,013</td>
<td>608,910,701</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(280,484,045)</td>
<td>(261,564,685)</td>
</tr>
<tr>
<td></td>
<td>338,161,968</td>
<td>347,346,016</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>57,100,763</td>
<td>25,735,300</td>
</tr>
<tr>
<td></td>
<td><strong>$ 395,262,731</strong></td>
<td><strong>$ 373,081,316</strong></td>
</tr>
</tbody>
</table>

Depreciation expense was $19,165,645 and $18,900,439 for the years ended June 30, 2013 and 2012, respectively. During fiscal year 2013, the College disposed of certain assets with an original cost of $322,214 and accumulated depreciation of $246,285.

Interest costs of $1,070,709 and $463,791 were capitalized in 2013 and 2012, respectively.
8. Postretirement Benefits Other than Pensions

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postretirement benefit obligation at beginning of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actives not fully eligible to retire</td>
<td>$9,925,652</td>
<td>$8,901,516</td>
</tr>
<tr>
<td>Actives fully eligible to retire</td>
<td>4,412,605</td>
<td>2,055,218</td>
</tr>
<tr>
<td>Retirees</td>
<td>7,455,289</td>
<td>6,756,332</td>
</tr>
<tr>
<td>Total Postretirement benefit obligation at beginning of year</td>
<td>$21,793,546</td>
<td>$17,713,066</td>
</tr>
<tr>
<td>Service cost</td>
<td>763,739</td>
<td>566,726</td>
</tr>
<tr>
<td>Interest cost</td>
<td>839,638</td>
<td>916,857</td>
</tr>
<tr>
<td>Plan participants' contributions</td>
<td>102,423</td>
<td>131,272</td>
</tr>
<tr>
<td>Amendments</td>
<td>(1,073,221)</td>
<td>3,320,271</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(980,289)</td>
<td>(854,646)</td>
</tr>
<tr>
<td>Postretirement benefit obligation at end of year</td>
<td>$21,445,836</td>
<td>$21,793,546</td>
</tr>
<tr>
<td>Actives not fully eligible to retire</td>
<td>$10,625,521</td>
<td>$9,925,652</td>
</tr>
<tr>
<td>Actives fully eligible to retire</td>
<td>4,266,656</td>
<td>4,412,605</td>
</tr>
<tr>
<td>Retirees</td>
<td>6,553,659</td>
<td>7,455,289</td>
</tr>
<tr>
<td>Total Postretirement benefit obligation at end of year</td>
<td>$21,445,836</td>
<td>$21,793,546</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of year</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Employer contribution, net of retiree contributions</td>
<td>693,206</td>
<td>723,374</td>
</tr>
<tr>
<td>Implicit subsidy from active benefit payments</td>
<td>184,660</td>
<td>N/A</td>
</tr>
<tr>
<td>Plan participants' contributions</td>
<td>102,423</td>
<td>131,272</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(980,289)</td>
<td>(854,646)</td>
</tr>
<tr>
<td>Fair value of plan assets at end of year</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded status - postretirement benefit liability</td>
<td>$21,445,836</td>
<td>$21,793,546</td>
</tr>
</tbody>
</table>

The components of the liability include:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liability</td>
<td>$992,522</td>
<td>$1,033,676</td>
</tr>
<tr>
<td>Noncurrent liability</td>
<td>20,453,314</td>
<td>20,759,870</td>
</tr>
<tr>
<td>Total liability</td>
<td>$21,445,836</td>
<td>$21,793,546</td>
</tr>
</tbody>
</table>
# Components of the net periodic postretirement benefit cost

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$ 763,739</td>
<td>$ 566,726</td>
</tr>
<tr>
<td>Interest cost</td>
<td>839,638</td>
<td>916,857</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>387,065</td>
<td>387,065</td>
</tr>
<tr>
<td>Amortization of actuarial loss</td>
<td>181,421</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,171,863</strong></td>
<td><strong>$ 1,870,648</strong></td>
</tr>
</tbody>
</table>

# Amounts unrecognized and amortization amounts in following year

Amounts unrecognized in net periodic postretirement benefit cost:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior service cost</td>
<td>$ 2,273,343</td>
<td>$ 2,660,408</td>
</tr>
<tr>
<td>Net actuarial (gain) loss</td>
<td>3,196,201</td>
<td>4,450,843</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 5,469,544</strong></td>
<td><strong>$ 7,111,251</strong></td>
</tr>
</tbody>
</table>

Amortization amounts in following year:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior service cost</td>
<td>$ 387,065</td>
<td>$ 387,065</td>
</tr>
<tr>
<td>Net actuarial (gain) loss</td>
<td>98,034</td>
<td>219,923</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 485,099</strong></td>
<td><strong>$ 606,988</strong></td>
</tr>
</tbody>
</table>

# Assumptions and Effects

### Actuarial assumptions

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical/dental trend rate next year</td>
<td>8.5%/5.0%</td>
<td>8.0%/5.0%</td>
</tr>
<tr>
<td>Ultimate trend rate</td>
<td>5.0%/5.0%</td>
<td>5.0%/5.0%</td>
</tr>
<tr>
<td>Year ultimate trend rate is achieved</td>
<td>2020</td>
<td>2018</td>
</tr>
<tr>
<td>Discount rate used to value end of year accumulated postretirement benefit obligations</td>
<td>4.48%</td>
<td>3.85%</td>
</tr>
<tr>
<td>Discount rate used to value net periodic postretirement benefit cost</td>
<td>3.85%</td>
<td>5.33%</td>
</tr>
</tbody>
</table>

Effect of a 1% increase in health care cost trend rate on:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost plus service cost</td>
<td>$ 87,709</td>
<td>$ 75,982</td>
</tr>
<tr>
<td>Accumulated postretirement benefit obligation</td>
<td>746,310</td>
<td>731,771</td>
</tr>
</tbody>
</table>

Effect of a 1% decrease in health care cost trend rate on:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost plus service cost</td>
<td>$(75,258)</td>
<td>$(65,805)</td>
</tr>
<tr>
<td>Accumulated postretirement benefit obligation</td>
<td>(658,695)</td>
<td>(642,598)</td>
</tr>
</tbody>
</table>

### Measurement date

- June 30, 2013
- June 30, 2012
Expected Future Benefit Payments

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Retiree Contribution</th>
<th>Employer Benefit Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$108,975</td>
<td>$992,522</td>
</tr>
<tr>
<td>2015</td>
<td>117,763</td>
<td>1,025,442</td>
</tr>
<tr>
<td>2016</td>
<td>112,830</td>
<td>1,022,094</td>
</tr>
<tr>
<td>2017</td>
<td>129,287</td>
<td>1,094,020</td>
</tr>
<tr>
<td>2018</td>
<td>156,185</td>
<td>1,215,439</td>
</tr>
<tr>
<td>2019 through 2023</td>
<td>1,081,190</td>
<td>7,558,389</td>
</tr>
</tbody>
</table>

9. Commitments and Contingencies

Outstanding commitments related to investments amount to approximately $244,000,000 and $211,000,000 as of June 30, 2013 and 2012, respectively.

At June 30, 2013, the College has outstanding construction and purchase contracts totaling approximately $30,705,000. Completion of these projects is estimated to extend through June 2015.

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, 2013.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rental Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$209,608</td>
</tr>
<tr>
<td>2015</td>
<td>205,528</td>
</tr>
<tr>
<td>2016</td>
<td>197,748</td>
</tr>
<tr>
<td>2017</td>
<td>146,480</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$759,364</td>
</tr>
</tbody>
</table>

Total rental expense on operating leases was approximately $220,731 and $243,504 in 2013 and 2012, respectively.
10. **Bonds Payable**

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

<table>
<thead>
<tr>
<th>Massachusetts Health and Educational Facilities Authority Bonds (Williams College)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series H, 2.00% to 5.00%, due through 2033</td>
<td>$ 1,690,000</td>
<td>$ 33,956,499</td>
</tr>
<tr>
<td>Series I, variable rate, due through 2033</td>
<td>24,646,000</td>
<td>25,479,000</td>
</tr>
<tr>
<td>Series J, variable rate, due through 2026</td>
<td>31,779,000</td>
<td>31,961,000</td>
</tr>
<tr>
<td>Series K, 3.50% to 5.00%, due through 2033</td>
<td>23,623,276</td>
<td>35,830,376</td>
</tr>
<tr>
<td>Series L, 4.00% to 5.00%, due through 2036</td>
<td>37,784,053</td>
<td>75,550,780</td>
</tr>
<tr>
<td>Series N, 3 yrs. At SIFMA plus .50% variable thereafter, due through 2037</td>
<td>50,470,000</td>
<td>50,470,000</td>
</tr>
<tr>
<td>Series O, 2.50% to 5.00%, due through 2036</td>
<td>38,843,317</td>
<td>41,487,786</td>
</tr>
<tr>
<td>Series P, 2.00% to 5.00% due through 2043</td>
<td>148,293,652</td>
<td>-</td>
</tr>
<tr>
<td>Total net bonds payable</td>
<td>$ 357,129,298</td>
<td>$ 294,735,441</td>
</tr>
</tbody>
</table>

The above net bond payable represents $329,885,000 in principal and $27,244,298 in premium for fiscal year 2013, $285,590,000 and $9,145,441 for fiscal year ending 2012, respectively.

The Series H bonds are a fixed rate revenue bond. The College enacted its call provision in FY 2013 and refunded the principal totaling $29,125,000 with the May issuance of the Series P bonds. The remaining balance of $1,690,000 was paid on July 1.

The Series I bonds are variable rate demand revenue bonds. The annualized interest rate ranged from .04% to .21% during fiscal year 2013 with an average rate of .12% for the year. The bonds bear interest at a variable rate based on the prevailing market rate for equivalent bonds. The College may convert the bonds to a fixed rate at its option. Annual principal payments are currently $861,000 and increase to $1,552,000 over the repayment period of the bonds.

The Series J bonds are variable rate demand revenue bonds. The annualized interest rate ranged from .05% to .23% with an average rate of .13% 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 $189,000 and increase to $3,185,000 over the repayment period of the bonds.

The Series K bonds are fixed rate revenue bonds. With the Series P issuance the College advanced refunded $11,065,000 in various coupons leaving a balance of $23,310,000 as of June 30th. Annual principal payments are currently $1,010,000 to $2,480,000 over the repayment period of the bonds.

Series L bonds are fixed rate revenue bonds. With the Series P issuance the College advanced refunded $34,200,000 in various coupons leaving a balance of $35,635,000 as of June 30th. Annual principal payments are currently $1,380,000 and increase to $4,235,000 over the repayment period of the bonds.
The Series N bonds are variable rate revenue bonds with an original principal value of $50,470,000. The bonds bear interest at a rate .50% above the weekly SIFMA resets. On July 1, 2037 the College will make its first principal payment of $9,940,000. Remaining annual principal payments range from $10,015,000 to $10,250,000. The bonds are callable beginning on January 1, 2014 at 100% of par.

The Series O bonds are fixed rate revenue bonds issued on March 24, 2011, with an original principal value of $38,740,000 and a premium of $2,867,256. Annual principal payments range from $850,000 to $2,600,000. The bonds are callable beginning on January 1, 2021 at 100% of par.

The Series P bonds are a fixed rate revenue bond issued on May 30, 2013 with an original principal value of $126,140,000 and a premium of $22,215,419. The first principal payment will be in July of 2014 for $1,690,000 and increase to 15,310,000 in 2043. The bonds are callable beginning July 1, 2023 at 100 percent of par.

Based on current borrowing rates for bonds with similar terms and maturities, the fair value of the College's long-term debt as of June 30, 2013 was approximately $350,400,072.

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

Bond issuance costs of $2,200,627 are amortized to other expense over the life of the respective bonds. Bond premiums of $27,244,298 at June 30, 2013, are amortized to other income over the life of the respective bonds. Combined debt principal payment requirements for the years 2014 through 2018 approximate $7,680,000, 58,726,000, $8,610,000, $8,987,000 and $9,354,000, respectively. The 2015 debt principal payment includes $50,470,000 original principal value of the Series N variable rate demand revenue bonds which the College plans to remarket in July 2014.

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

The combined debt principal payment requirements above reflect the repayment of such bonds according to their scheduled maturity dates. If these bonds were fully tendered as of June 30, 2013, the debt principal payment requirements for the years 2014 through 2018 would approximate $63,055,000, $57,645,000, $5,585,000, 5,860,000 and $6,115,000, respectively.

Interest expense for the years ended June 30, 2013 and 2012 was $10,131,775 and $9,842,173, 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, 2013 and 2012, the fair value of the swap was a liability of approximately $4,188,632 and $6,144,958, respectively. The interest rate swap expires on July 1, 2026.
11. Lines of Credit

At June 30, 2013 the College has the following lines of credit:

<table>
<thead>
<tr>
<th>Expiration Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 27, 2013</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>December 11, 2013</td>
<td>$47,400,000</td>
</tr>
<tr>
<td>May 1, 2014</td>
<td>$30,000,000</td>
</tr>
<tr>
<td><strong>Total lines of credit</strong></td>
<td><strong>$102,400,000</strong></td>
</tr>
</tbody>
</table>

If drawn upon these lines would be assessed a spread to LIBOR fee depending on the duration of the loan. The unused annual fees range from 0 to 35 basis points. There were no outstanding amounts on the lines of credit at June 30, 2013 or 2012.

12. Endowments

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

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

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

Under the “total return” approach, the College spent accumulated gains of $80,823,564 and $63,784,538 for the years ended June 30, 2013 and 2012, respectively. Total return in excess of the spending rate is reported as nonoperating revenue or loss.

The College establishes a spending rate expressed as a percentage of the trailing twelve quarter fair value of the investment pool. Prior to fiscal year 2013, this rate was expressed as a percentage of the beginning of year fair value of the investment pool and increased or decreased 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 Board of Trustees has interpreted the Massachusetts “Uniform Prudent Management of Institutional Funds Act” statute, which was effective June 2009 (“UPMIFA”), as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The College considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the College and the donor restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the College

(7) The investment policies of the College.

The College had the following endowment activities during the year ended June 30, 2013 delineated by net asset class and donor-restricted versus Board-designated funds:

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment for funds underwater</td>
<td>(678,785)</td>
<td>678,785</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>206,171,546</td>
<td>-</td>
</tr>
<tr>
<td>Total endowment funds</td>
<td>$205,492,761</td>
<td>$1,202,999,594</td>
</tr>
</tbody>
</table>
Changes in endowment net assets for the year ended June 30:

<table>
<thead>
<tr>
<th>2013</th>
<th>Board Designated</th>
<th>Donor Designated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Net endowment assets, June 30, 2012</td>
<td>$196,180,549</td>
<td>$1,051,564,611</td>
</tr>
</tbody>
</table>

Gifts and transfers
- Gifts received & pledge activity
  - Board Designated: $2,161,626
  - Donor Designated: $12,742,368
- Transfers and gifts further designated
  - Board Designated: $972,894
  - Donor Designated: $1,004,987
- Investment return
  - Net gains (losses) $29,308,609: Board Designated $221,849,144
  - Accumulated gains spent for operations $14,903,994: Board Designated $71,713,603
- Income earned returned to principal $3,348: Board Designated $328,970

Underwater endowment
- Current year appropriation/recovery of funds to cover permanent endowments
  - Board Designated $2,164,048

Net endowment assets, June 30, 2013
<table>
<thead>
<tr>
<th></th>
<th>Board Designated</th>
<th>Donor Designated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>$205,492,761</td>
<td>$1,202,999,594</td>
<td>$480,689,677</td>
</tr>
</tbody>
</table>

2012

<table>
<thead>
<tr>
<th>2012</th>
<th>Board Designated</th>
<th>Donor Designated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Net endowment assets, June 30, 2011</td>
<td>$220,189,769</td>
<td>$1,072,069,151</td>
</tr>
</tbody>
</table>

Gifts and transfers
- Gifts received & pledge activity
  - Board Designated: $2,161,626
  - Donor Designated: $12,742,368
- Transfers and gifts further designated
  - Board Designated: $972,894
  - Donor Designated: $1,004,987
- Investment return
  - Net gains (losses) $5,754,968: Board Designated $42,364,038
  - Accumulated gains spent for operations $2,842,832: Board Designated $71,713,603
- Income earned returned to principal $2,554: Board Designated $272,627

Underwater endowment
- Current year appropriation/recovery of funds to cover permanent endowments
  - Board Designated $198,731

Net endowment assets, June 30, 2012
<table>
<thead>
<tr>
<th></th>
<th>Board Designated</th>
<th>Donor Designated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>$196,180,549</td>
<td>$1,051,564,611</td>
<td>$468,288,377</td>
</tr>
</tbody>
</table>

Endowment Funds With Deficits (Underwater Endowment)
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reduced unrestricted net assets by $678,785 and $2,842,832 as of June 30, 2013 and 2012, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

Return Objectives and Risk Parameters
The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment’s target allocation applied to the appropriate individual benchmarks. The College expects its endowment funds over time, to provide an average rate of return of approximately 5.0 percent real, that is after adjusting for inflation, annually. Actual returns in any given year may vary from this amount.
Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The College targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives (Unaudited)
Spending from the endowment to support operations, referred to as asset use at Williams, is expected to be 4.5-5.0% of the twelve quarter trailing average of the end of year investment pool over the long run. This policy is based on the expectation that the endowment will grow by 5% real, that is after adjusting for inflation, annually and operating expenditures will increase by 4-5% each year. Using one-half of the annual growth to support operations allows for reinvestment of the other half to sustain the permanent nature of the endowment.

The Trustees’ Budget and Financial Planning Committee approves the asset use rate each year. The asset use rate the last two fiscal years has been 4.6% and 4.5%, respectively.

13. Temporarily Restricted and Permanently Restricted Net Assets
Following is the composition of the College’s temporarily restricted and permanently restricted net assets at June 30, 2013 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Temporarily restricted net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts for restricted purposes</td>
<td>$68,483,967</td>
<td>$59,358,172</td>
</tr>
<tr>
<td>Contributions to be paid in the future</td>
<td>9,481,110</td>
<td>4,638,307</td>
</tr>
<tr>
<td>Split-interest agreements, including outside managed trusts</td>
<td>38,376,723</td>
<td>35,251,313</td>
</tr>
<tr>
<td>Underwater funds</td>
<td>678,784</td>
<td>2,842,832</td>
</tr>
<tr>
<td>Endowment funds - unspent appreciation</td>
<td>$1,178,301,149</td>
<td>$1,025,361,472</td>
</tr>
<tr>
<td><strong>Total temporarily restricted net assets</strong></td>
<td>$1,295,321,733</td>
<td>$1,127,452,096</td>
</tr>
<tr>
<td><strong>Permanently restricted net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student loan funds</td>
<td>$159,040</td>
<td>$199,300</td>
</tr>
<tr>
<td>Split-interest agreements and perpetual trusts, including outside managed trusts</td>
<td>73,365,715</td>
<td>65,793,010</td>
</tr>
<tr>
<td>Contributions to be paid in the future</td>
<td>10,720,982</td>
<td>17,064,819</td>
</tr>
<tr>
<td>Endowment funds - original principal</td>
<td>470,104,129</td>
<td>451,358,992</td>
</tr>
<tr>
<td><strong>Total permanently restricted net assets</strong></td>
<td>$554,349,866</td>
<td>$534,416,121</td>
</tr>
</tbody>
</table>
14. Credit Loss Disclosures

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers and the value of collateral. The College’s Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan balance is guaranteed.

The College prepares an analysis of all outstanding receivables which includes a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years.

A reserve is established for all delinquent student loans. Delinquent loans over 360 days are fully reserved while loans under 360 days delinquent are reserved at 50%. The College’s policy is to write off a student loan when the loan is more than 360 days delinquent and all efforts to collect the loan have been exhausted.

Changes in the allowance for credit losses for the years ended June 30, 2013 and 2012 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
<th>June 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perkins loans</td>
<td>$ 2,970,925</td>
<td>$ 2,775,479</td>
</tr>
<tr>
<td>Other student loans</td>
<td>$ 959,072 (137,655)</td>
<td>$ 1,073,912 (153,609)</td>
</tr>
<tr>
<td>Faculty and Staff mortgages</td>
<td>$ 9,160,433 (10,000)</td>
<td>$ 9,519,700 (10,000)</td>
</tr>
<tr>
<td>Pine Cobble land notes</td>
<td>$ 1,889,000 (2,000)</td>
<td>$ 2,094,000 (2,000)</td>
</tr>
<tr>
<td>Other notes receivable</td>
<td>$ 3,895,428 -</td>
<td>$ 1,168,132 -</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 18,874,858 (149,655)</td>
<td>$ 16,631,223 (165,609)</td>
</tr>
</tbody>
</table>

15. Subsequent Events

The College has performed an evaluation of subsequent events through November 6, 2013, which is the date the financial statements are available to be issued, and determined that there have been no subsequent events that would require recognition in the financial statements or disclosed in the notes of the financial statements.