



## **Financial Report on Fiscal Year 2011**

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## Stabilize and Move On

### *William & Mary's Financial Reality*

STEPHEN SALPUKAS



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

Fiscal year 2011 provided the College a reprieve from funding cuts as the Commonwealth of Virginia deferred additional state funding reductions until fiscal year 2012. One-time federal stimulus funds allowed for critical investment in programs and activities, which enabled the College to catch

its breath after three years of state funding reductions; set the stage for balancing the 2012 operating budget; and implement selected aspects of its strategic plan.

The diversity of funding sources supporting William & Mary programs provided some level of stability amidst the general uncertainty surrounding national and state economies. While state funding as a percentage of the College's operating budget declined to 14.8 percent, revenue from tuition and fees; self-supporting auxiliary activities such as residence halls and food service, grants and contracts; and private giving remained strong.

A rebound in endowment value that began in fiscal year 2010 continued through fiscal year 2011. By June 30, the consolidated value of endowments held by all the various entities supporting William & Mary and its programs totaled \$624.7 million, an increase of 15.8 percent for the year, and a record high for the College. Strong investment performance across a diversified portfolio combined with the College's ongoing fundraising efforts supported this result.

The College continued to construct new facilities in fiscal year 2011 with the opening of the School of Education and the Sherman and Gloria H. Cohen Career Center. Construction of the School of Education was primarily funded by the state and allowed the College to consolidate the School's activities into a single facility. State-of-the-art classrooms combined with expanded meeting and program space support both the instructional and outreach missions of the School. The privately funded Cohen Career Center provides quality space at a prime loca-

tion nestled between the Sadler Center and Zable Stadium. Its impact has been immediate, with student contacts increasing 54 percent in the first year.

### LONG-TERM PLANS

In the short term, fiscal year 2012 operating budgets approved by the Board of Visitors allow the College to address the full impact of base reductions in state funding. At the same time, budgets approved by the Board and The College of William & Mary Foundation continue to make targeted investments to move the institution forward. The College is using all available revenue sources to support its various programs and activities while reducing budgets where appropriate.

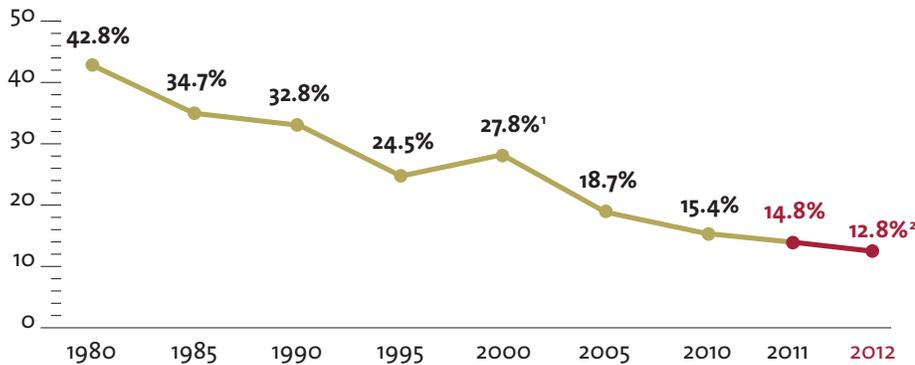
Long-term planning is taking center stage as the College updates its strategic plan and responds to new state planning requirements. On July 1, the College submitted to the Commonwealth an initial draft of a six-year plan developed in response to the recently passed Higher Education Opportunity Act of 2011 (TJ21). This initial draft was discussed with a state-wide review committee, and a revised draft was then approved by the Board of Visitors during the September meeting.

The six-year plan recognizes William & Mary's unusual position in the Commonwealth's system of higher education. During the century since the College became part of Virginia's public higher education system, the state has played a major role in building the College into what it is today — an internationally recognized educational asset of the Commonwealth. Governor McDonnell's Higher Education Commission recognized this fact, referencing "the Commonwealth's commitment ... to having a distinctive 'public ivy' at William & Mary."

The College's six-year plan is rooted in this commitment, the goals set out in William & Mary's own strategic plan, and the objectives of the TJ21 legislation. Beginning in 2008, the College embarked on comprehensive strategic planning. The result has been a "living" roadmap, updated annually and endorsed by the Board of Visitors, defining where the College needs to go and how best to get there. The

**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.

2. Projected for fiscal year 2012.

six-year plan brings together our “public ivy” nature, reflected in our strategic plan, with the goals of TJ21.

The plan acknowledges that the Commonwealth will continue to play an important role in the College’s future, providing both operating and facilities support. However, we do not expect that the state will restore those funds lost since 2008. Competing pressures for resources, and a state revenue base that is driven solely by economic factors, will limit the dollars available to higher education. As a result, College-generated revenue, private support, and a focus on cost-effective service delivery must provide the resources necessary to our success.

The College remains committed to its small size and human scale. Enrollment growth over the next six years will be limited to 200 additional undergraduates. The College will maintain its long-standing commitment to the Commonwealth of an undergraduate student body that is at least 65 percent in-state.

Priority expenditures within the six-year plan reflect the College’s commitment to people — students, faculty and staff. Given the lack of salary increases over the past several years and a growing gap from our benchmark institutions, support for faculty (5 percent annual) and staff (4 percent an-

nual) salaries is the College’s highest priority. Undergraduate student financial aid is our second-highest priority, followed by support for the increased enrollment, the marine science minor and graduate financial aid.

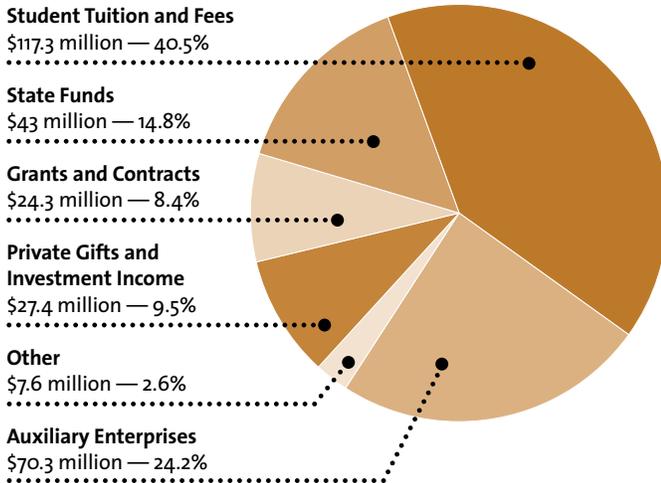
As noted above, the College’s six-year plan is informed by two factors: (1) William & Mary’s unique characteristics within the Commonwealth’s system of higher education, reflected in the College’s ongoing strategic plan; and (2) objectives included in TJ21 legislation. The College’s particular educational qualities, offering a “public ivy” education focused on engaged learning, offers an invaluable source of developing the state’s (and country’s) future leaders in every walk of life, from business to law, politics to finance, science to the arts, and education to medicine. In formulating the College’s six-year plan, we build on that foundation of excellence while remaining cognizant of the state-wide objectives included in the TJ21 legislation.

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

# Operating Revenue and Expenses

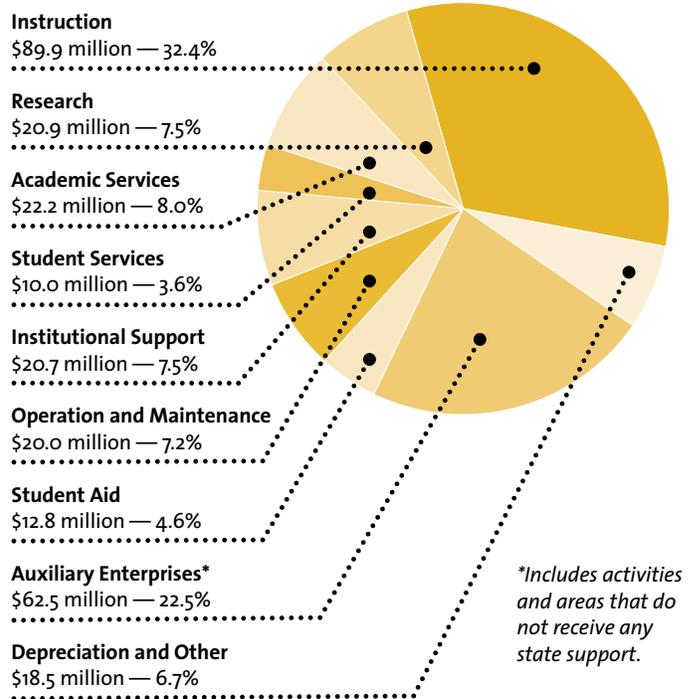
## THE COLLEGE OF WILLIAM & MARY

Operating Revenue — \$289.9 million (unaudited)  
Fiscal year 2011



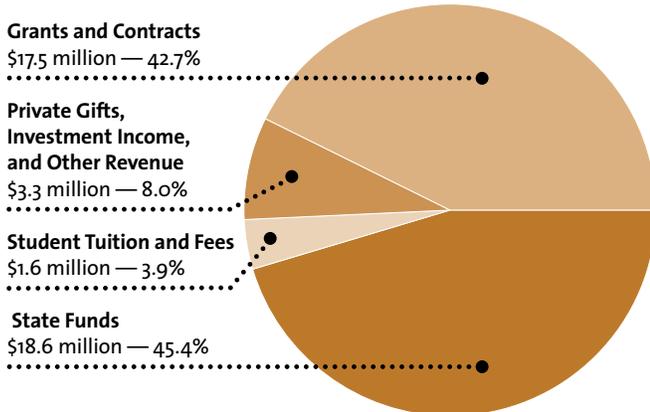
## THE COLLEGE OF WILLIAM & MARY

Operating Expenses — \$277.5 million (unaudited)  
Fiscal year 2011



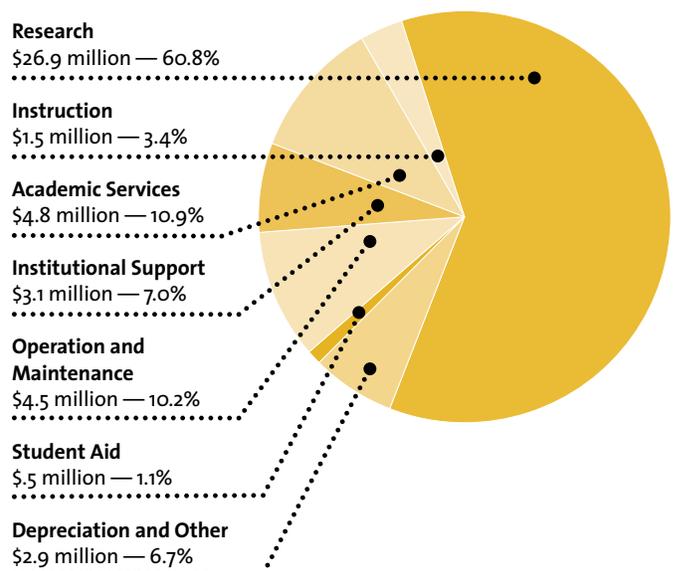
## VIRGINIA INSTITUTE OF MARINE SCIENCE

Operating Revenue — \$41.0 million (unaudited)  
Fiscal year 2011



## VIRGINIA INSTITUTE OF MARINE SCIENCE

Operating Expenses — \$44.2 million (unaudited)  
Fiscal year 2011



## William & Mary Breaks Records

*Fiscal year 2011 private support down slightly from previous year*

For the fiscal year 2011, the College of William & Mary received gifts from more than 28,600 individuals including organizations and corporations, which is an all-time record. The previous record for giving to the College during a single fiscal year was 27,709 in 2010.

In addition to the increase of individual donors, the College broke records in alumni giving — both graduate and undergraduate donors. The success of alumni participation was, in part, due to the success of the “Beat the Record” challenge, which was initiated to surpass a previous record for undergraduate alumni giving. To meet the “Beat the Record” challenge, the College tapped into social media, word-of-mouth and traditional communication tools to encourage giving. The success of “Beat the Record” resulted in an all-time record of undergraduate alumni donors, 13,823, or 23.9 percent of the overall undergraduate alumni population. The previous record for undergraduate alumni who gave to William & Mary during a single fiscal year was 13,451.

### Giving for Fiscal 2011

The College raised \$41.1 million, which is down from 2010’s total. The annual volatility compared to 2010 in the overall totals was created, in part, by fewer realized bequests. In fiscal 2010, the College received \$10 million from bequests. In fiscal 2011, that number was \$2 million.

Despite the \$8 million less received in realized bequests, the College saw organic growth in the fundraising program, which includes gains in pledges, gifts and the number of donors during fiscal 2011.

Classes in reunion years remain an important source for participation and overall giving to the College. The Class of 1961, celebrating its 50th reunion, raised \$4.2 million, which included support for the Brafferton Renewal and Preservation Project and the Alumni House Operating Endowment. The 5th through 45th reunion classes raised \$8.9 million from 2,845 donors (representing 28 percent participation) between July 2009 and October 2010. Six classes exceeded their overall reunion gift goals: 1975, 1985, 1990, 1995, 2000 and 2005.

### Circle of Excellence

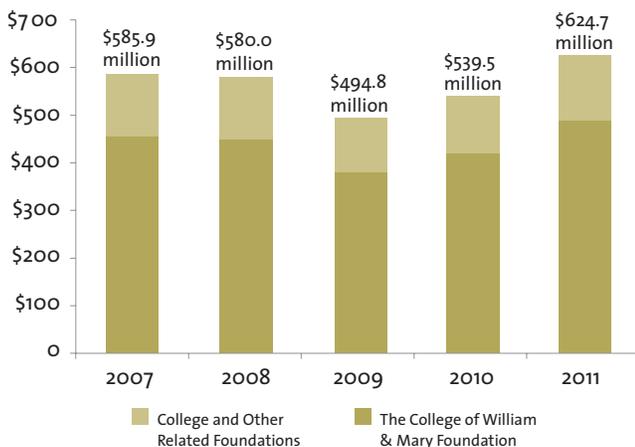
The College’s fundraising and alumni engagement efforts have again been recognized for excellence. For the second consecutive year, William & Mary was recognized for having one of the nation’s best fundraising programs among public and private colleges and universities and is the recipient of the 2011 CASE Award for Educational Excellence. The award recognizes superior fundraising programs across the country and is a component of CASE’s Circle of Excellence program.

The College received an Overall Performance award based on the past three years of fundraising activity. Judges also considered the pattern of growth in total support, the pattern of growth in each program area and the total of support in relation to the alumni base of the institution.

### 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 2011

#### Endowment Gifts

\$9.4 million — 23%

#### Capital Project Gifts

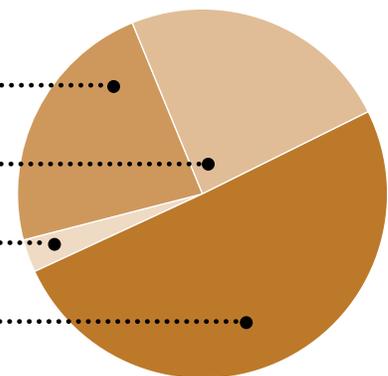
\$9.8 million — 24%

#### Gifts-in-Kind

\$1.2 million — 3%

#### Expendable Gifts

\$20.7 million — 50%



## Investments

### *William & Mary Investment Trust Delivers Solid Performance in 2011*

As of June 30, 2011, the consolidated endowment for the College totaled \$624.7 million — a new high watermark for those endowments supporting the College's programs. Compared to the previous year's total of \$539.5 million, the endowment increased by \$85.1 million, or 15.8 percent. Most of that gain was attributable to the strong investment performance of the William & Mary Investment Trust (WAMIT), which reported a \$54.2 million gain in its investment operations for fiscal year 2011 and a \$27.2 million increase in the value of funds held by others for the benefit of the College. Despite a challenging economic climate, WAMIT earned a commendable 14.6 percent investment return for fiscal year 2011 (July 1, 2010, to June 30, 2011). While WAMIT's fiscal year 2011 return did not fully capture the strong rally in public equities, it is a more defensive portfolio with a diversified complement of investment strategies and structures that continues to deliver solid risk-adjusted returns over the long term under varying circumstances.

As of June 30, 2011, the Investments Committee had oversight responsibility through WAMIT of approximately \$420 million in investable assets. Representative ownership in WAMIT consisted of 87.9 percent belonging to The College of William & Mary Foundation (CWMF), 6.1 percent belonging to

the Marshall-Wythe School of Law Foundation, 4.2 percent belonging to the William & Mary School of Business Foundation and 1.8 percent belonging to the VIMS Foundation. Collectively, WAMIT investments represent approximately 67 percent of the \$624.7 million in total endowment resources that benefit the College.

WAMIT performance is tied to the highly diversified active management structure of the portfolio. Within this structure, domestic stocks, representing all cap sizes, make up 18.4 percent of the portfolio — up 2.2 percent from last year's June 30 weighting of 16.2 percent. WAMIT's domestic equity managers returned a composite of 27.3 percent for the year, underperforming the broad Russell 3000 Index and the larger cap S&P 500 Index, which returned 32.4 percent and 30.7 percent, respectively.

Foreign equity invested in developed regions of Europe, Asia and North America (ex-U.S.) had a portfolio representation of approximately 10.5 percent at June 30, up from last year's weighting at 9.1 percent. Investment performance was a strong 30.1 percent, right in line with the 30.3 percent return of the MSCI World ex-U.S. Index benchmark. Investments in the emerging markets, now at approximately 8.0 percent of the portfolio, produced a 15.3 percent return, trailing the benchmark MSCI Emerging Markets

#### INVESTMENT RESULTS

As of June 30, 2011 — Net of fees

	1 YEAR	3 YEARS	5 YEARS
The William & Mary Investment Trust (WAMIT)	14.6%	3.1%	5.1%
Blended Benchmark	26.0%	3.8%	4.1%
Value Added	-11.4%	-0.7%	1.0%

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

Index of 28.2 percent by some 12.9 percent. Specific investments in the Asian Pacific markets and India contributed to underperformance against the benchmark.

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 equate to the yield of the CPI plus 5 percent (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. Each manager in our Absolute Return category is structured as a hedge fund. As a group, these managers delivered 8.4 percent in return in fiscal year 2011. Special Situations is currently populated with managers, seeking to exploit market dislocations in areas such as distressed credit and event arbitrage. Combined, these Special Situation strategies comprised 15 percent of the portfolio and returned 11.8 percent. Together, Absolute Return and Special Situations comprised approximately 36.2 percent of the WAMIT portfolio at June 30. The blended return of these two strategies was 9.7 percent for the year, exceeding the 8.6 percent CPI plus 5 percent benchmark.

Private Equity, consisting of buyouts and venture capital, constituted approximately 6.6 percent of total assets at June 30 against a targeted policy allocation of 8 percent. Private equity had a 17.1 percent return in 2011. Our internal long-term benchmark for private equity is the S&P 500 plus 5 percent, reflecting what we perceive to be the opportunity cost in deviating from the public market. This benchmark returned 35.9 percent for the year.

The fixed income portion of the portfolio returned 4.9 percent for the fiscal year. This compares to the 3.9 percent return of the Barclays Capital U.S. Aggregate Bond Index. In Real Assets, an asset class comprised of investments in commodities, natural

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

Fiscal year 2011	JUNE 30, 2011 ALLOCATION
Domestic Equities	18.4%
Foreign Equities	10.5%
Emerging Market Equities	8.0%
Fixed Income	8.3%
Special Situations	15.0%
Absolute Return	21.1%
Real Assets	7.8%
Private Equity	6.6%
Cash	3.2%
Distributed Securities	1.1%

resources (oil, gas and timber) and equity real estate, WAMIT's strategies had a combined return of 9.5 percent, outperforming the CPI plus 5 percent benchmark of 8.6 percent by 0.9 percent. At June 30, fixed income carried an 8.3 percent weight in the portfolio, real assets a 7.8 percent weight, and cash a 3.2 percent weight with a corresponding amount slightly in excess of \$13.3 million.

As noted above, participants in WAMIT include The College of William & Mary Foundation, which is responsible for WAMIT's oversight, as well as foundations supporting the Mason School of Business, William & Mary Law School and the Virginia Institute of Marine Science. All participants in WAMIT have the same exposure and access to asset classes and investment managers, and each is allowed to determine its own spending rate. 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 the 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 2011*

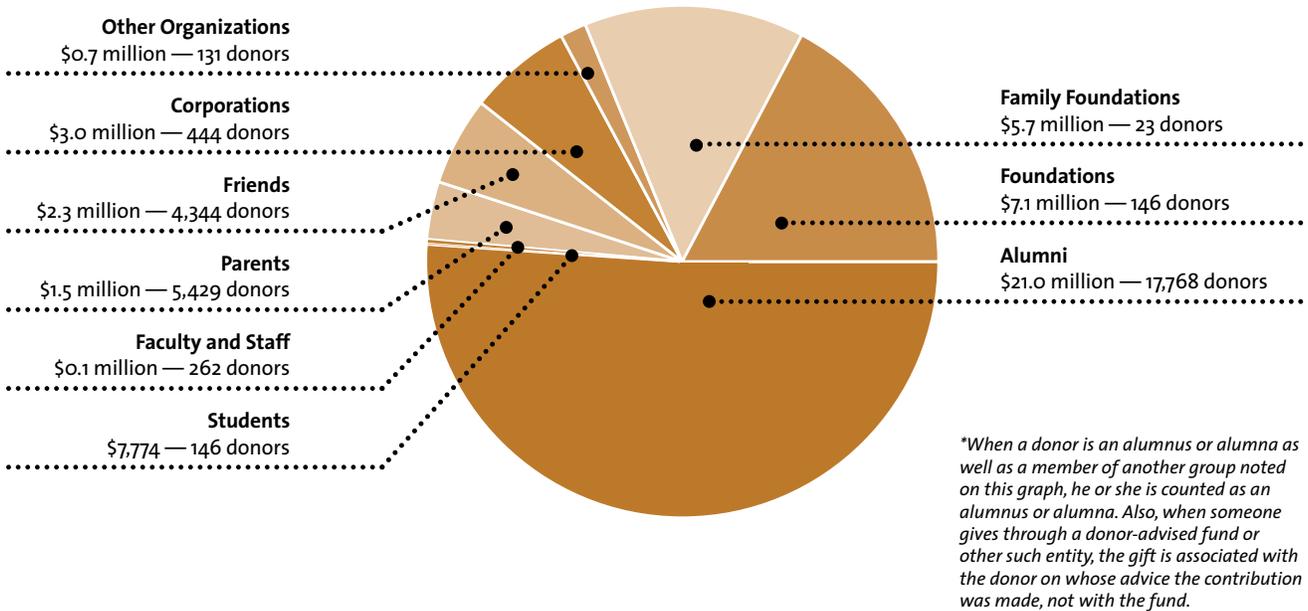
## GIFTS BY AREA

The following chart shows gifts made to all areas of the College of William & Mary and its related foundations between July 1, 2010, and June 30, 2011.

Area	Type of Gift				All Gift Types
	Expendable Gifts	Endowment Gifts	Facilities Support	Gifts-in-Kind/ Other	
<b>Schools</b>					
Faculty of Arts & Sciences	\$ 4,476,108	\$ 3,712,115	\$ 0	\$ 97,852	\$ 8,286,075
Mason School of Business	\$ 1,604,781	\$ 242,388	\$ 3,248,508	\$ 16,067	\$ 5,111,744
School of Education	\$ 399,157	\$ 186,485	\$ 0	\$ 1,387	\$ 587,029
William & Mary Law School	\$ 1,582,690	\$ 1,234,806	\$ 271,071	\$ 281,172	\$ 3,369,740
Virginia Institute of Marine Science	\$ 569,249	\$ 285,613	\$ 0	\$ 300	\$ 855,162
<b>Programs and College-wide Support</b>					
Fund for William & Mary	\$ 5,389,131	\$ 0	\$ 0	\$ 0	\$ 5,389,131
Other College-wide Funding (including faculty support, student aid and other areas)	\$ 1,435,277	\$ 1,646,608	\$ 4,091,116	\$ 409,949	\$ 7,582,950
Alumni Association and Order of the White Jacket	\$ 293,013	\$ 60,835	\$ 31,150	\$ 53,513	\$ 438,512
Ash Lawn-Highland	\$ 8,744	\$ 0	\$ 0	\$ 0	\$ 8,744
Tribe Athletics	\$ 3,185,399	\$ 1,166,297	\$ 2,179,570	\$ 157,164	\$ 6,688,431
Earl Gregg Swem Library	\$ 1,070,187	\$ 487,555	\$ 0	\$ 151,796	\$ 1,709,538
Muscarella Museum of Art	\$ 278,380	\$ 75,100	\$ 0	\$ 287,457	\$ 640,937
Omohundro Institute of Early American History and Culture	\$ 460,215	\$ 20,100	\$ 0	\$ 0	\$ 480,315
<b>GIFTS TO ALL AREAS</b>	<b>\$ 20,752,332</b>	<b>\$ 9,117,903</b>	<b>\$ 9,821,416</b>	<b>\$ 1,456,657</b>	<b>\$ 41,148,308</b>

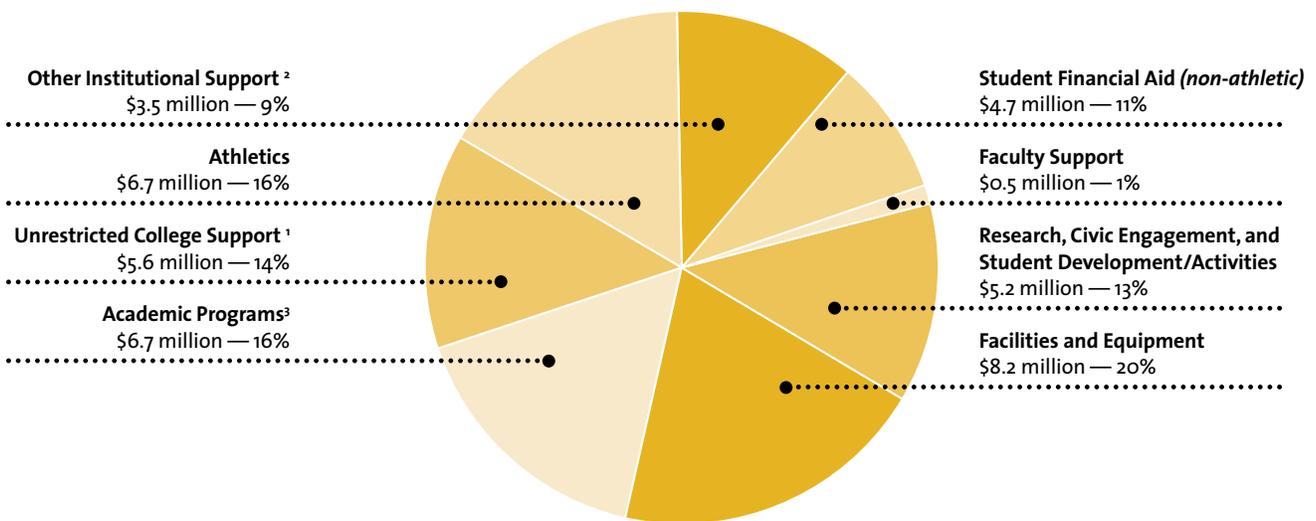
## GIFTS BY SOURCE

The following graph shows the sources of the \$41.1 million raised for the College of William & Mary and its related foundations between July 1, 2010, and June 30, 2011.\*



## GIFTS BY PURPOSE

This graph shows for what purposes the \$41.1 million in private gifts to the College and its related foundations during fiscal year 2011 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

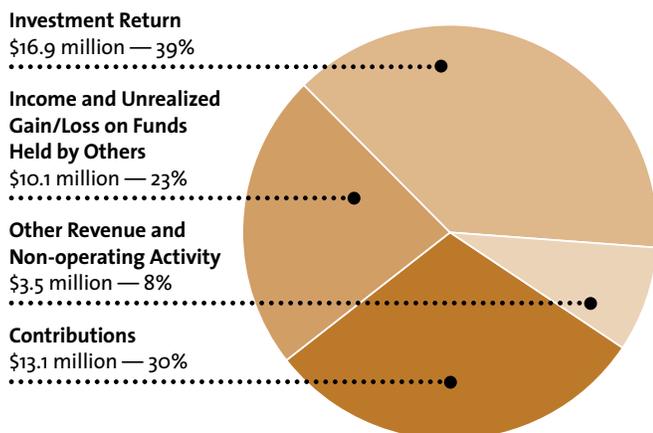
### SUMMARY STATEMENT OF FINANCIAL POSITION — CONSOLIDATED \*

	JUNE 30, 2011
<b>Assets</b>	
Cash	\$ 5,980,050
Pledges and other receivables	12,518,053
Investments	384,081,428
Funds held in trust by others	112,926,060
Property and other assets	19,425,030
<b>Total Assets</b>	<b>\$534,930,621</b>
<b>Liabilities and Net Assets</b>	
<b>LIABILITIES:</b>	
Accounts, notes and bonds payable	\$ 14,240,268
Funds held for others	14,371,950
Other liabilities	4,707,637
<b>TOTAL LIABILITIES</b>	<b>\$ 33,319,855</b>
<b>NET ASSETS:</b>	
Unrestricted	\$ 17,415,035
Temporarily Restricted	169,840,283
Permanently Restricted	314,355,448
<b>TOTAL NET ASSETS</b>	<b>\$ 501,610,766</b>
<b>Total Liabilities and Net Assets</b>	<b>\$534,930,621</b>

\* Includes four subsidiaries.

### AVERAGE SOURCES OF SUPPORT — \$43.8 MILLION

Fiscal years 2007–2011



### SUMMARY STATEMENT OF ACTIVITIES\*

	JUNE 30, 2011
<b>Revenues and Non-operating Activity</b>	
Contributions	\$ 12,221,222
Income on funds held by others	3,024,086
Operating and non-operating investment return	46,924,532
Unrealized gains on funds held in trust by others	27,286,234
Other revenue & non-operating activity	4,819,023
<b>TOTAL REVENUES AND NON-OPERATING ACTIVITY</b>	<b>\$ 94,275,097</b>
<b>Expenses</b>	
Program expenses	\$ 26,923,951
Fundraising	2,506,246
Administrative and other	1,201,765
<b>TOTAL EXPENSES</b>	<b>\$ 30,631,962</b>
<b>Change in Net Assets</b>	<b>\$ 63,643,135</b>
<b>Net Assets — Beginning of year</b>	<b>\$437,967,631</b>
<b>Net Assets — End of year</b>	<b>\$501,610,766</b>

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

Fiscal years 2007–2011

