



**Financial Report on
Fiscal Year 2013**

William & Mary's Financial Performance



STEPHEN SALPUKAS

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

Fiscal year 2013 saw continued improvement in the College's finances as revenues remained strong and expenditures reflected strategic plan priorities. The College's financial health reflects an ability to recruit outstanding

students; to maintain its status as both a public institution within the Commonwealth of Virginia, as well as an internationally recognized "Public Ivy;" to raise revenue through tuition and fees, grants and contracts, and private funds; and a willingness to reallocate funds toward higher priority items.

William & Mary continues to recruit, admit, and retain top-caliber students even as the College competes with the most selective public and private institutions in the country. Freshman applications to the College reached a new high of 14,047 for fall 2013. The credentials of our admitted students remain strong, reflecting the highly selective nature of the College. These statistics, coupled with the College's academic reputation, suggest strong student demand into the future.

Fiscal year 2013 saw renewed state investment in William & Mary and its programs, slowing the decades-long decline in state operating support. Revenue from tuition and fees, self-supporting auxiliary enterprise activities (residence halls, food service, intercollegiate athletics, etc.), grants and contracts, and private giving provided the diversity of funding critical to the university's overall financial health.

Expenditures reflected William & Mary's strategic priorities in maintaining the quality of its academic programs. Salary support for faculty and staff; financial aid for undergraduate and graduate students; and programmatic support for additional enrollment, faculty research, the new marine science minor, and international/study abroad activities serve to move the College forward in these vital areas.

The rebound in the value of endowments benefiting the College that began in fiscal year 2010 continued into fiscal year 2013. By June 30, 2013, the consolidated value of endowments held by all of the various entities supporting the College and its programs totaled \$697.7 million, an increase of 8.3 percent above the June 30, 2012, value and a record high for the College. Strong investment performance by the Board of Visitors and The College of William & Mary Foundation endowments, combined with increased gift flow, supported this increase. The Board of Visitors' endowment and the Foundation's William & Mary Investment Trust, the largest of the College's investment portfolios, remain highly diversified across asset classes. A more detailed discussion of investment performance follows.

Construction and renovation activity remains brisk on campus. The English department returned to its home facility in the newly renovated Tucker Hall. A combination of private and state funds allowed for a complete renovation of the Brafferton, home to offices for the president and the provost. Planning is well under way for the final phase of the Integrated Science Center (ISC) and for the renovation of Tyler Hall. Because the ISC 3 and Tyler Hall projects have been authorized by the state, the College will move forward with construction as soon as planning is complete.

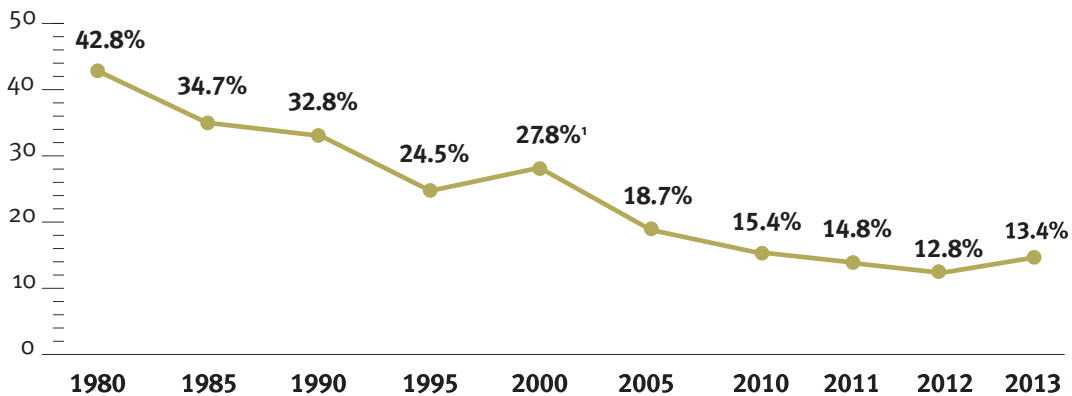
On the non-academic side, construction of the new fraternity houses is complete. This project dramatically improved fraternity housing, while adding an additional 187 beds to William & Mary's on-campus inventory. The College's purchase of the Hospitality House, a hotel adjacent to campus, reaffirms the university's residential commitment. In fall 2013, students moved into portions of the building, which has been renamed One Tribe Place. Planning continues regarding the long-term use of conference, restaurant, and other space available in the building. The College also completed an expansion of the dining facility in the Sadler Center to provide better service and a late-night dining option for students.

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.

OUR FUTURE

The Board of Visitors and the administration remain focused on how best to attract and retain the very best students, faculty, and staff while enhancing program quality, affordability, and access. Recognizing the need for additional investment in the College, the Board of Visitors in April approved The William & Mary Promise, a new operating model that provides vitally needed resources to secure the future of Virginia's distinctive "Public Ivy" while markedly enhancing predictability, affordability, and access for Virginia students. Key elements of the promise include:

- A four-year tuition guarantee. The promise provides Virginia families with financial predictability through a commitment to incoming, in-state students that tuition will remain constant through all four years of their undergraduate study. Entering Virginia students now know exactly what their tuition costs will be for all four years at

William & Mary, and those costs will not rise from year to year.

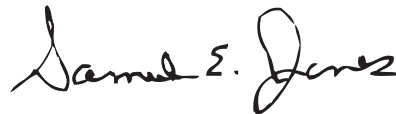
- Tuition capped at the Consumer Price Index for returning Virginia undergraduates. For in-state, undergraduate students enrolled at William & Mary before adoption of the new model, the promise caps annual tuition increases to no greater than the rate of inflation.
- Relief for middle-income families. The promise reduces the "net tuition" paid by middle-income families, as defined by the state's Higher Education Advisory Committee (HEAC). More than 70 percent of Virginia households qualify as middle income under the HEAC definition. Under The William & Mary Promise, students from middle-income families who qualify for need-based financial aid pay no more "net tuition" (tuition less financial aid) than under the former model.

- Less debt for William & Mary graduates. The promise reduces by up to \$8,000 the four-year loan burden for middle-income, in-state undergraduate students who have demonstrated financial need. Specifically, the plan lowers the maximum amount of loans included with an in-state financial aid package by 36 percent (\$2,000 annually) for families with an income between \$40,000 and \$60,000, and by 18 percent (\$1,000 annually) for all other families with demonstrated financial need. Students from Virginia families with a household income of less than \$40,000 will continue to receive financial aid that covers 100 percent of their need with grants.
- Additional Virginia students. The promise provides additional accessibility to the College by enrolling an additional 150 in-state students by 2016.

The William & Mary Promise ensures that all Virginia students, regardless of income or financial aid eligibility, will continue to receive a “Public Ivy” education for less than it actually costs the College to provide that education. Even after the step increases in tuition, William & Mary as a public university will be subsidizing the education of all in-state students, even those whose family incomes and assets make them ineligible for financial aid.

Funds generated through the promise, in combination with private and reallocated funds, allow the College to move forward with key elements of its strategic plan. Faculty and staff salaries and undergraduate financial aid support remain top priorities, even as the College continues initiatives that expand technology-based instructional methods, interdisciplinary opportunities, applied learning, and global education and awareness.

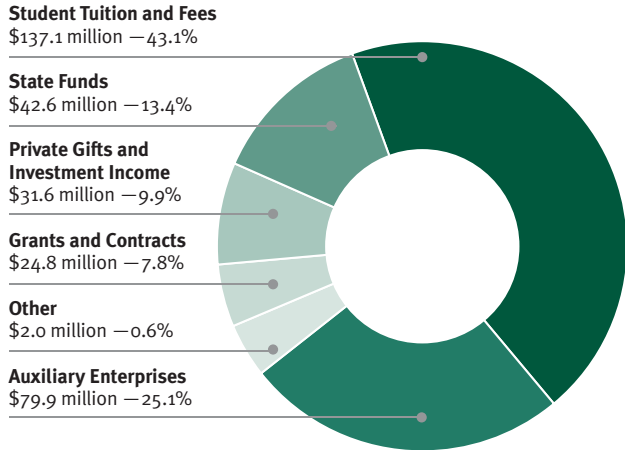
Capital funding now shifts to the programmatic and space needs of William & Mary’s various arts programs. Prior studies have more than adequately documented the condition and space needs in theatre, speech, dance, music, art and art history, and the Muscarelle Museum of Art. The College’s six-year capital plan submitted to the Commonwealth of Virginia last spring requests funding to support the phased implementation of an “Arts Quarter” to provide quality instructional, performance, and exhibition space for William & Mary’s students, faculty, and visitors.



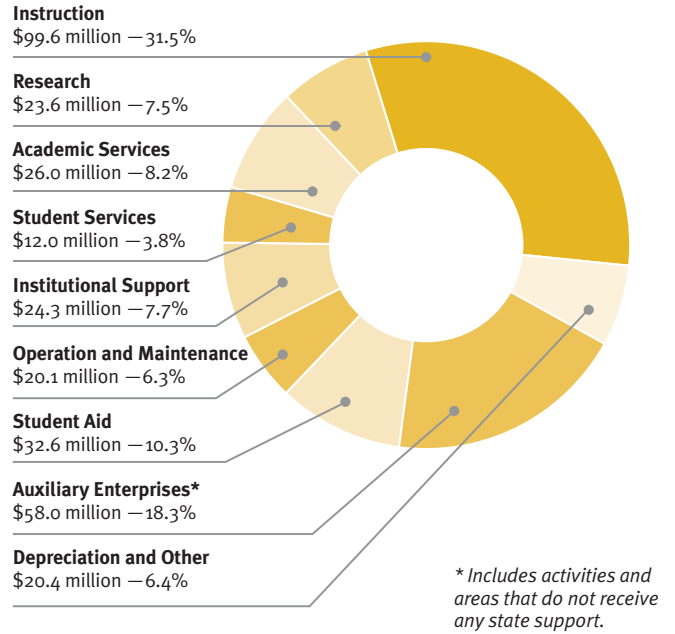
Samuel E. Jones '75, M.B.A. '80
Vice President for Finance

Operating Revenue and Expenses

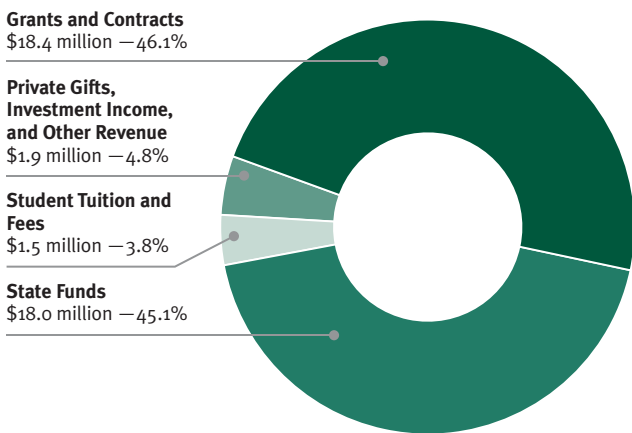
THE COLLEGE OF WILLIAM & MARY
Operating Revenue — \$317.9 million (unaudited)
 Fiscal year 2013



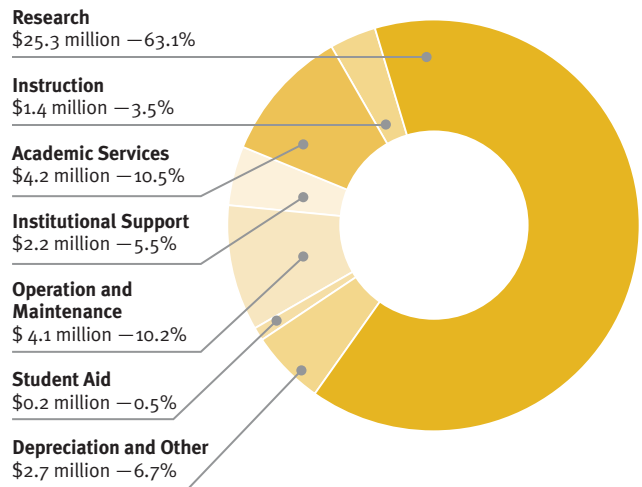
THE COLLEGE OF WILLIAM & MARY
Operating Expenses — \$316.6 million (unaudited)
 Fiscal year 2013



VIRGINIA INSTITUTE OF MARINE SCIENCE
Operating Revenue — \$39.9 million (unaudited)
 Fiscal year 2013



VIRGINIA INSTITUTE OF MARINE SCIENCE
Operating Expenses — \$40.1 million (unaudited)
 Fiscal year 2013



William & Mary benefits from record-breaking fundraising year

More than \$104 million in new activity recorded during fiscal year 2013

William & Mary set new records in fiscal year 2013 for total giving and outright cash gifts.

Alumni, parents, and friends gave or committed a total of \$104.3 million during the fiscal year that ended June 30, 2013, making it the most successful year for private giving in the university's 320-year history. The previous record for total giving, which includes cash gifts, pledges and bequests, was \$101.65 million in 2005.

During fiscal year 2013, the largest portion — \$70.04 million — was in cash gifts, which includes realized bequests. Cash gifts also set a record, topping the previous high set in 2009 by nearly \$20 million. In 2012, the university raised \$43.6 million in cash.

"Philanthropy has never been more important to the success of colleges and universities than it is today," said President Taylor Reveley. "The William & Mary family has truly risen to the occasion with extraordinary generosity."

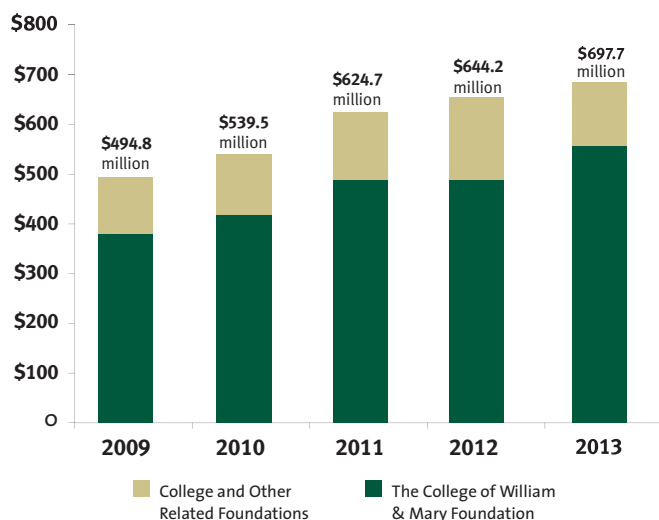
More donors also participated during fiscal year 2013 than any other fiscal year in William & Mary's history. A total of 31,140 individuals, corporations, and foundations made gifts to the university during the fiscal year. Among them, 18,551 alumni made gifts, including 14,368 undergraduate alumni, or 23.9 percent of the overall undergraduate alumni body.

"Gifts of all sizes from all corners are making a significant difference for William & Mary," said Matthew T. Lambert '99, vice president for University Development. Individual gifts of \$250 or less collectively brought in \$2.93 million for William & Mary. And more than 61 percent of William & Mary's undergraduate Class of 2013 participated in the Senior Class Gift effort.

"Our alumni, parents, and friends set the bar high for William & Mary in fiscal year 2013," Lambert said. "It is imperative that we continue this momentum over the next year to make the university more accessible and an even better place to learn, teach and do meaningful research. Truly, philanthropy provides the margin of excellence for our people and programs."

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

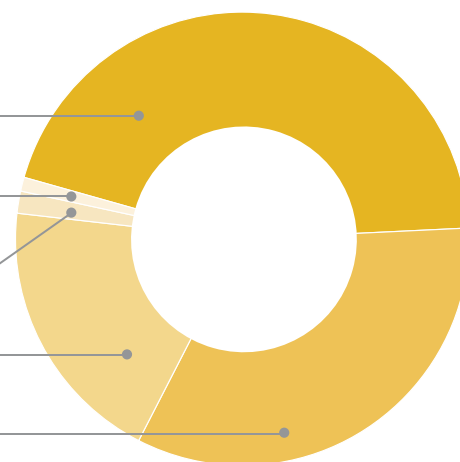
Fiscal years, which end June 30
In millions of dollars



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

Fiscal year 2013

- Expendable Gifts**
\$31.42 million — 45%
- Other**
\$0.69 million — 1%
- Gifts-in-Kind**
\$1.11 million — 2%
- Capital Project Gifts**
\$13.49 million — 19%
- Endowment Gifts**
\$23.33 million — 33%



Investments

As of June 30, 2013, the consolidated endowment for the College totaled \$697.7 million — another new high-water mark! Compared to the previous year’s total of \$644.2 million, the endowment increased by \$53.5 million, or 8.3 percent. Strong gift flow and investment performance were the main drivers of asset growth. With improving conditions in the global markets, the William & Mary Investment Trust (“WAMIT”), the largest of the investment portfolios, earned a 10.7 percent rate of return for the fiscal year ending June 30, 2013. WAMIT’s Blended Policy Benchmark returned 9.9 percent.

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. The composition of WAMIT’s Policy Benchmark reflects the broad diversification in WAMIT’s investment allocation.

Domestic stocks, representing all cap sizes, returned 22.2 percent, outperforming the benchmark of the broad Russell 3000 Index that returned 21.5 percent and the S&P 500 Index that returned 20.6 percent. An increased weighting to domestic equity, particularly

in high-quality blue chips, proved to be a successful catalyst for overall portfolio appreciation in 2013. Improved buoyancy in the U.S. economy and confidence in domestic stocks contributed significantly in the raised exposure level to domestic equity, going from 18.4 percent at the end of June 2011, to 19.9 percent at the end of June 2012, to its current 22.9 percent weighting.

Foreign equity invested in developed regions of Europe, Asia, and the Far East had a portfolio representation of approximately 12.9 percent on June 30, up slightly from last year’s weighting at 10.3 percent. Investment performance of 18 percent slightly trailed the asset class benchmark of the MSCI EAFE Index of 18.6 percent. Emerging markets continued to be difficult for investments during the past year. WAMIT’s performance in this asset class was a disappointing -2.1 percent return, trailing the MSCI Emerging Markets Index return of 3.2 percent by 530 basis points. WAMIT dealt with the underperforming managers either by termination or reducing their account size. Some new managers are already in place and others are still being evaluated.

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,

INVESTMENT RESULTS

As of June 30, 2013 — Net of fees

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
The William & Mary Investment Trust (WAMIT)	10.7%	7.8%	3.6%	7.9%
Blended Benchmark	9.9%	10.9%	3.9%	6.6%
Value Added	+0.8%	-3.1%	-0.3%	+1.3%

equate to the yield of inflation plus spending (typically high single digits). 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 or where specific financing can measurably improve asset quality and a company's balance sheet. Together, Absolute Return and Special Situations comprised approximately 26.5 percent of the WAMIT portfolio as of June 30, 2013, down measurably from 33.1 percent in 2012 and 36.2 percent in 2011. Reduced exposure levels to credit strategies and multi-strategy type hedge funds account for the gradual decline in weighting. Combined, these marketable alternatives produced a 10.7 percent return in 2013. Individually, managers in the Absolute Return category returned 7.4 percent, the same as the benchmark HFR Fund of Funds Composite. Managers in Special Situations collectively produced a 16.9 percent return, exceeding the HFR Distressed Securities benchmark that returned 14.9 percent.

Private equity constituted approximately 10.6 percent of total assets on June 30, 2013, up from 9.3 percent in 2012 and 6.6 percent in 2011. With WAMIT's targeted policy allocation at 12 percent, the private equity portion of the portfolio remains beneath the preferred exposure level. However some newer commitments are beginning to call capital more frequently and other opportunities continue to be examined with careful due diligence. WAMIT's private equity returned 11.1 percent in 2013. Its benchmark, the Russell 3000 Index, reflecting the opportunity cost in deviating from the broad public market, returned 21.5 percent. While the expectation is that, over the long term, a successful private equity portfolio will outperform public market investments, individual years such as 2013 are the exception where strong U.S. stock market performance dominated all asset classes.

The fixed income portion of the portfolio returned 1.6 percent for the fiscal year. This compares to the -0.7 percent return of the Barclays Capital U.S. Aggregate

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

Fiscal year 2013	JUNE 30, 2013 ALLOCATION
Domestic Equities	22.9%
Foreign Equities	12.9%
Emerging Market Equities	7.3%
Fixed Income	7.7%
Special Situations	9.6%
Absolute Return	16.9%
Real Assets	7.9%
Private Equity	10.6%
Cash	4.1%
Distributed Securities	0.1%

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 2.6 percent, outperforming the Dow Jones-UBS Commodity Index of -8.0 percent by 1,062 basis points. On June 30, 2013, fixed income carried a 7.7 percent weight in the portfolio; real assets a 7.9 percent weight; and cash, a 4.1 percent weight with a corresponding amount of slightly more than \$19 million.

As of June 30, 2013, the Investments Committee had oversight responsibility of approximately \$472 million in investable assets contained within WAMIT. At that time, 86.9 percent of representative ownership in WAMIT belonged to The College of William & Mary Foundation, 6.4 percent belonged to the Marshall-Wythe School of Law Foundation, 4.7 percent belonged to the William & Mary School of Business Foundation, and 2 percent belonged to the VIMS Foundation. Collectively, WAMIT investments represent approximately 68 percent of the \$697.7 million in total endowment resources that benefit the College.

The College of William & Mary and Related Foundations

Private Gifts in Fiscal Year 2013

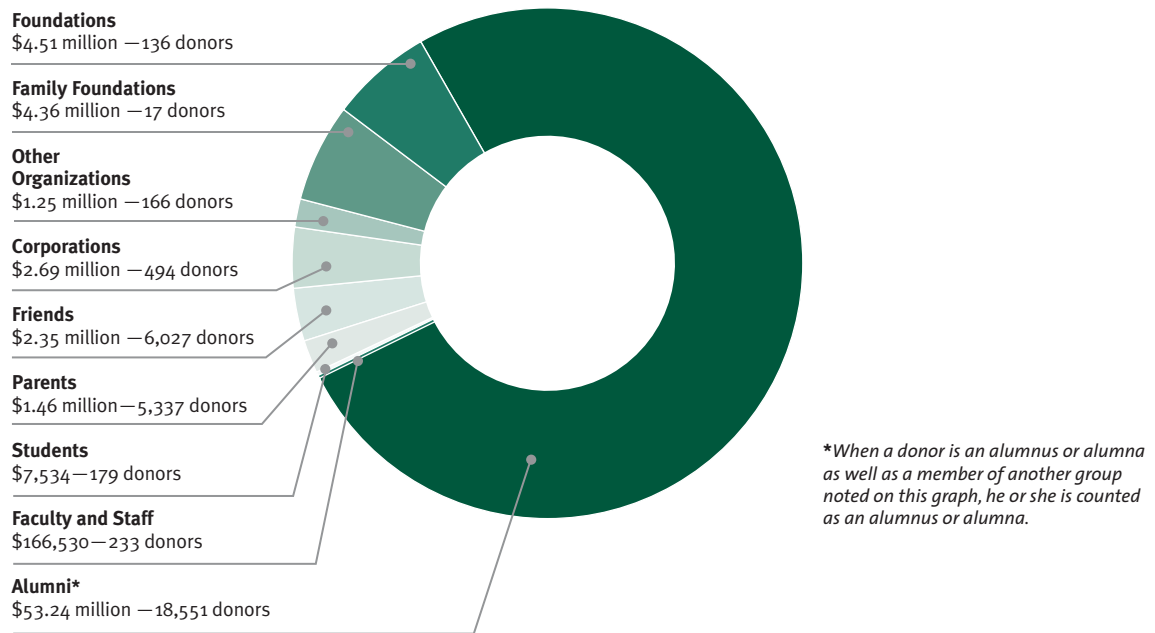
GIFTS BY AREA

The following chart shows gifts made to all areas of the College of William & Mary and its related foundations between July 1, 2012, and June 30, 2013.

Area	Type of Gift				All Gift Types
	Expendable Gifts	Endowment Gifts	Facilities Support	Gifts-in-Kind/ Other	
Schools					
Faculty of Arts & Sciences	\$ 1,865,394	\$ 2,305,202	\$ 40	\$ 56,654	\$ 4,227,290
Mason School of Business	\$ 4,320,278	\$ 1,137,035	\$ 1,727,340	\$ 0	\$ 7,184,653
School of Education	\$ 834,731	\$ 420,936	\$ 0	\$ 1,269	\$ 1,256,936
William & Mary Law School	\$ 2,817,098	\$ 379,383	\$ 101,050	\$ 283,820	\$ 3,581,351
Virginia Institute of Marine Science	\$ 738,036	\$ 838,526	\$ 0	\$ 12,490	\$ 1,589,052
Programs and College-wide Support					
Fund for William & Mary	\$ 5,631,865	\$ 0	\$ 0	\$ 0	\$ 5,631,865
Other College-wide Funding (including faculty support, student aid and other areas)	\$ 9,933,368	\$ 6,431,687	\$ 1,098,289	\$ 1,060,875	\$ 18,524,219
Alumni Association and Order of the White Jacket	\$ 278,236	\$ 84,881	\$ 254,079	\$ 40,253	\$ 657,449
Tribe Athletics	\$ 3,495,007	\$ 11,116,760	\$ 10,308,465	\$ 119,689	\$ 25,039,921
Earl Gregg Swem Library	\$ 863,341	\$ 519,928	\$ 0	\$ 50,786	\$ 1,434,055
Muscarella Museum of Art	\$ 408,740	\$ 36,575	\$ 0	\$ 170,846	\$ 616,161
Omohundro Institute of Early American History and Culture	\$ 233,385	\$ 62,093	\$ 0	\$ 0	\$ 295,478
GIFTS TO ALL AREAS	\$ 31,419,479	\$ 23,333,006	\$ 13,489,263	\$ 1,796,682	\$ 70,038,430

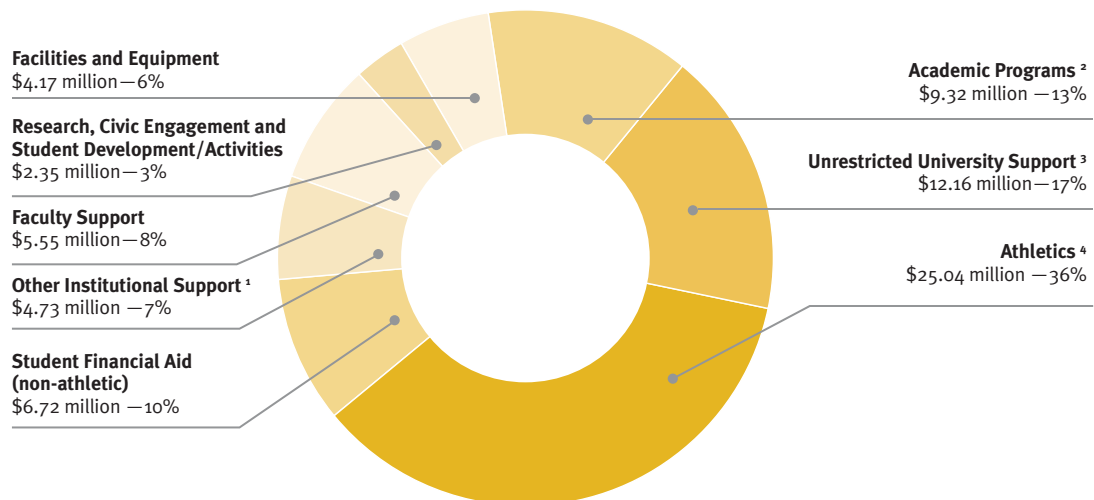
GIFTS BY SOURCE

The following graph shows the sources of the \$70 million raised for William & Mary and its related foundations between July 1, 2012, and June 30, 2013.



GIFTS BY PURPOSE

This graph shows for what purposes the \$70 million in private gifts to William & Mary and its related foundations during fiscal year 2013 was designated.



1. Gifts to campus-wide areas or initiatives that do not fall under any of the other categories.
2. Support for schools, departments and academic programs, as well as University Libraries and the Muscarelle Museum.
3. 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.
4. All facilities and student financial aid related to athletics are included in the Athletics category.

The College of William & Mary Foundation

Financial Summary

SUMMARY STATEMENT OF FINANCIAL POSITION — CONSOLIDATED *

	JUNE 30, 2013
Assets	
Cash	\$ 16,739,564
Pledges and other receivables	29,747,720
Investments	436,312,575
Funds held in trust by others	133,035,301
Property and other assets	18,564,106
Total Assets	\$634,399,266
Liabilities and Net Assets	
LIABILITIES:	
Accounts, notes and bonds payable	\$ 14,562,679
Funds held for others	14,447,873
Other liabilities	5,129,937
TOTAL LIABILITIES	34,140,489
NET ASSETS:	
Unrestricted	25,225,803
Temporarily Restricted	194,328,365
Permanently Restricted	380,704,609
TOTAL NET ASSETS	600,258,777
Total Liabilities and Net Assets	\$634,399,266

* Includes four subsidiaries.

SUMMARY STATEMENT OF ACTIVITIES*

	JUNE 30, 2013
Revenues and Non-operating Activity	
Contributions	\$ 57,002,025
Income on funds held by others	3,442,218
Operating and non-operating investment return	37,935,023
Unrealized gains on funds held in trust by others	3,472,979
Other revenue and non-operating activity	3,597,478
TOTAL REVENUES AND NON-OPERATING ACTIVITY	105,449,723
Expenses	
Program expenses	17,633,827
Fundraising	2,626,843
Administrative and other	1,068,292
TOTAL EXPENSES	21,328,962
Change in Net Assets	84,120,761
Net Assets — Beginning of year	516,138,016
Net Assets — End of year	\$600,258,777

SOURCES OF SUPPORT — \$105.4 MILLION

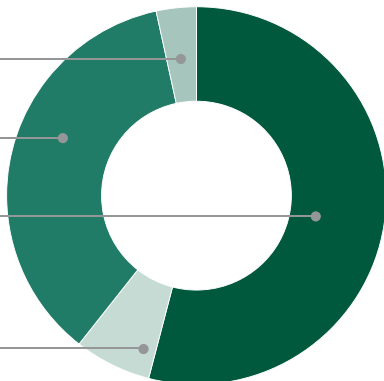
Fiscal year 2013

Other Revenue and Non-operating Activity
\$3.6 million — 3%

Investment Return
\$37.9 million — 36%

Contributions
\$57.0 million — 54%

Income and Unrealized Gain/Loss on Funds Held by Others
\$6.9 million — 7%



USES OF SUPPORT — \$21.3 MILLION

Fiscal year 2013

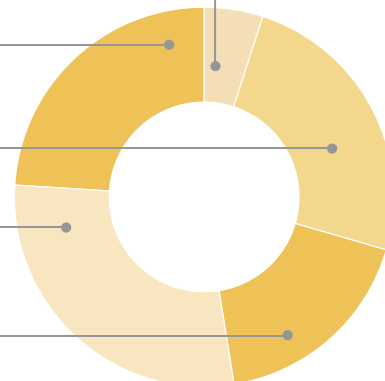
Administrative and Other
\$1.1 million — 5%

Other Program Expenses
\$5.2 million — 24%

Instruction, Research and Academic Support
\$5.1 million — 24%

Scholarships and Fellowships
\$6.1 million — 29%

Institutional Support and Fundraising
\$3.8 million — 18%



WILLIAM & MARY

OFFICE OF UNIVERSITY DEVELOPMENT

presidentsreport.wm.edu

5308 Discovery Park Boulevard

Post Office Box 8795

Williamsburg, Virginia 23187-8795