



Financials

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Keeping a Long-term Perspective

An Overview of William & Mary's Financial Situation from the Vice President for Finance



Sam Jones '75, M.B.A. '80

Fiscal Year 2010 a Mixture of Successes, Challenges

While economists declare the “Great Recession” to have ended in June 2009, the College of William & Mary and higher education institutions nationwide continue to absorb and manage its impact. In fiscal year 2010 (July 1, 2009, to June 30, 2010), as the Commonwealth of Virginia further reduced its support, the College responded by reducing expenditures and generating additional revenue. With a clear focus on protecting each student’s educational experience, William & Mary moved through this period of uncertainty with two objectives: maintaining a strong financial base and preparing for the future.

A diversified and, to some extent, predictable revenue stream allowed the College to effectively navigate its course in fiscal 2010. State funding remains important to William & Mary for both capital projects and day-to-day operations; however, the \$41.8 million received from the Commonwealth in fiscal 2010 represented only 15.4 percent of the College’s operating revenue. We expect state support to decline to 12 percent of operating revenue by 2012.

Tuition, fees and auxiliary enterprises are the primary revenue sources for the College. Totaling \$183.4 million (including scholarship allowances), these funds help preserve financial stability and can be adjusted by the Board of Visitors as necessary.

Fiscal 2010 saw a rebound in the value of endowments held by the College and its related foundations. Operating support from all private gift sources in fiscal 2011 (July 1, 2010, to June 30, 2011) now approaches 11 percent of William & Mary’s overall budget and represents another stabilizing factor for the institution. Increasing this pool of funds is critical to the College’s future. (For more on private fundraising and the endowment, see pages 56–60.)

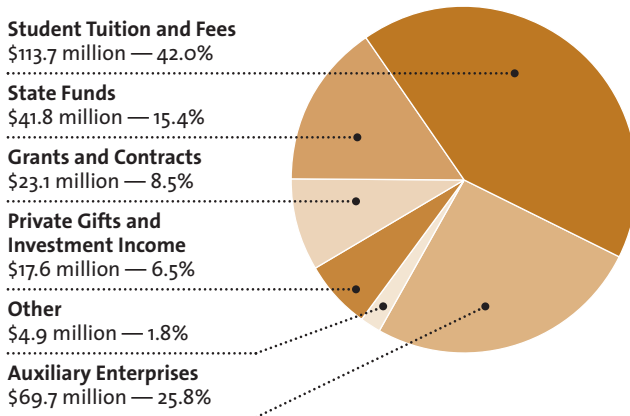
William & Mary has the option of issuing debt as necessary to support its programs and activities. To date, we have been conservative in its use, avoiding variable rate debt and issuing debt only when a specific revenue stream to retire the debt is identified. As a result, the College again received an AA bond rating from Standard & Poor’s (S&P) despite an uncertain economy and pending state budget cuts. Although William & Mary’s endowment and cash flow are small relative to those of other institutions with higher bond ratings, S&P cites the College’s student demand, fundraising success, and consistently balanced budgets as meriting the AA rating.

Even as operating budgets are under stress, the College has taken measures to ensure the continued quality of its academic programs. One of these steps is a now decade-long building boom, which has involved much-needed and overdue constructions and renovations, including completely new buildings for our business and education schools, a new career center, renovated and expanded libraries and academic buildings, and enhanced athletic facilities. Each of these projects,

THE COLLEGE OF WILLIAM & MARY

Operating Revenue — \$270.8 million (unaudited)

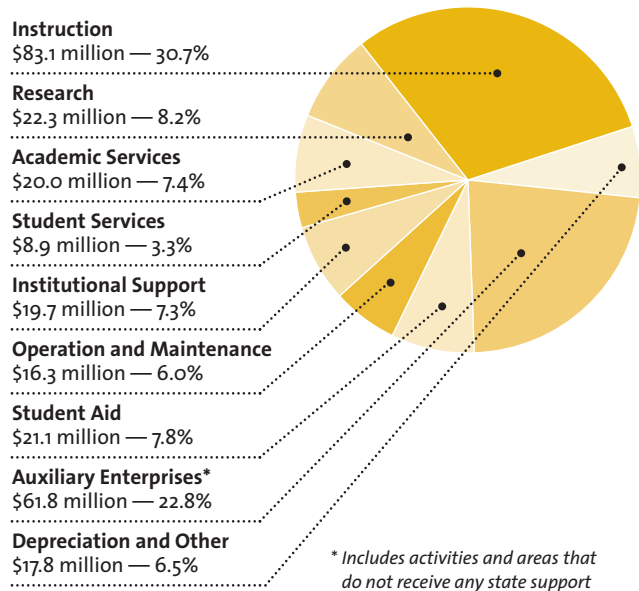
Fiscal year 2010



THE COLLEGE OF WILLIAM & MARY

Operating Expenses — \$271.0 million (unaudited)

Fiscal year 2010

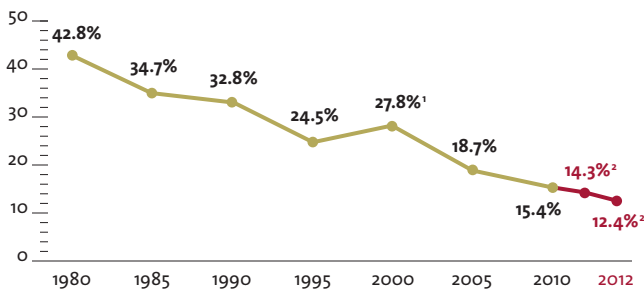


STATE SUPPORT FOR OPERATIONS

The College of William & Mary

Fiscal years ended June 30

Percentage of operating budget constituted of state support



1. Reflects a state-mandated 20% reduction in in-state undergraduate tuition offset dollar for dollar with state general funds.

2. Projected for fiscal years 2011 and 2012

as well as several in the planning stages, are funded through either a public-private partnership or private support alone.

In addition, through the efforts of its faculty, grant and contract activity at the College continues to be strong — supporting faculty research while providing educational and research opportunities for students.

Looking Ahead

The College's economic outlook is tied to various factors, including the ability to recruit students; our status as a public institution within the Commonwealth's higher education system; and our ability to raise revenue through tuition and fees, grants and contracts, and private funds.

Our ability to recruit and retain top-caliber students has been excellent. However, to remain competitive and afford-

able for the best and brightest students, the College needs to offer competitive need-based and merit aid. We can only build on our previous success with more attractive financial aid awards.

Since 2008, as the Commonwealth's own financial outlook has changed, its support for College operations has been reduced by \$16.7 million. One-time federal stimulus funding helped defer the full impact of these reductions, but in fiscal 2012 (July 1, 2011, to June 30, 2012), there will be no such stimulus funds. The College is addressing this situation through a combination of expenditure reductions and revenue offsets. Supplementing state funds with additional tuition and philanthropic support, the College continues to protect the quality of its core programs while providing incremental support for student financial assistance.

Long-term planning is vital for William & Mary to preserve its tradition of excellence and ensures we are investing strategically for the future. Achieving a restructured relationship with the Commonwealth represents one step in this planning process and will allow the College to improve its financial, administrative and managerial functions while still meeting some of the Commonwealth's most critical needs.

And so we look to the future with optimism. Using the College-wide strategic plan as our road map, and building on the diversity of our funding sources combined with the commitment of the entire William & Mary community, a sustainable and strong future is indeed in sight.

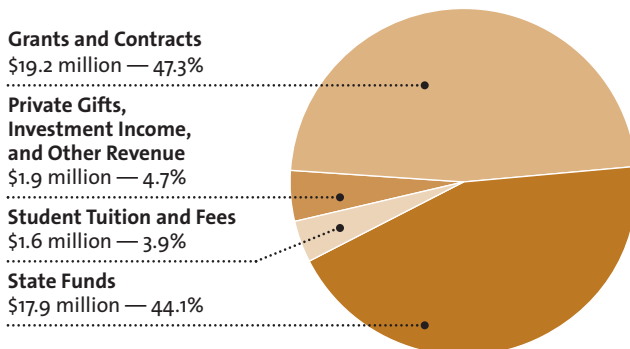
Samuel E. Jones '75, M.B.A. '80

Vice President for Finance

VIRGINIA INSTITUTE OF MARINE SCIENCE

Operating Revenue — \$40.6 million (unaudited)

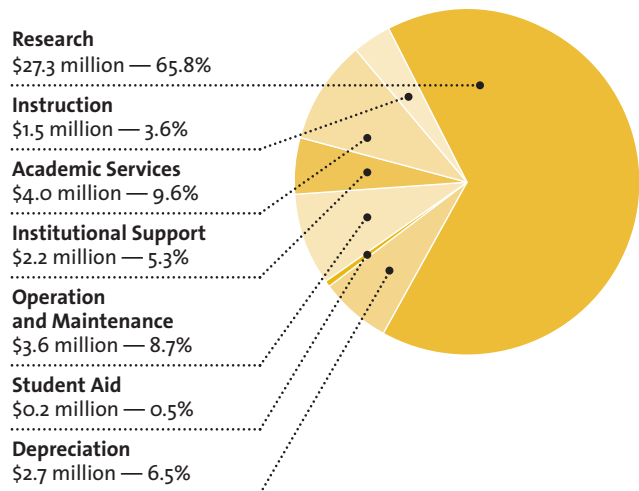
Fiscal year 2010



VIRGINIA INSTITUTE OF MARINE SCIENCE

Operating Expenses — \$41.5 million (unaudited)

Fiscal year 2010



Private Fundraising

An Overview of Gifts to the College in Fiscal Year 2010

The College of William & Mary received \$43.2 million in private gifts from 27,709 donors during fiscal year 2010 (July 1, 2009, through June 30, 2010). Of this total, \$19.9 million was expendable, \$14.2 million was for endowment, \$7.1 million went toward capital projects, and \$2 million came in the form of gifts-in-kind. The funds raised were less than the \$50.8 million received the previous fiscal year — when the College had its best fundraising year in school history — but more than the \$35.5 million raised in fiscal year 2008. The number of donors in fiscal year 2010 was up by more than 3 percent from 2009 and by more than 6 percent from 2008.

In fiscal 2009, William & Mary's undergraduate alumni participation rate (22.4 percent) was second only to Georgia Tech's (23.3 percent) among public institutions, and 26th overall, in the top 40 colleges and universities ranked by *U.S. News & World Report*, according to the latest survey data released by the Council for Aid to Education. In fiscal 2010, the College's rate increased for the second year in a row to 23.4 percent.

Five major new gifts and pledges were instrumental to the year's success. One significant commitment will enable the College to construct a new soccer and lacrosse stadium, to be named the Martin Family Stadium at Albert-Daly Field. Three other large gifts and commitments will benefit, separately, the Mason School of Business, the Department of Recreational Sports, and the Institute for the Theory and Practice of International Relations (supporting the AidData project). In addition, an anonymous donor made a significant pledge that will create a scholarship endowment for government majors.

Campus-wide annual giving programs were also a vital source of support in fiscal year 2010. Together, annual giving efforts — including those at the business, law, education,

and marine science schools, as well as the Fund for William & Mary (FWM) — brought in \$15.5 million in private gifts, up by 19 percent from the previous year. On its own, the FWM raised \$5.6 million from 15,064 donors — an increase in both dollars and number of donors to the FWM from each of the previous two years.

Classes in reunion years remain an important source for annual giving, as well as other types of giving. The Class of 1960, celebrating its 50th reunion, exceeded its \$6 million class reunion gift goal during 2009–2010, with 45 percent of classmates contributing to raise more than \$6.2 million for the College. The 5th through 45th reunion classes — which operate on a November–October calendar instead of the College's July–June fiscal year cycle — raised \$7.8 million from 3,057 donors (representing 31 percent participation) between November 2008 and October 2009. Three classes broke records with their reunion gifts: the Class of 1974 for overall giving for a 35th reunion, the Class of 1979 for participation in a 30th reunion, and the Class of 1989 for giving to the FWM for a 20th reunion.

In fiscal 2010, William & Mary's endowment fared well, increasing by 9 percent, or \$44.7 million, since the same time last year. As of June 30, the consolidated endowment for the university stood at approximately \$539.5 million. In the latest report by the National Association of College and University Business Officers (NACUBO), which compared market value of endowment assets as of the end of fiscal year 2009, William & Mary's endowment ranked in the top 15 percent of schools surveyed. That report, published in January 2010, listed the College 118th among 842 institutions in the United States and Canada — nine spots higher than in 2009 and 11 spots higher than in 2008. The next NACUBO report, encompassing 2010 fiscal year performance, is due in January 2011.

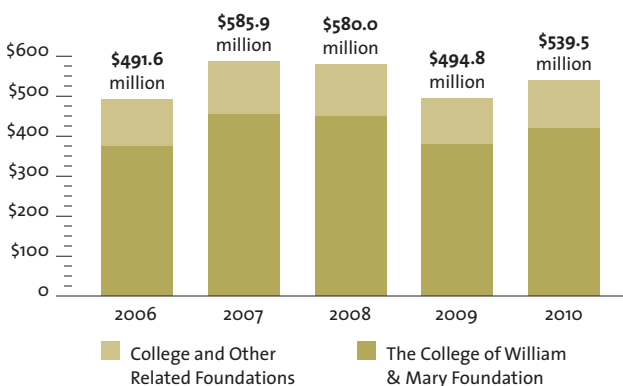
The upward trend in annual and alumni giving, together with the overall fundraising success across campus for the past two years, positions the College well for an era in which private support will be a major force driving William & Mary's continued progress.

CHANGE IN ENDOWMENT OVER TIME

The College of William & Mary and Related Foundations

Fiscal years ended June 30

In millions of dollars

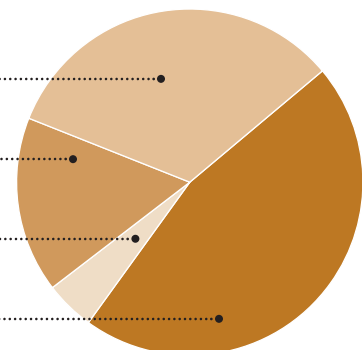


GIFTS BY TYPE

The College of William & Mary and Related Foundations

Fiscal year 2010

- Endowment Gifts**
\$14.2 million — 33%
- Capital Project Gifts**
\$7.1 million — 16%
- Gifts-in-Kind**
\$2.0 million — 5%
- Expendable Gifts**
\$19.9 million — 46%



Investments

William & Mary Investment Trust Delivers Solid Performance in 2010

As of June 30, 2010, the consolidated endowment for the College totaled \$539.5 million, with investment performance ranking in the top quartile over the past several years. While the overall economy and related investment environment remain unsettled, the William & Mary Investment Trust (WAMIT) maintained its solid performance, posting a strong 14.1 percent return for fiscal year 2010 (July 1, 2009, to June 30, 2010), outperforming its policy benchmark by 1.1 percentage points. Similarly, for the past three- and five-year periods, WAMIT's investment results have outperformed its benchmarks by 4.3 and 3.5 percentage points, respectively.

This successful performance is attributable primarily to the highly diversified active management structure of the portfolio, incorporating 80 separately identifiable investments spread among 43 management firms as of June 30, 2010. Within this structure, domestic stocks — comprising 16.2 percent of the portfolio — generated a composite return of 14.5 percent, in line with the Standard & Poor's (S&P) 500's 14.4 percent. Foreign equity invested in developed regions of Europe, Asia and North America (ex-U.S.) represented 9.1 percent of the portfolio and returned 14.7 percent for the year, more than doubling the MSCI World ex-U.S. Index benchmark return of 7 percent. While underperforming its benchmark, WAMIT's emerging market exposure, now at 8.3 percent of the portfolio, still provided a healthy 17.3 percent return.

Marketable alternatives consist of two component asset classes: absolute return and special situations. Generally, investments in absolute return are those designed to consistently produce a positive return that would at a minimum equal the yield of the Consumer Price Index plus 5 percent. Investments in special situations are opportunistic in nature and consequently reflect strategies that seek to maximize returns from situations perceived to be temporary aberrations in market pricing. As a group, absolute return managers

THE WILLIAM & MARY INVESTMENT TRUST: ASSET ALLOCATION OF POLICY PORTFOLIO

Fiscal year 2010	JUNE 30, 2010 ALLOCATION
Domestic Equities	16.2%
Foreign Equities	9.1%
Emerging Market Equities	8.3%
Fixed Income	12.1%
Special Situations	16.7%
Absolute Return	14.5%
Real Assets	8.0%
Private Equity	4.9%
Cash	10.2%

INVESTMENT RESULTS

As of June 30, 2010 — Net of all fees

	1 YEAR	3 YEARS	5 YEARS
The William & Mary Investment Trust (WAMIT)	14.1%	-2.2%	4.9%
Blended Benchmark	13.0%	-6.5%	1.4%
Value Added	1.1%	4.3%	3.5%

Policy Benchmark: 60% Russell 3000 Index, 20% MSCI World ex-U.S. Index, 20% Barclays Capital Aggregate Bond Index

delivered a 12.4 percent return in 2010 while special situations managers returned 26.4 percent. Combined, these two strategies represent more than 31 percent of the WAMIT portfolio with a blended return of 19 percent, far exceeding the 6.1 percent benchmark return.

Private equity, consisting of buyouts and venture capital, constituted approximately 4.9 percent of total assets, with a 9.7 percent return for the year, underperforming the internal long-term private equity benchmark of the S&P 500 plus 5 percent. At this point, new commitments to such long-dated strategies are being made only when the investment opportunities appear to be exceptionally compelling.

The fixed income portion of the portfolio did exceedingly well with a composite return of 18.3 percent for the fiscal year. This compares to the 9.5 percent benchmark return of the Barclays Capital Aggregate Bond Index. In real assets — an asset class comprised of investments in commodities, natural resources (oil, gas and timber), and equity real estate — WAMIT's strategies had a combined return of 3.7 percent. As of June 30, 2010, WAMIT also held approximately 10 percent of assets in cash, a conscious action to maintain liquidity in the portfolio. These funds have subsequently been invested in other asset classes.

Participants in WAMIT include The College of William & Mary Foundation (CWMF) — which oversees and is a beneficiary of more than three-fourths of the College's overall endowment — and the foundations associated with the Mason School of Business, William & Mary Law School, and the Virginia Institute of Marine Science. All participants in WAMIT have the same exposure to asset classes and investment managers, and each is allowed to determine its own spending policy. As of June 30, 2010, the Investments Committee had oversight responsibility of approximately \$374 million in investable assets, or roughly two-thirds of the endowed assets supporting the College. Twelve CWMF trustees comprise the Investments Committee, which includes highly experienced investment management practitioners who volunteer their time and expertise to assist the Investments Administration staff in making strategic decisions about asset allocation, investments and investment managers.

The College of William & Mary and Related Foundations

Private Gifts in Fiscal Year 2010

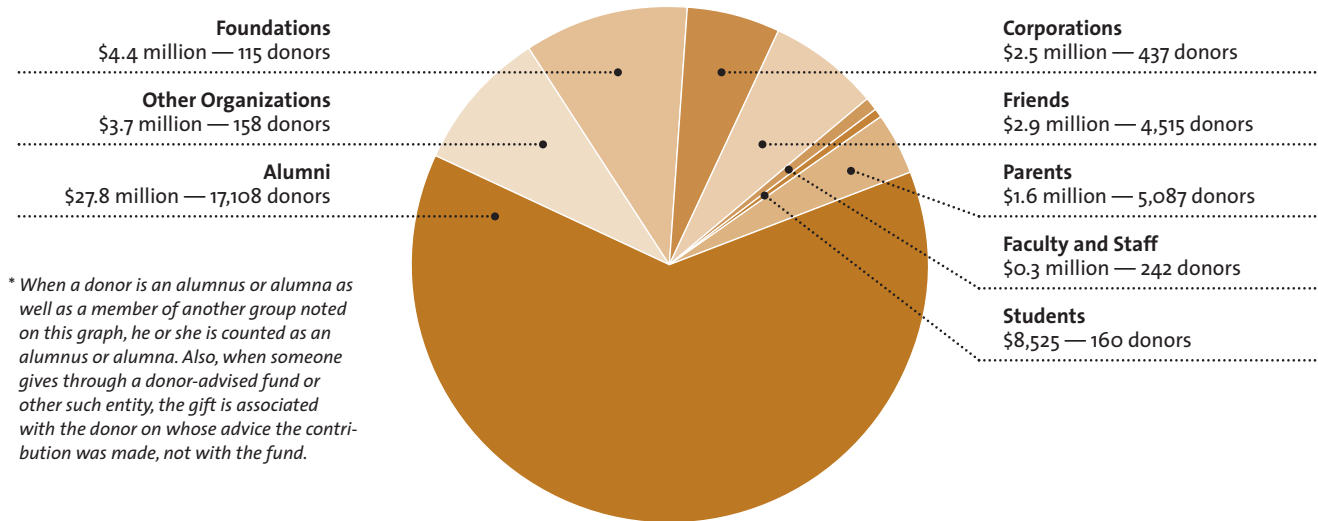
GIFTS BY AREA

The following chart shows gifts made to all areas of the College of William & Mary and its related foundations between July 1, 2009, and June 30, 2010.

Area	Type of Gift				All Gift Types
	Expendable Gifts	Endowment Gifts	Facilities Support	Gifts-in-Kind/ Other	
Schools					
Faculty of Arts & Sciences	\$ 2,462,705	\$ 2,618,736	\$ 0	\$ 96,012	\$ 5,177,453
Mason School of Business	\$ 1,242,944	\$ 522,790	\$ 4,210,613	\$ 1,100	\$ 5,977,447
School of Education	\$ 584,150	\$ 86,439	\$ 0	\$ 163	\$ 670,752
William & Mary Law School	\$ 1,386,180	\$ 635,373	\$ 259,749	\$ 296,008	\$ 2,577,310
Virginia Institute of Marine Science	\$ 1,118,084	\$ 169,401	\$ 100,000	\$ 1,561	\$ 1,389,046
Programs and College-wide Support					
Fund for William & Mary	\$ 5,641,566	\$ 0	\$ 0	\$ 0	\$ 5,641,566
Other College-wide Funding (including faculty support, student aid and other areas)	\$ 1,112,652	\$ 4,173,263	\$ 1,502,077	\$ 24,215	\$ 6,812,207
Alumni Association and Order of the White Jacket	\$ 300,480	\$ 46,693	\$ 25,150	\$ 7,440	\$ 379,763
Ash Lawn-Highland	\$ 75,358	\$ 0	\$ 0	\$ 0	\$ 75,358
Tribe Athletics	\$ 3,726,049	\$ 645,610	\$ 1,011,490	\$ 133,393	\$ 5,516,542
Earl Gregg Swem Library	\$ 1,516,818	\$ 464,942	\$ 1,371	\$ 119,291	\$ 2,102,422
Muscarella Museum of Art	\$ 259,953	\$ 126,567	\$ 0	\$ 1,280,715	\$ 1,667,235
Omohundro Institute of Early American History and Culture	\$ 462,857	\$ 4,714,078	\$ 0	\$ 0	\$ 5,176,935
GIFTS TO ALL AREAS	\$ 19,889,796	\$ 14,203,892	\$ 7,110,450	\$ 1,959,898	\$ 43,164,036

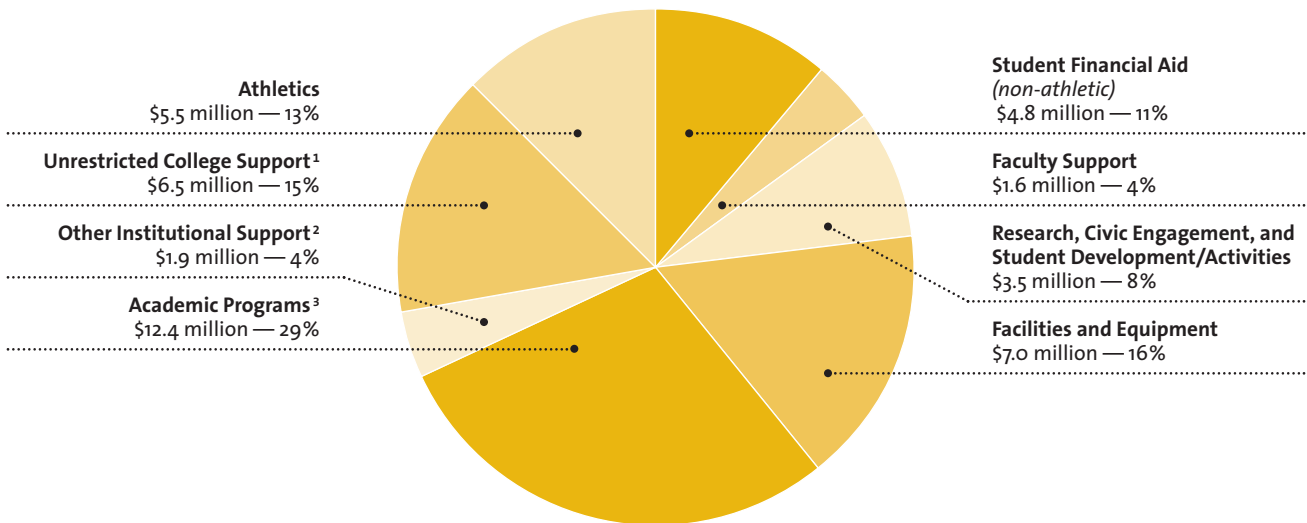
GIFTS BY SOURCE

The following graph shows the sources of the \$43.2 million raised for the College of William & Mary and its related foundations between July 1, 2009, and June 30, 2010.*



GIFTS BY PURPOSE

This graph shows for what purposes the nearly \$43.2 million in private gifts to the College and its related foundations during fiscal year 2010 was designated.



1. Unrestricted expendable and endowment gifts benefiting various areas of the College, including gifts to the Fund for William & Mary; does not include contributions to annual funds specific to a school or area.

2. Gifts to campus-wide areas or initiatives that do not fall under any of the other categories.

3. Support for schools, departments and academic programs, as well as University Libraries and the Muscarelle Museum.

The College of William & Mary Foundation

Financial Summary

SUMMARY STATEMENT OF FINANCIAL POSITION — CONSOLIDATED*

Assets	JUNE 30, 2010
Cash and cash equivalents	\$ 4,487,461
Pledges and other receivables	14,777,555
Investments	346,288,951
Funds held in trust by others	85,639,826
Property and other assets	18,586,417
Total Assets	\$ 469,780,210
Liabilities and Net Assets	
LIABILITIES:	
Accounts, notes and bonds payable	\$ 13,530,346
Funds held for others	13,093,746
Other liabilities	5,188,487
TOTAL LIABILITIES	\$ 31,812,579
NET ASSETS:	
Unrestricted	\$ 12,748,957
Temporarily restricted	147,478,786
Permanently restricted	277,739,888
TOTAL NET ASSETS	\$ 437,967,631
Total Liabilities and Net Assets	\$ 469,780,210

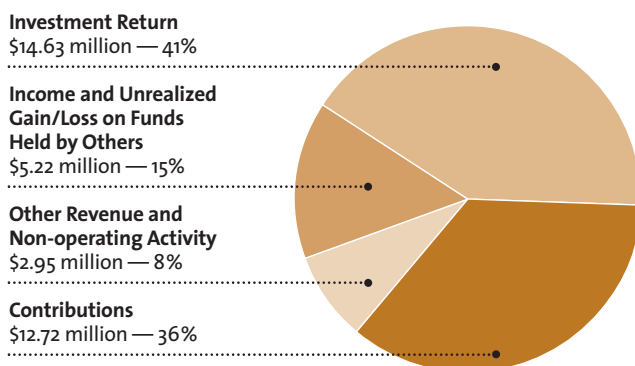
* Includes four subsidiaries

SUMMARY STATEMENT OF ACTIVITIES*

Revenues and Non-operating Activity	JUNE 30, 2010
Contributions	\$ 11,424,798
Income on funds held by others	2,828,917
Operating and non-operating investment return	40,012,554
Unrealized gains on funds held in trust by others	3,924,587
Other revenue and non-operating activity	4,099,125
TOTAL REVENUES AND NON-OPERATING ACTIVITY	\$ 62,289,981
Expenses	
Program expenses	\$ 20,642,915
Fundraising	2,506,740
Administrative and other	1,049,001
TOTAL EXPENSES	\$ 24,198,656
Change in Net Assets	\$ 38,091,325
Net Assets – Beginning of year	\$ 399,876,306
Net Assets – End of year	\$ 437,967,631

AVERAGE SOURCES OF SUPPORT — \$35.5 million

Fiscal years 2006–2010



AVERAGE USES OF SUPPORT — \$24.2 million

Fiscal years 2006–2010

