

Williams College
Consolidated Financial Statements
June 30, 2015 and 2014

Williams College
Index
June 30, 2015 and 2014

	Page(s)
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	2
Consolidated Statements of Activities.....	3-4
Consolidated Statements of Cash Flows	5
Consolidated Notes to Financial Statements	6-29



Independent Auditor's Report

To the Board of Trustees of Williams College:

We have audited the accompanying consolidated financial statements of Williams College (the "College"), which comprise the consolidated statements of financial position as of June 30, 2015 and June 30, 2014, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the College's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Williams College at June 30, 2015 and June 30, 2014, 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

October 13, 2015

Williams College
Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 13,631,785	\$ 28,214,237
Accounts receivable, net of allowance of \$192,366 (\$198,882 in 2014)	800,862	1,213,519
Contributions receivable, net of allowance of \$5,082,751 in 2015 (\$2,684,348 in 2014) (Note 2)	147,220,340	78,110,639
Notes receivable - student loans, net of allowance of \$152,920 in 2015 (\$150,450 in 2014) (Note 3)	4,110,873	4,304,285
Notes receivable - other (Note 4)	11,864,888	12,370,406
On deposit with bond trustee	6,622,174	17,812,321
Other assets	12,450,736	11,329,222
Investments (Note 5)	2,454,986,004	2,315,011,214
Land, buildings and equipment, net (Note 6)	462,281,402	442,681,123
Total assets	<u>\$ 3,113,969,064</u>	<u>\$ 2,911,046,966</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 20,851,759	\$ 28,726,570
Accrued salaries and benefits (Note 7)	36,764,116	32,944,025
Deferred revenue and deposits	2,639,744	3,533,228
U. S. Government advances for student loans	3,305,041	3,339,912
Present value of beneficiary payments	56,216,388	56,283,673
Bonds payable (Note 9)	339,226,607	348,481,311
Total liabilities	<u>459,003,655</u>	<u>473,308,719</u>
Net Assets		
Unrestricted	345,196,584	327,599,175
Temporarily restricted (Note 12)	1,703,083,845	1,521,009,128
Permanently restricted (Note 12)	606,684,980	589,129,944
Total net assets	<u>2,654,965,409</u>	<u>2,437,738,247</u>
Total liabilities and net assets	<u>\$ 3,113,969,064</u>	<u>\$ 2,911,046,966</u>

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

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

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenue, gains and other					
Student revenues					
Tuition and fees	\$ 101,178,295	\$ -	\$ -	\$ 101,178,295	\$ 97,778,553
Room and board	23,931,347	-	-	23,931,347	22,975,133
Less: Financial aid	(45,760,382)	-	-	(45,760,382)	(46,372,981)
Net student revenues	79,349,260	-	-	79,349,260	74,380,705
Auxiliary enterprises - other	8,035,140	-	-	8,035,140	5,810,195
Special purpose grants expended	2,201,395	-	-	2,201,395	1,274,945
Gifts and grants, net	22,660,131	13,469,477	-	36,129,608	31,660,596
Investment income	471,019	(500)	-	470,519	576,632
Realized gains utilized	9,317,059	83,216,174	-	92,533,233	86,739,096
Other	1,133,239	-	-	1,133,239	902,739
Net assets released from restrictions	101,116,271	(101,116,271)	-	-	-
Total operating revenue, gains, and other	224,283,514	(4,431,120)	-	219,852,394	201,344,908
Operating expenses and other					
Instructional and research	90,586,313	-	-	90,586,313	85,062,961
Academic support	26,306,220	-	-	26,306,220	19,933,351
Student services	29,733,705	-	-	29,733,705	26,217,631
Institutional support	37,465,859	-	-	37,465,859	35,505,695
Auxiliary enterprises	34,070,245	-	-	34,070,245	31,986,514
Total operating expenses and other	218,162,342	-	-	218,162,342	198,706,152
Change in net assets from operating activities	6,121,172	(4,431,120)	-	1,690,052	2,638,756
Nonoperating activities					
Realized and change in unrealized gains on investments, and investment income	21,214,548	190,037,866	3,520,907	214,773,321	343,623,064
Investment income on split interest agreements	-	1,385,038	548,494	1,933,532	1,902,622
Realized gains utilized for current operations	(9,317,059)	(83,216,174)	-	(92,533,233)	(86,739,096)
Payments of annuities	-	(2,680,037)	(2,439,113)	(5,119,150)	(5,059,881)
Change in actuarial valuation of split interest agreements	-	1,092,809	618,808	1,711,617	(282,019)
Life income and endowment gifts, net	-	74,072,460	20,804,177	94,876,637	26,716,098
Gain (loss) on disposition of fixed assets and change in valuation of real estate held for sale, net	(422,873)	-	-	(422,873)	(1,486,550)
Gain (loss) on financial contracts	317,259	-	-	317,259	293,250
Fund retirements	1,078,994	(1,078,994)	-	-	-
Funds further designated	(1,803,386)	5,284,903	(3,481,517)	-	-
Income to principal	4,152	(979,166)	975,014	-	-
Transfers between net asset categories	404,602	2,587,132	(2,991,734)	-	-
Change in net assets from nonoperating activities	11,476,237	186,505,837	17,555,036	215,537,110	278,967,488
Total change in net assets	17,597,409	182,074,717	17,555,036	217,227,162	281,606,244
Beginning net assets	327,599,175	1,521,009,128	589,129,944	2,437,738,247	2,156,132,003
Ending net assets	\$ 345,196,584	\$ 1,703,083,845	\$ 606,684,980	\$ 2,654,965,409	\$ 2,437,738,247

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

Williams College
Consolidated Statement of Activities
Year Ended June 30, 2014

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue, gains and other				
Student revenues				
Tuition and fees	\$ 97,778,553	\$ -	\$ -	\$ 97,778,553
Room and board	22,975,133	-	-	22,975,133
Less: Financial aid	(46,372,981)	-	-	(46,372,981)
Net student revenues	74,380,705	-	-	74,380,705
Auxiliary enterprises - other	5,810,195	-	-	5,810,195
Special purpose grants expended	1,274,945	-	-	1,274,945
Gifts and grants, net	13,527,182	18,133,414	-	31,660,596
Investment income	574,646	1,986	-	576,632
Realized gains utilized	9,525,831	77,213,265	-	86,739,096
Other	902,739	-	-	902,739
Net assets released from restrictions	89,279,291	(89,279,291)	-	-
Total operating revenue, gains, and other	195,275,534	6,069,374	-	201,344,908
Operating expenses and other				
Instructional and research	85,062,961	-	-	85,062,961
Academic support	19,933,351	-	-	19,933,351
Student services	26,217,631	-	-	26,217,631
Institutional support	35,505,695	-	-	35,505,695
Auxiliary enterprises	31,986,514	-	-	31,986,514
Total operating expenses and other	198,706,152	-	-	198,706,152
Change in net assets from operating activities	(3,430,618)	6,069,374	-	2,638,756
Nonoperating activities				
Realized and change in unrealized gains on investments, and investment income	35,170,824	299,417,114	9,035,126	343,623,064
Investment income on split interest agreements	-	1,346,216	556,406	1,902,622
Realized gains utilized for current operations	(9,525,815)	(77,213,281)	-	(86,739,096)
Payments of annuities	-	(2,660,558)	(2,399,323)	(5,059,881)
Change in actuarial valuation of split interest agreements	-	(888,108)	606,089	(282,019)
Life income and endowment gifts, net	-	853,401	25,862,697	26,716,098
Gain (loss) on disposition of fixed assets and change in valuation of real estate held for sale, net	(1,486,550)	-	-	(1,486,550)
Gain (loss) on financial contracts	293,250	-	-	293,250
Gain (loss) on the retirement of long term debt	-	-	-	-
One time interest cost on long term debt	-	-	-	-
Fund retirements	591,640	(591,640)	-	-
Funds further designated and income to principal	(857,468)	(74,344)	931,812	-
Transfers between net asset categories	(295,277)	108,006	187,271	-
Adjustment for endowment funds with fair value below historical cost	678,785	(678,785)	-	-
Change in net assets from nonoperating activities	24,569,389	219,618,021	34,780,078	278,967,488
Total change in net assets	21,138,771	225,687,395	34,780,078	281,606,244
Beginning net assets	306,460,404	1,295,321,733	554,349,866	2,156,132,003
Ending net assets	\$ 327,599,175	\$ 1,521,009,128	\$ 589,129,944	\$ 2,437,738,247

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

Williams College
Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flow from operating activities		
Total change in net assets	\$ 217,227,162	\$ 281,606,244
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation, amortization and accretion	23,829,250	19,112,196
Provision for doubtful accounts receivable and student loans	27,984	33,572
Net change in realized and unrealized gains on investments and income (loss) on real property held for sale	(216,706,852)	(345,853,197)
Loss on disposal of plant assets	(6,458)	-
Gifts restricted for long-term investment	539,373	1,426,071
Gifts in kind	(26,084,028)	(25,760,234)
Changes in operating assets and liabilities		
Accounts receivable	(7,708,740)	(106,171)
Contributions receivable	419,173	(490,431)
Other assets	(69,109,701)	(9,103,655)
Accounts payable and accrued liabilities	505,518	7,636,830
Present value of beneficiary payments	2,095,035	(651,702)
Accrued salaries and benefits	5,031,784	7,840,528
Deferred revenue and deposits	3,820,091	4,253,033
	(893,484)	543,958
Net cash used in operating activities	<u>(67,013,893)</u>	<u>(59,512,958)</u>
Cash flow from investing activities		
Proceeds from sale of investments	921,562,563	723,990,538
Purchase of investments	(844,830,500)	(637,818,777)
Additions to land, buildings and equipment	(48,285,592)	(61,433,876)
Funds on deposit with bond trustee	11,190,147	41,811,448
Proceeds from the sale of real estate	301,293	-
Additional student loans granted	(499,941)	(1,072,915)
Student loans repaid	658,853	552,414
Net cash provided by (used in) investing activities	<u>40,096,823</u>	<u>66,028,832</u>
Cash flow from financing activities		
Gifts restricted for endowments	26,084,028	25,760,234
Payments to beneficiaries	(5,099,069)	(5,033,702)
Deposits with bond trustee	(359,470)	(576,000)
Repayment of debt	(8,256,000)	(7,680,000)
U.S. Government (payments) advances for student loans	(34,871)	33,959
Net cash provided by financing activities	<u>12,334,618</u>	<u>12,504,491</u>
Net (decrease) increase in cash	(14,582,452)	19,020,365
Cash at beginning of the year	<u>28,214,237</u>	<u>9,193,872</u>
Cash at end of the year	<u>\$ 13,631,785</u>	<u>\$ 28,214,237</u>
Supplemental disclosures		
Cash paid during the year for interest	\$ 11,245,064	\$ 11,651,758
Noncash transactions		
Donated Securities	\$ 10,577,881	\$ 15,381,767
Exchange of land for notes receivable	112,000	-
Amounts included in accounts payable related to construction in progress	2,879,844	13,481,052

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

Williams College

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Williams College (the "College") have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Net assets are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined as follows:

Permanently Restricted

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

Temporarily Restricted

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

Unrestricted

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

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

Cash and Cash Equivalents

Cash included in the College's investment pool is reported as part of investments. Cash represents highly liquid investments with a maturity of three months or less at the date of purchase.

Contributions

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

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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

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

Contributions to be received after one year are measured at fair value using a discount rate commensurate with the terms of the contribution. Discount rates range from 1.34% to 6.00% based on the year the pledge was recorded. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution. An allowance is made for uncollectible contributions based upon management's judgment, past collection experience and other relevant factors. The current year increment to such allowance, along with modifications to contributions receivable for changes in payment methodology, are netted against current year contribution revenue. Amounts netted against contribution revenue were \$7,277,193 and \$393,913 for the years ended June 30, 2015 and 2014, 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.

Investments

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

The fair values of investments are determined as follows:

Investments	Value as Recorded
Temporary investments, principally money market funds and short-term notes	At cost which approximates fair value
Stocks, bonds, mutual funds, and other publicly traded securities	At quoted market value
Privately held partnerships, including investments with managers managing global long/short equities, absolute return strategies, venture capital, buyouts, real estate, real assets and other strategies	Estimated fair value determined by the general partner of the privately held partnership
Real estate partnerships	Estimated fair value determined by the general manager of the real estate partnership.

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Certain investment vehicles do not have quoted market prices. These include 1) hedge fund investments with managers of global long/short equities and absolute return strategies; 2) investments in venture capital, buyout, real asset and real estate partnerships; and certain other commingled funds. In the absence of quoted market prices of these investment vehicles, the fair value is determined by the College based on information provided by external managers. Most of these external managers calculate the College's capital account or Net Asset Value (NAV) in accordance with, or in a manner consistent with, US GAAP. US GAAP permits the College to estimate the fair value of these investments by using the reported NAV provided by the external managers, as a practical expedient. The College has performed due diligence procedures related to these investments to support recognition at fair value as of June 30, 2015 and 2014. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly from the values that would have been reported had a readily available market for these investments existed, and these differences could be material.

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

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

Land, Buildings and Equipment

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

Interest is capitalized on capital projects in process until the project is substantially complete.

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

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Conditional Asset Retirement Obligation

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

	2015	2014
Change in asset retirement obligation		
Asset retirement obligation at beginning of year	\$ 5,501,810	\$ 5,392,780
Settlement of obligation	(370,726)	(57,950)
Additional obligations	94,835	-
Accretion expense	145,210	166,980
Asset retirement obligation at end of year	<u>\$ 5,371,129</u>	<u>\$ 5,501,810</u>

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 \$7,593,863 and \$7,476,820 for 2015 and 2014, 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.

Williams College

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

Split Interest Agreements and Outside Trusts

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

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

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

Allocation of Interest, Depreciation and Operation and Maintenance of Plant

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

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

Use of Estimates

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

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Income Taxes/Tax-Exempt Status

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

Reclassifications

In Footnote 5, Investments, fiscal year 2014 investments have been reclassified to reflect the adoption of Accounting Standards Update (ASU) 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).

2. Contributions Receivable

Contributions receivable are as follows at June 30:

	2015	2014
Expected collection period		
Less than one year	\$ 28,106,365	\$ 12,519,678
One year to five years	91,902,272	23,553,048
Over five years	1,513,208	1,921,429
Less: Discount to present value	(7,615,528)	(2,851,334)
Allowance for uncollectible contributions	<u>(5,082,751)</u>	<u>(2,684,348)</u>
Net contributions receivable	108,823,566	32,458,473
Charitable remainder trusts held by others	<u>38,396,774</u>	<u>45,652,166</u>
Contributions receivable, net	<u><u>\$ 147,220,340</u></u>	<u><u>\$ 78,110,639</u></u>

At June 30, 2015 and 2014, the College had also received conditional promises to give of approximately \$69,467,657 and \$56,598,406, 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 \$38,396,774 and \$45,652,166 at June 30, 2015 and 2014, respectively, and are considered Level 3 inputs (see Note 5 for discussion on classification of fair value measurements). Following is a reconciliation of funds held in trust by others in which significant unobservable inputs (Level 3) were used in determining value:

	2015	2014
Beginning of year balance	\$ 45,652,166	\$ 48,781,430
Change in unrealized gain/(loss)	(5,950,370)	(3,319,800)
Net additions (retirements)	<u>(1,305,022)</u>	<u>190,536</u>
End of year balance	<u><u>\$ 38,396,774</u></u>	<u><u>\$ 45,652,166</u></u>

3. Notes Receivable – (Student Loans)

The College is required to disclose the fair value of student loans. Management believes that it is not practicable to determine the fair value of loans receivable because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

subject to significant restrictions as to their transfer or disposition. College sponsored and donor provided loans are similarly restricted as to interest rate and disposition.

4. Notes Receivable – Other

The College holds mortgages on residences of eligible faculty and staff members that amounted to \$8,657,232 and \$9,137,664 as of June 30, 2015 and 2014, respectively. The average stated interest rate paid on the mortgages as of June 30, 2015 and 2014 were 3.05% and 3.18%, respectively. The College holds other notes receivable totaling \$3,207,656 and \$3,232,742 as of June 30, 2015 and 2014, respectively.

5. Investments

Investments held by the College are comprised of:

	2015	2014
Investment pool	\$ 2,395,100,140	\$ 2,253,330,449
Split interest agreements	50,164,064	52,033,418
Other investments	<u>9,721,800</u>	<u>9,647,347</u>
	<u>\$ 2,454,986,004</u>	<u>\$ 2,315,011,214</u>

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 of 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 institutions.

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

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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 2015 and 2014 is summarized below.

Asset Class	Target Policy Portfolio at June 30,	
	2015	2014
Global equity	25%	27%
Global long/short equity	17%	15%
Absolute return	19%	17%
Venture capital	6%	6%
Buyouts	9%	9%
Real assets	5%	5%
Real estate	6%	6%
Investment grade fixed income	2%	4%
Noninvestment grade fixed income	10%	10%
Cash	1%	1%
	<u>100%</u>	<u>100%</u>

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

ASC 820 Disclosure - Fair Value Hierarchy

US GAAP has established a framework to measure fair value and has 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 and the College's ability to redeem, such as the pricing source, used in the valuation of an asset as of the measurement date.

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1	Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 include listed equity securities held in the name of the College in separately managed accounts and exchange traded mutual fund investments.
Level 2	Pricing inputs, including broker quotes, other than exchange traded quoted prices in active markets. The inputs are either directly or indirectly observable as of the reporting date.
Level 3	Pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the investment. Fair value for level 3 assets and liabilities is determined using various valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, and current and projected operating performance. The inputs generally require significant management judgment. Due to the inherent uncertainty of these estimate, these value may differ materially from the values that would have been used had a ready market for these investment existed. Investments which are generally included in this category are the split interest agreements.

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, 2015, management estimates approximately \$978.7 million or 40.9% of the investment pool could be liquidated within the next 90 days (unaudited).

In May 2015, the FASB, issued Accounting Standards Update (“ASU”) 2015-07 “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”, which removes the requirement to categorize within the fair value hierarchy and make certain disclosures for all investments for which fair value is measured using the net asset value per share (or its equivalent) practical expedient. For private entities, the new guidance is effective for interim and annual reporting periods that begin after December 15, 2016, with early adoption permitted. The College has elected to early adopt ASU 2015-07.

In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. As such, the fair value amounts of investments presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following table presents the College’s consolidated financial instruments carried at fair value as of June 30, 2015 and 2014, by caption on the consolidated statements of financial position and by the ASC 820 fair value valuation hierarchy defined above.

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

	June 30, 2015				
	NAV Practical Expedient	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investment pool					
Global long equity funds	\$ 543,542,659	\$ -	\$ -	\$ -	\$ 543,542,659
Global long/short equity funds	350,545,028	-	-	-	350,545,028
Absolute return funds	385,190,141	-	-	-	385,190,141
Venture capital funds	299,899,605	-	-	-	299,899,605
Buyout funds	186,426,594	-	-	-	186,426,594
Real asset funds	95,473,895	-	-	-	95,473,895
Real estate funds	106,157,424	-	-	-	106,157,424
Investment grade fixed income funds	-	54,885,515	-	-	54,885,515
Non-investment grade fixed income funds	231,023,495	-	-	-	231,023,495
Cash and cash equivalents	-	25,857,974	-	-	25,857,974
Total	<u>2,198,258,841</u>	<u>80,743,489</u>	<u>-</u>	<u>-</u>	<u>2,279,002,330</u>
Investment pool - other					
Advanced contribution to underlying fund	85,000,000	-	-	-	85,000,000
Redemption receivable from underlying fund	31,364,029	-	-	-	31,364,029
Other assets and liabilities	-	(266,219)	-	-	(266,219)
Total	<u>116,364,029</u>	<u>(266,219)</u>	<u>-</u>	<u>-</u>	<u>116,097,810</u>
Total investment pool	<u>2,314,622,870</u>	<u>80,477,270</u>	<u>-</u>	<u>-</u>	<u>2,395,100,140</u>
Split interest agreements					
Cash and cash equivalents	-	3,741,703	-	190,227	3,931,930
Common and preferred stocks	-	20,281,262	-	9,950,123	30,231,385
Fixed income securities	-	11,052,171	-	2,861,377	13,913,548
Fixed income mutual/commingled funds	-	-	-	-	-
Equity mutual/commingled funds	-	-	-	-	-
Real asset commingled funds	-	-	-	57,438	57,438
Real estate mutual funds	-	1,207,888	-	50,175	1,258,063
Other assets	-	-	-	771,700	771,700
Total split interest agreements	<u>-</u>	<u>36,283,024</u>	<u>-</u>	<u>13,881,040</u>	<u>50,164,064</u>
Other investments	-	1,490,388	-	8,231,412	9,721,800
Total	<u>\$ 2,314,622,870</u>	<u>\$ 118,250,682</u>	<u>\$ -</u>	<u>\$ 22,112,452</u>	<u>\$ 2,454,986,004</u>

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

	June 30, 2014				Total Fair Value
	NAV Practical Expedient	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investment pool					
Global long equity funds	\$ 560,337,874	\$ -	\$ -	\$ -	\$ 560,337,874
Common and preferred stocks	-	71,119,517	-	-	71,119,517
Global long/short equity funds	274,809,700	-	-	-	274,809,700
Absolute return funds	338,858,474	-	-	-	338,858,474
Venture capital funds	194,657,810	-	-	-	194,657,810
Buyout funds	207,577,249	-	-	-	207,577,249
Real asset funds	104,077,685	-	-	-	104,077,685
Real estate funds	102,862,341	-	-	-	102,862,341
Investment grade fixed income funds	-	84,033,219	-	-	84,033,219
Non-investment grade fixed income funds	247,402,507	-	-	-	247,402,507
Cash and cash equivalents	-	35,223,880	-	-	35,223,880
Total	<u>2,030,583,640</u>	<u>190,376,616</u>	<u>-</u>	<u>-</u>	<u>2,220,960,256</u>
Investment pool - other					
Redemption receivable from underlying fund	32,193,710	-	-	-	32,193,710
Due from brokers	-	374,847	-	-	374,847
Other assets and liabilities	-	(198,364)	-	-	(198,364)
Total	<u>32,193,710</u>	<u>176,483</u>	<u>-</u>	<u>-</u>	<u>32,370,193</u>
Total investment pool	<u>2,062,777,350</u>	<u>190,553,099</u>	<u>-</u>	<u>-</u>	<u>2,253,330,449</u>
Split interest agreements					
Cash and cash equivalents	-	4,087,985	-	338,220	4,426,205
Common and preferred stocks	-	10,456,539	-	465,186	10,921,725
Fixed income securities	-	12,594,660	-	-	12,594,660
Equity mutual commingled funds	-	7,292,369	-	9,260,299	16,552,668
Fixed income mutual/commingled funds	-	2,118,343	-	3,550,133	5,668,476
Real asset commingled funds	-	-	-	124,694	124,694
Real estate mutual finds	-	1,241,387	-	71,023	1,312,410
Other assets	-	-	-	432,580	432,580
Total split interest agreements	<u>-</u>	<u>37,791,283</u>	<u>-</u>	<u>14,242,135</u>	<u>52,033,418</u>
Other investments	-	1,733,940	-	7,913,407	9,647,347
Total	<u>\$ 2,062,777,350</u>	<u>\$ 230,078,322</u>	<u>\$ -</u>	<u>\$ 22,155,542</u>	<u>\$ 2,315,011,214</u>

The table above has been retrospectively revised in accordance with ASU 2015-07 to reflect the movement of investments for which fair value is measured using the net asset value per share (or its equivalent) practical expedient from Levels 2 and 3 to the "NAV Practical Expedient" column. This column is included to permit reconciliation between the fair value hierarchy and the consolidated statements of financial position.

Level 3 Rollforward

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

2014 to 2015

Split Interest Agreements

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

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Other Investments

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

Transfers out of Level 3 in the table presented above are primarily due to financial instruments which had increased transparency of market data or additional observable trading activity during the year ended June 30, 2015.

2013 to 2014

Split Interest Agreements

	Beginning	Realized Gains (Losses)	Change in Unrealized Gains	Additions/ Retirements	Ending
Perpetual trusts	\$ 12,929,583	\$ -	\$ 1,312,552	\$ -	\$ 14,242,135

Other Investments

	Beginning	Realized Gains (Losses)	Change in Unrealized Gains	Transfers In	Transfers Out	Ending
Other investments	\$ 6,797,043	\$ (26,418)	\$ 284,291	\$ 8,181,116	\$ (7,322,625)	\$ 7,913,407

Transfers out of Level 3 in the table presented above are primarily due to financial instruments which had increased transparency of market data or additional observable trading activity during the year ended June 30, 2014.

Total change in unrealized gains (losses) for assets classified within Level 3 as of June 30, 2015 and 2014 are \$139,520 and \$1,596,844, 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 consolidated 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.

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

2015

Investment Pool/ Strategy	Remaining Life	Amount of Unfunded Commitments	Redemption Terms
Absolute return funds	1 to 36 Years/ Some funds have an undefined life.	\$ 3,447,789	Ranges from quarterly to annual redemptions with 30 to 180 days notice required for redemption. One fund is commitment based with no ability to be redeemed.
Buyout funds	1 to 10 Years	72,489,465	N/A
Global long equity funds	1 to 27 Years Some funds have an undefined life.		Ranges from monthly to annual redemptions with 6 to 120 days notice required for redemption. One fund is subject to a 3 year rolling lock-up.
Global long/short equity funds	All funds have an undefined life.	50,000,000	Ranges from monthly to annual redemptions with 10 to 90 days notice required for redemption. One fund is subject to a 3 year rolling lock-up.
Non-investment grade fixed income funds	1 to 29 Years/ Some funds has an undefined life.	49,983,193	Ranges from monthly to annual redemptions with 30 to 120 days notice required for redemption. Some funds are commitment based with no ability to redeem.
Real asset funds	1 to 9 Years/ Some funds have an undefined life.	33,734,080	Quarterly redemptions with 45 to 60 days noticed required for redemption.
Real estate funds	1 to 15 Years	78,819,015	N/A
Venture capital funds	1 to 11 Years	57,348,042	N/A
Total Investment Pool		<u>345,821,584</u>	
Split Interest Agreements		<u>-</u>	
Total		<u>\$ 345,821,584</u>	

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 \$346,000,000 and \$238,000,000 as of June 30, 2015 and 2014, respectively.

Realized net gains were \$230,808,266 and \$155,579,721 for the years ended June 30, 2015 and 2014, respectively. Changes in unrealized appreciation (depreciation) for the years ended June 30, 2015 and 2014 was \$(13,773,752) and \$190,552,297, respectively. Net investment income, other than reinvested amounts, was \$470,519 and \$576,633 for the years ended June 30, 2015 and 2014, respectively. Reinvested income was \$4,024,051 and \$3,069,751, respectively. Of this amount, \$1,933,532 and \$1,902,622, respectively, was net investment income earned on split interest agreements. Investment income on split interest agreements and reinvested income is reflected as part of realized and change in unrealized gains (losses) on investments, investment income on split interest agreements, and reinvested income in the nonoperating section of the consolidated statements of activities.

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

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014, included in investments are advanced contributions to underlying funds of \$85,000,000 and \$0, respectively. As of June 30, 2015 and 2014, included in investments are redemptions receivable from underlying funds of \$31,364,029 and \$32,193,710, respectively.

As of June 30, 2015, there were no receivables and payables related to the unsettled sales and purchases of securities. As of June 30, 2014, receivables and payables related to the unsettled sales and purchases of investments were \$47,793 and \$0, 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 fair values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and statements of activities.

6. Land, Buildings and Equipment

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

	2015	2014
Land and land improvements	\$ 54,146,797	\$ 47,332,357
Buildings	574,783,873	550,137,232
Equipment	80,220,272	75,006,861
Art collections	45,521,473	37,377,168
	<u>754,672,415</u>	<u>709,853,618</u>
Less: Accumulated depreciation	<u>(307,709,520)</u>	<u>(284,834,871)</u>
	446,962,895	425,018,747
Construction in progress	<u>15,318,507</u>	<u>17,662,376</u>
	<u>\$ 462,281,402</u>	<u>\$ 442,681,123</u>

Depreciation expense was \$24,958,636 and \$19,971,151 for the years ended June 30, 2015 and 2014, respectively. During fiscal year 2015, the College disposed of certain assets with an original cost of \$2,918,196 and accumulated depreciation of \$2,083,987.

Interest costs of \$268,360 and \$1,898,120 were capitalized in 2015 and 2014, respectively.

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

7. Postretirement Benefits Other than Pensions

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

The mortality assumption has been updated to reflect the RP-2014 mortality tables issued by the Society of Actuaries based on their recent study of pensioner mortality.

	2015	2014
Change in accumulated postretirement benefit obligation		
Postretirement benefit obligation at beginning of year		
Actives not fully eligible to retire	\$ 10,272,729	\$ 10,625,521
Actives fully eligible to retire	5,472,577	4,266,656
Retirees	7,270,811	6,553,659
	<u>23,016,117</u>	<u>21,445,836</u>
Service cost	771,911	709,926
Interest cost	908,203	938,541
Plan participants' contributions	111,500	108,975
Amendments	-	-
Actuarial loss (gain)	2,035,783	828,250
Benefits paid	<u>(973,989)</u>	<u>(1,015,411)</u>
Postretirement benefit obligation at end of year	<u>\$ 25,869,525</u>	<u>\$ 23,016,117</u>
Actives not fully eligible to retire	\$ 11,216,746	\$ 10,272,729
Actives fully eligible to retire	6,640,470	5,472,577
Retirees	<u>8,012,309</u>	<u>7,270,811</u>
	<u>\$ 25,869,525</u>	<u>\$ 23,016,117</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contribution, net of retiree contributions	720,845	746,906
Implicit subsidy from active benefit payments	141,644	159,530
Plan participants' contributions	111,500	108,975
Benefits paid	<u>(973,989)</u>	<u>(1,015,411)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of funded status		
Funded status - postretirement benefit liability	<u>\$ 25,869,525</u>	<u>\$ 23,016,117</u>

The components of the liability include:

	2015	2014
Current liability	\$ 919,823	\$ 960,149
Noncurrent liability	<u>24,949,702</u>	<u>22,055,968</u>
Total liability	<u>\$ 25,869,525</u>	<u>\$ 23,016,117</u>

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

	2015	2014
Components of the net periodic postretirement benefit cost		
Service cost	\$ 771,911	\$ 709,926
Interest cost	908,203	938,541
Amortization of prior service cost	387,065	387,065
Amortization of actuarial loss	112,664	82,846
	<u>\$ 2,179,843</u>	<u>\$ 2,118,378</u>

Amounts unrecognized and amortization amounts in following year

Amounts unrecognized in net periodic postretirement cost benefit		
Prior service cost	\$ 1,499,213	\$ 1,886,278
Net actuarial loss	5,864,724	3,941,605
	<u>\$ 7,363,937</u>	<u>\$ 5,827,883</u>
Amortization amounts in following year		
Prior service cost	\$ 387,065	\$ 387,065
Net actuarial loss	232,725	112,505
	<u>\$ 619,790</u>	<u>\$ 499,570</u>

Assumptions and Effects

	2015	2014
Actuarial assumptions		
Medical/dental trend rate next year	8.0%/5.0%	8.0%/5.0%
Ultimate trend rate	5.0%/5.0%	5.0%/5.0%
Year ultimate trend rate is achieved	2021	2020
Discount rate used to value end of year accumulated postretirement benefit obligations	4.20%	4.03%
Discount rate used to value net periodic postretirement benefit cost	4.03%	4.48%
Effect of a 1% increase in health care cost trend rate on		
Interest cost plus service cost	\$ 93,310	\$ 93,137
Accumulated postretirement benefit obligation	\$ 751,128	\$ 693,817
Effect of a 1% decrease in health care cost trend rate on		
Interest cost plus service cost	\$ (79,786)	\$ (80,302)
Accumulated postretirement benefit obligation	\$ (665,159)	\$ (614,342)
Measurement date	June 30, 2015	June 30, 2014

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Expected Future Benefit Payments

Fiscal Year	Retiree Contribution	Employer Benefit Payment
2016	\$ 95,690	\$ 919,823
2017	125,435	1,045,527
2018	167,622	1,217,314
2019	194,681	1,339,444
2020	218,444	1,447,131
2021 through 2025	1,282,148	8,498,537

Expected Employer Contribution for Next Fiscal Year

For non-funded plans, employer contributions equal benefit payments (above) for the next fiscal year.

2016	\$919,823
------	-----------

8. Commitments and Contingencies

Outstanding commitments related to investments amount to approximately \$346,000,000 and \$238,000,000 as of June 30, 2015 and 2014, respectively.

At June 30, 2015, the College has outstanding construction and purchase contracts totaling approximately \$45,000,000. Completion of these projects is estimated to extend through June 2018.

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, 2015.

2016	\$ 197,748
2017	146,480
Thereafter	-
	<u>\$ 344,228</u>

Total rental expense on operating leases was approximately \$231,759 and \$209,608 in 2015 and 2014, respectively.

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

9. Bonds Payable

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

	2015	2014
Massachusetts Health and Educational Facilities Authority Bonds (Williams College)		
Series I, variable rate, due through 2033	\$ 22,900,000	\$ 23,785,000
Series J, variable rate, due through 2026	31,394,000	31,590,000
Series K, 3.50% to 5.00%, due through 2033	21,525,891	22,597,414
Series L, 4.00% to 5.00%, due through 2036	34,384,623	36,312,604
Series N, 3 yrs. At SIFMA plus .50% variable thereafter, due through 2037	50,470,000	50,470,000
Series O, 2.50% to 5.00%, due through 2036	33,454,380	36,173,848
Series P, 2.00% to 5.00% due through 2043	<u>145,097,713</u>	<u>147,552,445</u>
Total net bonds payable	<u>\$ 339,226,607</u>	<u>\$ 348,481,311</u>

The above net bond payable represents \$313,949,000 in principal and \$25,277,607 in premium for fiscal year 2015, \$322,205,000 and \$26,276,311 for fiscal year ending 2014, respectively.

The Series I bonds are variable rate demand revenue bonds. The annualized interest rate ranged from .01% to .11% during fiscal year 2015 with an average rate of .039% 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 \$912,000 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 .01% to .12% with an average rate of .041% for the year. The bonds bear interest at a variable rate based on the prevailing market rate for equivalent bonds. The College may convert the bonds to a fixed rate at its option. Annual principal payments are currently \$2,113,000 and increase to \$3,185,000 over the repayment period of the bonds.

The Series K bonds are fixed rate revenue bonds. Annual principal payments are currently \$1,095,000 to \$2,480,000 over the repayment period of the bonds.

Series L bonds are fixed rate revenue bonds. Annual principal payments are currently \$1,905,000 and increase to \$4,235,000 over the repayment period of the bonds.

The Series N bonds are variable rate revenue bonds with an original principal value of \$50,470,000. The bonds were remarketed on June 18, 2014 as an additional 3 year floating rate note. The new reset rate will be .28% spread to Securities Industry and Financial Market Association Index. On July 1, 2037 the College will make its first principal payment of \$9,940,000. Remaining annual principal payments range from \$10,015,000 to \$10,250,000. The bonds are callable beginning on January 1, 2017 at 100% of par.

Williams College

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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 \$2,095,000. The bonds are callable beginning on January 1, 2021 at 100% of par.

The Series P bonds are a fixed rate revenue bond issued on May 30, 2013 with an original principal value of \$126,140,000 and a premium of \$22,215,419. Annual principal payments are currently \$1,735,000 to \$15,310,000 over the repayment period of the bonds. The bonds are callable beginning July 1, 2023 at 100% 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, 2015 was approximately \$336,228,223.

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

Bond issuance costs of \$2,005,514 are amortized to other expense over the life of the respective bonds. Bond premiums of \$25,277,607 at June 30, 2015, are amortized to other income over the life of the respective bonds. Combined debt principal payment requirements for the years 2016 through 2020 approximate \$8,610,000, \$8,987,000, \$59,824,000, \$9,806,000, and \$9,695,000, respectively.

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

The combined debt principal payment requirements above reflect the repayment of such bonds according to their scheduled maturity dates. If these bonds were fully tendered as of June 30, 2016, the debt principal payment requirements for the years 2016 through 2020 would approximate \$59,879,000, 5,860,000, \$56,585,000, \$6,450,000, and \$6,225,000, respectively.

Interest expense for the years ended June 30, 2015 and 2014 was \$11,245,064 and \$11,651,758, 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, 2015 and 2014, the fair value of the swap was a liability of approximately \$3,578,123 and \$3,895,382, respectively. The interest rate swap expires on July 1, 2026.

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

10. Lines of Credit

At June 30, 2015 the College has the following lines of credit:

	Line of Credit Amount
Expiration Date	
September 25, 2015	\$ 15,000,000
April 22, 2016	20,000,000
May 1, 2016	30,000,000
January 31, 2017	<u>26,000,000</u>
Total lines of credit	<u>\$ 91,000,000</u>

If drawn upon these lines would be assessed a spread to LIBOR fee depending on the duration of the loan. The unused annual fees range from 0 to 50 basis points. There were no outstanding amounts on the lines of credit at June 30, 2015 or 2014.

11. 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 \$92,533,233 and \$86,739,096 for the years ended June 30, 2015 and 2014, 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. 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.

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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, 2015 delineated by net asset class and donor-restricted versus Board-designated funds:

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

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

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,421,711,212	\$ 510,005,240	\$ 1,931,716,452
Adjustment for funds underwater	-	-	-	-
Board-designated endowment funds	214,536,473	-	-	214,536,473
Total endowment funds	<u>\$ 214,536,473</u>	<u>\$ 1,421,711,212</u>	<u>\$ 510,005,240</u>	<u>\$ 2,146,252,925</u>

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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

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

	2014			
	Board Designated	Donor Designated		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net endowment assets, June 30, 2013	\$ 205,492,761	\$ 1,202,999,594	\$ 480,689,677	\$ 1,889,182,032
Gifts and transfers				
Gifts received & pledge activity	-	497,938	26,897,191	27,395,129
Transfers and gifts further designated	(17,285,319)	3,515,820	1,643,260	(12,126,239)
Investment return				
Net gains (losses)	35,172,327	292,241,012	-	327,413,339
Accumulated gains spent for operations	(9,525,815)	(77,213,281)	-	(86,739,096)
Income earned returned to principal	3,734	348,914	775,112	1,127,760
Underwater endowment				
Current year appropriation/recovery of funds to cover to cover permanent endowments where value is less than historic cost	678,785	(678,785)	-	-
Net endowment assets, June 30, 2014	<u>\$ 214,536,473</u>	<u>\$ 1,421,711,212</u>	<u>\$ 510,005,240</u>	<u>\$ 2,146,252,925</u>

Endowment Funds with Deficits (Underwater Endowment)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There are no underwater endowment funds at June 30, 2015 or 2014.

Return Objectives and Risk Parameters

The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The College expects its endowment funds over time, to provide an average rate of return of approximately 5.0% real, that is after adjusting for inflation, annually. Actual returns in any given year may vary from this amount.

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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 5.0% of the twelve quarter trailing average of the end of year investment pool over the long run. This policy is based on the expectation that the endowment will grow by 5.0% real that is after adjusting for inflation, annually and operating expenditures will increase by 4-5% each year. Using part of the annual growth to support operations, and allow for reinvestment to sustain the permanent nature of the endowment.

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

12. Temporarily Restricted and Permanently Restricted Net Assets

Following is the composition of the College's temporarily restricted and permanently restricted net assets at June 30, 2015 and 2014:

	2015	2014
Temporarily restricted net assets		
Gifts for restricted purposes	\$ 94,961,266	\$ 68,828,556
Contributions to be paid in the future	86,849,649	15,381,349
Split-interest agreements, including outside managed trusts	46,964,182	41,941,594
Endowment funds - unspent appreciation	<u>1,474,578,748</u>	<u>1,394,857,629</u>
	<u>\$ 1,703,353,845</u>	<u>\$ 1,521,009,128</u>
Permanently restricted net assets		
Student loan funds	\$ 127,040	\$ 159,040
Contributions to be paid in the future	21,973,920	17,077,120
Split-interest agreements and perpetual trusts, including outside managed trusts	70,234,377	78,812,391
Endowment funds - original principal	<u>514,349,643</u>	<u>493,081,393</u>
	<u>\$ 606,684,980</u>	<u>\$ 589,129,944</u>

13. Credit Loss Disclosures

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

Williams College
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014 were as follows:

	June 30, 2015		June 30, 2014	
	Receivable Balance	Related Allowance	Receivable Balance	Related Allowance
Perkins loans	\$ 3,480,611	\$ -	\$ 3,563,606	\$ -
Other student loans	783,181	(152,920)	891,128	(150,450)
Faculty and staff mortgages	8,657,232	-	9,137,664	-
Pine Cobble land notes	1,918,000	-	1,889,000	-
Other notes receivable	1,289,656	-	1,298,741	-
	<u>\$ 16,128,680</u>	<u>\$ (152,920)</u>	<u>\$ 16,780,139</u>	<u>\$ (150,450)</u>

14. Subsequent Events

The College has performed an evaluation of subsequent events through October 13, 2015, which is the date the consolidated financial statements are available to be issued, and determined that there have been no subsequent events that would require recognition in the consolidated financial statements or disclosed in the consolidated notes of the financial statements.