



**Financial Report on  
Fiscal Year 2012**

## William & Mary's Financial Performance



STEPHEN SALPUKAS

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

Fiscal Year 2012 allowed William & Mary to stabilize its budgets after the disruption associated with the Great Recession and the resulting reduction in state funding support.

Having made expenditure reductions during the past several years in order to maintain balanced budgets, the university again was able to move forward, implementing selected aspects of its strategic plan.

While Fiscal Year 2012 saw some renewed state investment in William & Mary and its programs, state funding as a percentage of the university's overall operating budget continued its decline — falling to 12.8 percent. Revenue from tuition and fees; self-supporting auxiliary enterprise activities (residence halls, food service, etc.); grants and contracts; and private giving provided the diversity of funding support critical to the university's overall financial health. At the same time, William & Mary reaffirmed its commitment to reallocating funds to its highest priority needs, including salary support for faculty and staff.

Expenditures reflected William & Mary's priorities in maintaining the quality of its academic programs and supporting additional enrollment. Significant funds remain invested in student financial aid, recognizing that increases in tuition and fees, coupled with changes in the financial situation of individual families, have a direct impact on students with demonstrated need.

The university continued to see growth in the value of its consolidated endowment — endowments held by the various entities supporting William & Mary and its programs. At June 30, 2012, the consolidated value of the university's endowment totaled \$644.2 million, an increase of 3.1 percent. While investment performance reflected the challenge of investing in sometimes turbulent national and global markets, strong gift flow and significant growth in assets held in external trusts more than compensated. The

William & Mary Investment Trust, the largest of the university's investment portfolios, remains highly diversified across asset classes. A more detailed discussion of investment performance follows.

With the opening of the School of Education building and the Sherman and Gloria Cohen Career Center, the facilities focus shifted to planning for the third and final phase of the Integrated Science Center (ISC) and the renovation of both Tucker and Tyler halls. Since the ISC 3 and Tucker Hall projects previously had been authorized by the state, William & Mary requested and received permission to move forward with Tyler Hall planning. On the non-academic side, the William & Mary Real Estate Foundation opened Tribe Square. Located on Richmond Road, just across from campus, Tribe Square provides 56 apartment-style beds, as well as four commercial spaces. On campus, construction of the new fraternity houses is underway. When complete in summer 2013, these houses will not only dramatically improve fraternity housing, but add an additional 187 beds to our on-campus inventory, reaffirming once again the university's residential commitment.

### OUR FUTURE

Fiscal Year 2013 budgets continue our progress. Within available resources, the budgets reflect priorities included in William & Mary's Strategic Plan and the Six-Year Plan approved by the Board of Visitors in response to the recently passed Virginia Higher Education Opportunity Act. This act reaffirmed "the Commonwealth's commitment ... to having a distinctive 'public ivy' at William & Mary."

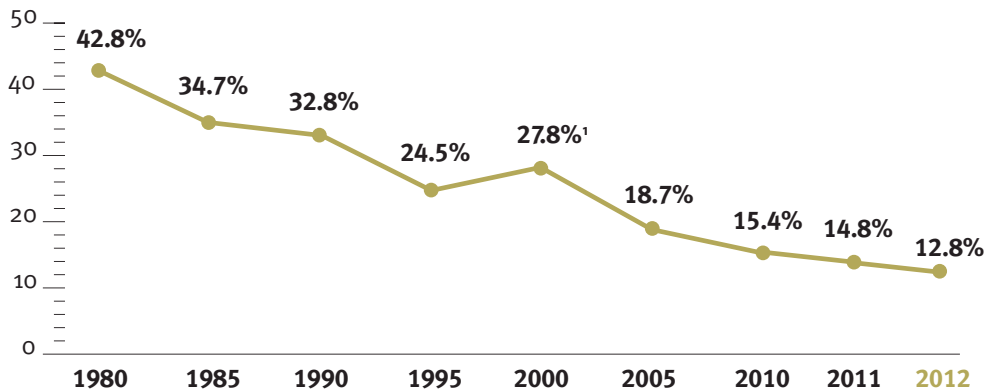
The Board of Visitors and the administration are focused on how best to attract and retain the very best students, faculty and staff while enhancing quality, affordability and access. Well into its strategic planning process, William & Mary this year will assess progress to date and identify more intentional investments to move the university forward. Under the general theme of "Breaking Boundaries," possible initiatives include enhancing the "360 degree" nature of a

## STATE SUPPORT FOR OPERATIONS

### The College of William & Mary

Fiscal years, which end on June 30

Percentage of operating budget constituted of state support



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

William & Mary education, leadership development, expanding technology-based instructional methods, interdisciplinary opportunities, applied learning, and global education and awareness. These investments will occur even as the university continues to address the six original “grand challenges” that have driven recent funding decisions.

All the university’s constituencies will need to contribute to this effort. While we do not expect the state to restore those funds lost since 2008, the Commonwealth will continue to play an important role in William & Mary’s future, providing both operating and facilities support. We can expect state resources to be targeted to support the various initiatives highlighted in the Higher Education Opportunity Act. Internally, William & Mary’s deans and vice presidents remain focused on ways to improve the efficiency and effectiveness of program delivery, allowing for the reallocation of funds to higher priority needs. Tuition and fees remain a part of the funding solution, recognizing that any action increasing the cost to students must address access and affordability issues. Finally, private fundraising, both annual giving and endowment, remains crucial to both the short-

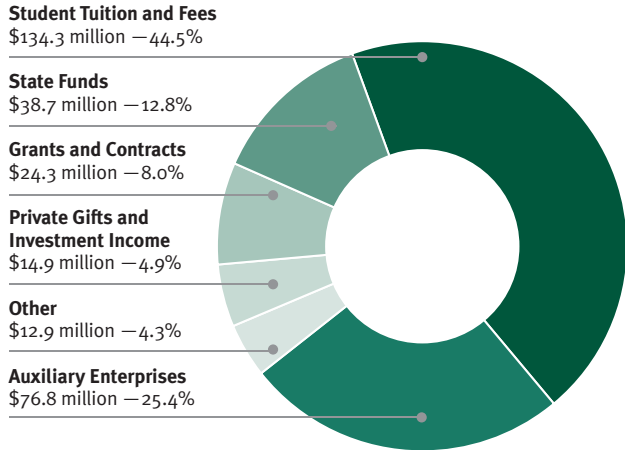
and long-term financial health of the institution. The Board of Visitors, in partnership with The College of William & Mary Foundation, the William & Mary Alumni Association, and the various other foundations and boards supporting the university, continues to invest those resources necessary to grow William & Mary’s giving profile and endowment.

As noted above, recent state funding action has cleared a variety of capital needs. As a result, the university is able to shift its facility focus to the programmatic and space needs of its various arts programs. Prior studies have more than adequately documented the condition and space needs in theatre, speech, dance, music, art and art history, and the Muscarelle Museum of Art. Funded with both state and private funds, planning is underway for an “Arts Quarter” that will provide quality instructional, performance, and exhibition space for our students, faculty, and visitors.

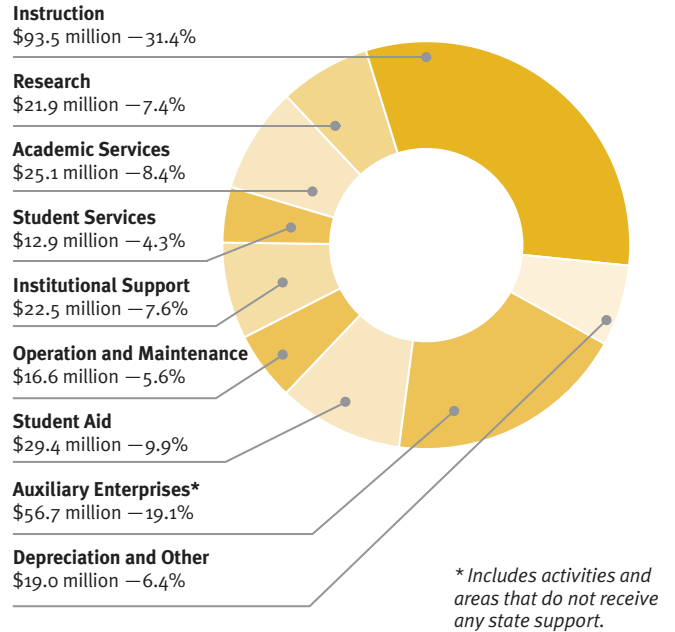
Samuel E. Jones '75, M.B.A. '80  
Vice President for Finance

# Operating Revenue and Expenses

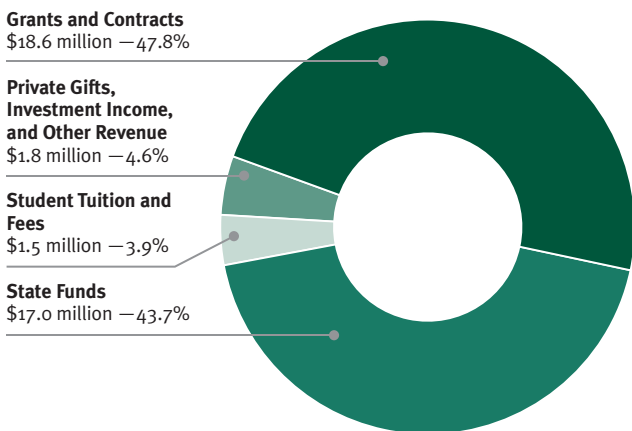
**THE COLLEGE OF WILLIAM & MARY**  
**Operating Revenue — \$301.9 million (unaudited)**  
 Fiscal year 2012



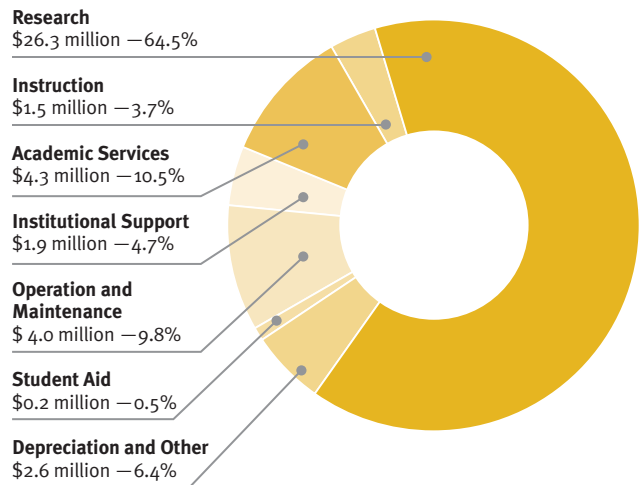
**THE COLLEGE OF WILLIAM & MARY**  
**Operating Expenses — \$297.6 million (unaudited)**  
 Fiscal year 2012



**VIRGINIA INSTITUTE OF MARINE SCIENCE**  
**Operating Revenue — \$38.9 million (unaudited)**  
 Fiscal year 2012



**VIRGINIA INSTITUTE OF MARINE SCIENCE**  
**Operating Expenses — \$40.8 million (unaudited)**  
 Fiscal year 2012



## William & Mary Tops \$40 Million for Fourth Consecutive Year

A record number of donors contribute to fundraising success for Fiscal Year 2012

Supporters of William & Mary gave \$43.7 million during Fiscal Year 2012. The effort represents a 6.5 percent increase from Fiscal Year 2011, which was \$41 million. For the first time in the university's history, William & Mary has topped \$40 million in private gifts for each of four consecutive years.

Total giving to William & Mary during the fiscal year, including gifts and commitments, was \$80.1 million. More than 30,300 individuals, corporations and foundations gave to the university during Fiscal Year 2012, breaking a record set last year, when more than 28,600 individuals, corporations and foundations made gifts. William & Mary also reached new highs in alumni giving. Nearly 18,000 alumni gave gifts last year, including 13,884 undergraduate alumni, or 23.6 percent of the overall undergraduate alumni population. William & Mary has one of the very highest undergraduate alumni participation rates among public universities.

"We continue to press forward strongly on the philanthropic front," said William & Mary President

Taylor Reveley. "W&M is grateful to all those who contributed during the fiscal year that ended June 30. As financial pressures continue to grow on American higher education, especially state schools, the university depends increasingly on support from alumni and friends to sustain its excellence as a public ivy. Indeed, the abiding loyalty and commitment of W&M people to the university will be absolutely central to its future."

Gifts to William & Mary's various annual funds increased 8.3 percent in Fiscal Year 2012. Annual or unrestricted gifts provide the university with the greatest flexibility to meet its most pressing needs.

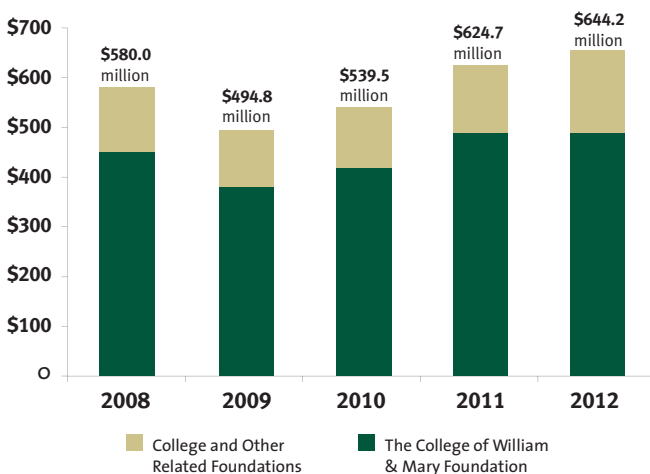
The continued growth in giving to the university is encouraging, officials said. Gifts to William & Mary demonstrate the increasing awareness among alumni and friends of the impact and importance of their giving, according to Sean Pieri, former vice president for University Development.

"These gifts provide direct support for priorities that make William & Mary great, including small class sizes, outstanding faculty, student research and need- and merit-based scholarships," he said. "We are working hard to improve the already exceptional William & Mary experience, and generous alumni and friends will continue to play a leading role in those efforts."

### CHANGE IN ENDOWMENT OVER TIME The College of William & Mary and Related Foundations

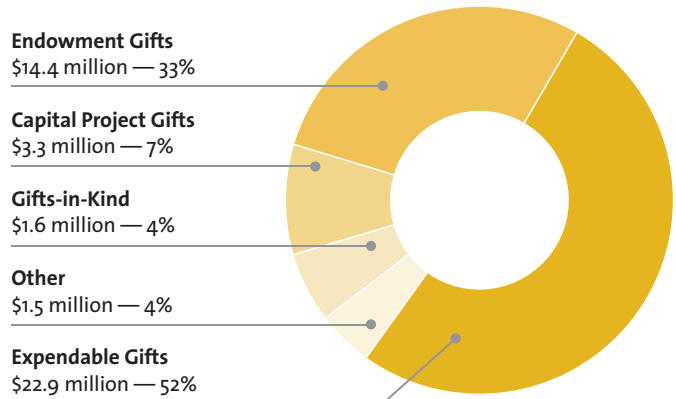
Fiscal years, which end June 30

In millions of dollars



### GIFTS BY TYPE The College of William & Mary and Related Foundations

Fiscal year 2012



## Investments

As of June 30, 2012, the consolidated endowment for William & Mary totaled \$644.2 million — another new high watermark! Compared to the previous year’s total of \$624.7 million, the endowment increased by \$19.5 million, or 3.1 percent. Strong gift flow and substantial increases in the value of assets held in external trusts were main drivers of asset growth. While matching its blended benchmark, investment performance limited overall growth as the William & Mary Investment Trust (“WAMIT”), the largest of the investment portfolios, earned a -1.4 percent rate of return for the fiscal year ending June 30, 2012. This performance reflected the present difficulties of investing in the challenging, at times turbulent, environment of today’s inter-connected global economies.

The composition of WAMIT’s policy benchmark is reflective of the broadly diversified investment opportunity set in which WAMIT invests. As a result, the blended policy benchmark is comprised of a 56 percent weighting to the MSCI All Country World Index, a 24 percent weighting to the Barclays Capital U.S. Aggregate Bond Index, a 2 percent weighting to the Barclays Capital U.S. Credit Index, an 8 percent weighting to the Barclays Capital U.S. High Yield Index, and a 10 percent weighting to the Dow Jones-UBS Commodity Index.

Domestic stocks, representing all cap sizes, make up an approximate 19.9 percent weighting in the portfolio — up 1.5 percent from last year’s June 30 weighting of 18.4 percent. WAMIT’s domestic equity managers

returned a composite of 4.1 percent for the year, outperforming the broad Russell 3000 Index which returned 3.8 percent. Comparatively, the large cap S&P 500 Index returned 5.5 percent for the fiscal year.

Foreign equity invested in developed regions of Europe, Asia and the Far East had a portfolio representation of approximately 10.3 percent at June 30, reduced slightly from last year’s weighting at 10.5 percent. Despite investment performance of -7.9 percent, our participation in developed foreign markets was significantly better than the -13.8 percent benchmark return of the MSCI EAFE Index. During the course of the year, investments in the emerging markets decreased from about 8 percent to 6.2 percent of the portfolio. Plagued by uncertainties in the global markets and accompanying negative sentiment, the emerging markets felt the brunt of investors’ nervousness and compelling need to decrease risk. WAMIT’s exposure to the emerging markets produced our largest disappointment with a return of -17.1 percent, trailing the benchmark return of the MSCI Emerging Markets Index of -15.7 percent by some 1.4 percent.

WAMIT’s exposure to Marketable Alternatives comes in 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 equate to the yield of inflation plus spending (typically high single digits). Investments in Special Situations are opportu-

### INVESTMENT RESULTS

As of June 30, 2012 — Net of fees

	1 YEAR	3 YEARS	5 YEARS
The William & Mary Investment Trust (WAMIT)	-1.4%	8.9%	1.2%
Blended Benchmark	-1.4%	12.0%	0.3%
Value Added	0.0%	-3.1%	+0.9%

*Policy Benchmark: 56% MSCI All Country World Index, 24% Barclays Capital U.S. Aggregate Bond Index, 2% Barclays Capital U.S. Credit Index, 8% Barclays Capital U.S. High Yield Index, 10% Dow Jones-UBS Commodity Index*

nistic in nature and consequently reflect strategies that seek to maximize returns from situations perceived to be temporary aberrations in market pricing or where specific financing can measurably improve asset quality and a company's balance sheet. Together, Absolute Return and Special Situations comprised approximately 33.1 percent of the WAMIT portfolio as of June 30, 2012, down slightly from a 36.1 percent allocation the year before, and returned -0.9 percent. Individually, managers in our Absolute Return category had a tough year navigating the choppy waters in the alternative space, generating a -2.9 percent return. However the category fared better than the collective aggregate that comprise the benchmark HFR Fund of Funds Composite, which returned -4.4 percent. Managers in Special Situations, predominantly those engaged in credit and restructuring strategies, produced a 2.5 percent return, well exceeding the HFR Distressed Securities benchmark which returned -3.4 percent.

Private Equity constituted approximately 9.3 percent of total assets at June 30, 2012, up from 6.6 percent at the end of the prior year. With WAMIT's targeted policy allocation at 12 percent, the private equity portion of the portfolio remains conspicuously beneath our preferred exposure level. However some newer commitments are now beginning to call capital and other opportunities continue to be examined with careful due diligence. Private equity had a 3.1 percent return in 2012. The benchmark used for private equity is the Russell 3000 Index, reflecting what we perceive to be the opportunity cost in deviating from the broad public market. This benchmark returned 3.8 percent for the year.

The fixed income portion of the portfolio returned 7 percent for the fiscal year. This compares to the 7.5 percent return of the Barclays Capital U.S. 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 blended exposures had a combined return of 2.7 percent, outperforming the Dow Jones-UBS Commodity Index of

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

Fiscal year 2012	JUNE 30, 2012 ALLOCATION
Domestic Equities	<b>19.9%</b>
Foreign Equities	<b>10.3%</b>
Emerging Market Equities	<b>6.2%</b>
Fixed Income	<b>8.7%</b>
Special Situations	<b>11.4%</b>
Absolute Return	<b>21.7%</b>
Real Assets	<b>9.0%</b>
Private Equity	<b>9.3%</b>
Cash	<b>3.3%</b>
Distributed Securities	<b>0.2%</b>

-14.3 percent by an impressive 17 percent. At June 30, 2012, fixed income carried an 8.7 percent weight in the portfolio, real assets a 9.0 percent weight, and cash a 3.3 percent weight with a corresponding amount slightly in excess of \$13.6 million.

As of June 30, 2012, the Investments Committee had oversight responsibility of approximately \$417 million in investable assets contained within WAMIT. At that time, representative ownership in WAMIT consisted of 87.4 percent belonging to The College of William & Mary Foundation (CWMF), 5.9 percent belonging to the Marshall-Wythe School of Law Foundation, 4.7 percent belonging to the William & Mary School of Business Foundation, and 2 percent belonging to the VIMS Foundation. Collectively, WAMIT investments represent approximately 64.7 percent of the \$644.2 million in total endowment resources that benefit William & Mary.

This year, 11 CWMF trustees served on the Investments Committee, all of whom are highly experienced investment management practitioners who volunteer their time and expertise to assist Investment Administration staff in making strategic decisions about asset allocation, investments and managers.

# The College of William & Mary and Related Foundations

Private Gifts in Fiscal Year 2012

## GIFTS BY AREA

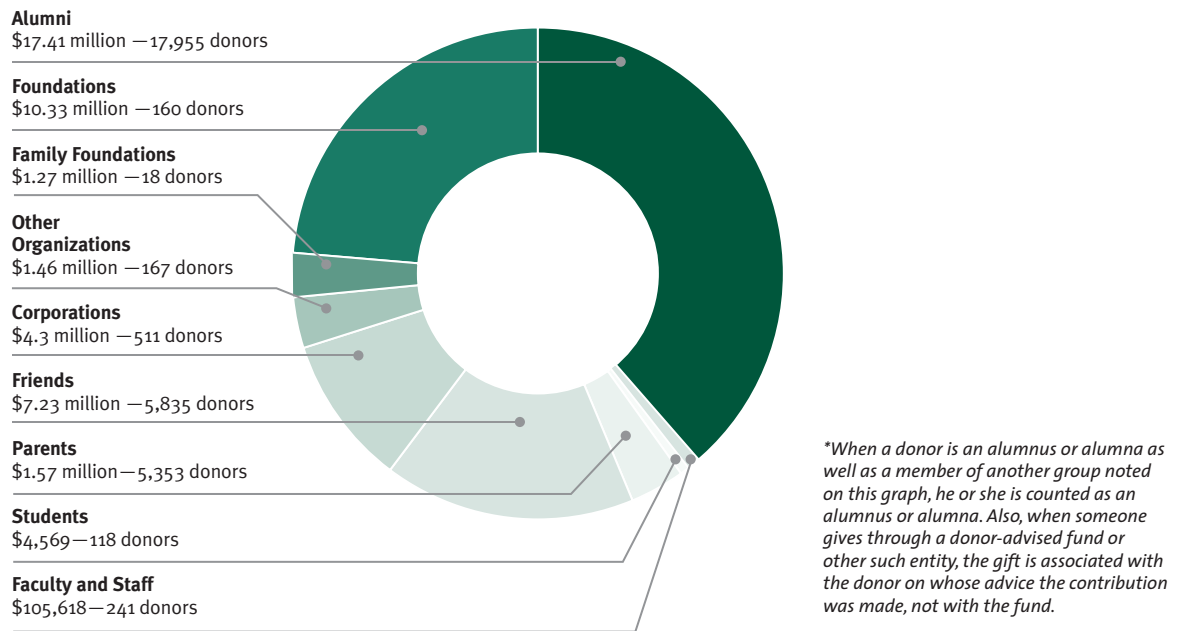
The following chart shows gifts made to all areas of the College of William & Mary and its related foundations between July 1, 2011, and June 30, 2012.

Area	Type of Gift				All Gift Types
	Expendable Gifts	Endowment Gifts	Facilities Support	Gifts-in-Kind/ Other	
<b>Schools</b>					
Faculty of Arts & Sciences	\$ 4,883,984	\$ 7,402,737	\$ 20	\$ 171,069	\$ 12,457,810
Mason School of Business	\$ 1,976,967	\$ 932,275	\$ 1,855,882	\$ 0	\$ 4,765,124
School of Education	\$ 841,706	\$ 152,423	\$ 0	\$ 2,777	\$ 996,906
William & Mary Law School	\$ 1,914,818	\$ 513,065	\$ 142,996	\$ 241,679	\$ 2,812,558
Virginia Institute of Marine Science	\$ 593,339	\$ 1,132,249	\$ 0	\$ 100,650	\$ 1,826,238
<b>Programs and College-wide Support</b>					
Fund for William & Mary	\$ 5,512,166	\$ 0	\$ 0	\$ 0	\$ 5,512,166
Other College-wide Funding (including faculty support, student aid and other areas)	\$ 1,369,865	\$ 2,358,582	\$ 1,201,987	\$ 2,215,516	\$ 7,145,950
Alumni Association and Order of the White Jacket	\$ 249,992	\$ 154,264	\$ 19,375	\$ 42,469	\$ 466,100
Tribe Athletics	\$ 3,481,853	\$ 893,569	\$ 43,037	\$ 132,898	\$ 4,551,351
Earl Gregg Swem Library	\$ 384,588	\$ 730,962	\$ 0	\$ 76,056	\$ 1,191,606
Muscarella Museum of Art	\$ 1,399,517	\$ 81,300	\$ 0	\$ 208,456	\$ 1,689,273
Omohundro Institute of Early American History and Culture	\$ 252,247	\$ 13,179	\$ 0	\$ 0	\$ 265,426
<b>GIFTS TO ALL AREAS</b>	<b>\$ 22,861,042</b>	<b>\$ 14,364,599</b>	<b>\$ 3,263,297</b>	<b>\$ 3,191,570</b>	<b>\$ 43,680,508</b>



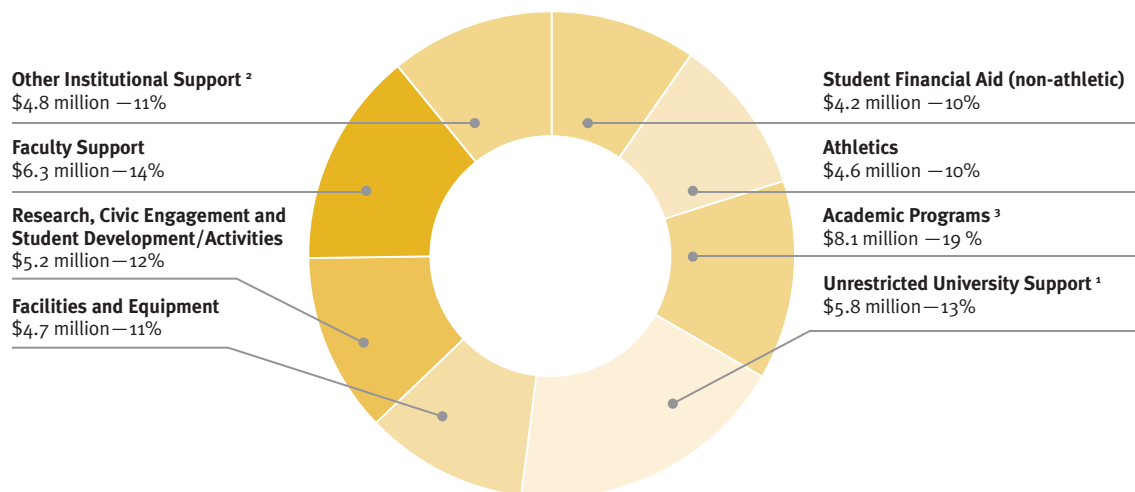
## GIFTS BY SOURCE

The following graph shows the sources of the \$43.7 million raised for William & Mary and its related foundations between July 1, 2011, and June 30, 2012.



## GIFTS BY PURPOSE

This graph shows for what purposes the \$43.7 million in private gifts to William & Mary and its related foundations during fiscal year 2012 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, 2012
Cash	\$ 6,392,446
Pledges and other receivables	14,193,053
Investments	380,873,364
Funds held in trust by others	129,562,321
Property and other assets	18,910,837
<b>Total Assets</b>	<b>\$549,932,021</b>
<b>Liabilities and Net Assets</b>	
<b>LIABILITIES:</b>	
Accounts, notes and bonds payable	\$ 15,077,708
Funds held for others	13,610,310
Other liabilities	5,105,987
<b>TOTAL LIABILITIES</b>	<b>33,794,005</b>
<b>NET ASSETS:</b>	
Unrestricted	14,765,913
Temporarily Restricted	156,112,956
Permanently Restricted	345,259,147
<b>TOTAL NET ASSETS</b>	<b>516,138,016</b>
<b>Total Liabilities and Net Assets</b>	<b>\$549,932,021</b>

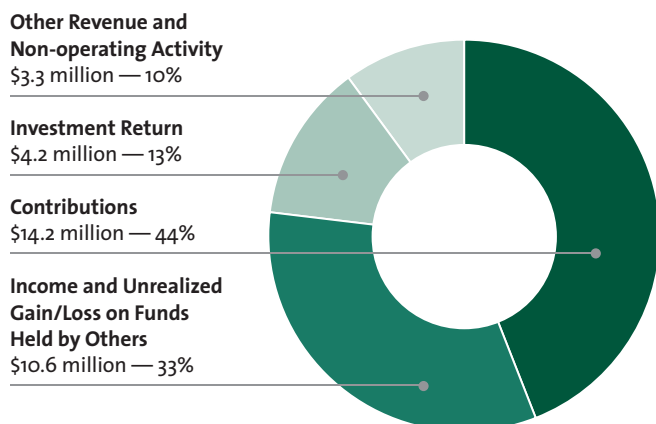
\* Includes four subsidiaries.

### SUMMARY STATEMENT OF ACTIVITIES\*

Revenues and Non-operating Activity	JUNE 30, 2012
Contributions	\$ 17,738,759
Income on funds held by others	3,159,988
Operating and non-operating investment return	(4,535,571)
Unrealized gains on funds held in trust by others	16,636,261
Other revenue & non-operating activity	2,449,347
<b>TOTAL REVENUES AND NON-OPERATING ACTIVITY</b>	<b>35,448,784</b>
<b>Expenses</b>	
Program expenses	16,534,527
Fundraising	3,271,734
Administrative and other	1,115,273
<b>TOTAL EXPENSES</b>	<b>20,921,534</b>
<b>Change in Net Assets</b>	<b>14,527,250</b>
<b>Net Assets — Beginning of year</b>	<b>501,610,766</b>
<b>Net Assets — End of year</b>	<b>\$516,138,016</b>

### AVERAGE SOURCES OF SUPPORT — \$32.3 MILLION

Fiscal years 2008–2012



### AVERAGE USES OF SUPPORT — \$26.6 MILLION

Fiscal years 2008–2012

