

A grayscale photograph of a university building with a clock tower and a statue in the foreground. The building has a prominent clock tower with a weather vane on top. The statue in the foreground is a large, classical-style figure holding a scroll. The background shows bare trees, suggesting a winter or late autumn setting. The overall tone is somber and academic.

2015 PRESIDENT'S REPORT



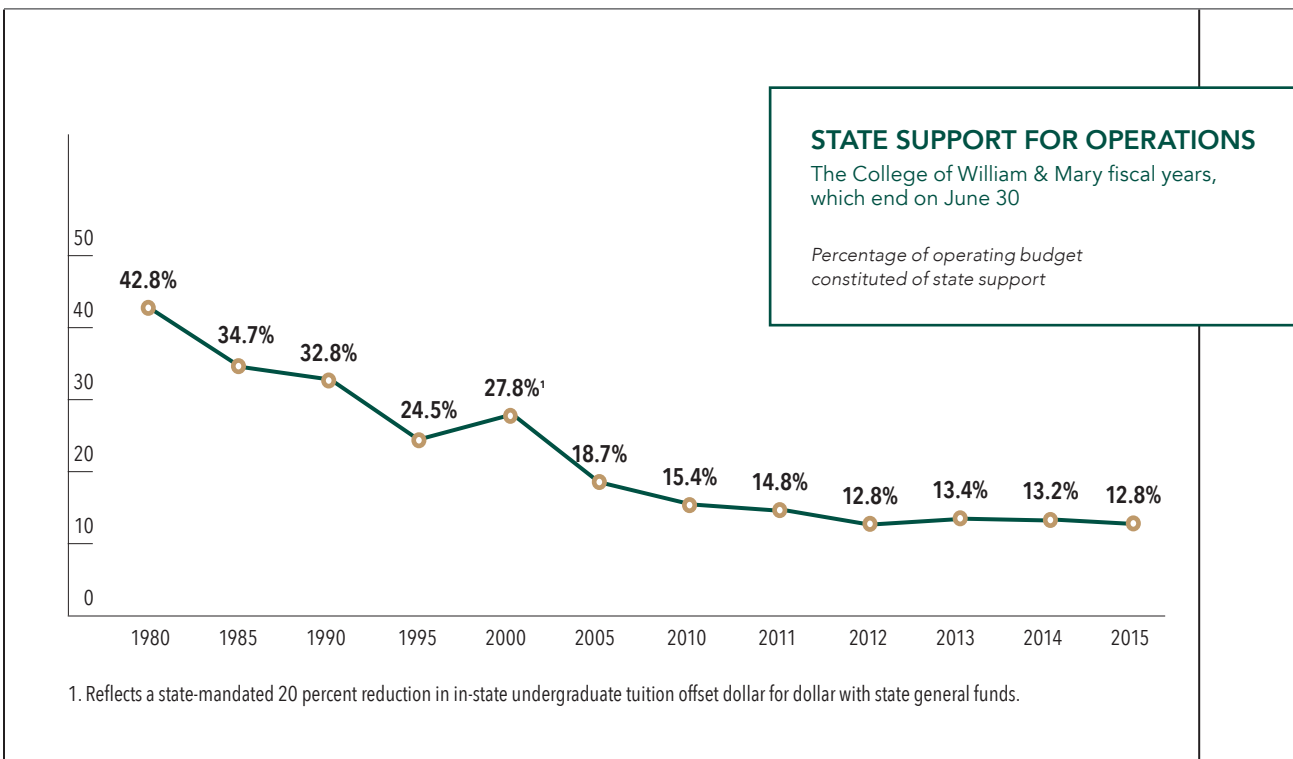
13 FINANCIAL
REPORT

WILLIAM & MARY'S FINANCIAL PERFORMANCE

Fiscal year 2015 (FY 2015) saw ongoing improvement in the university's finances as revenues remained strong, expenditures reflected strategic priorities and endowment values and

private giving reached record levels. William & Mary's financial health continues to reflect our ability to recruit outstanding students, our status as both a public institution within the Commonwealth of Virginia and a nationally and internationally recognized "Public Ivy;" the ability to raise revenue through tuition and fees, grants and contracts, and philanthropy; and, a willingness to reallocate funds toward higher-priority items.

William & Mary continues to recruit, admit and retain top-caliber students even as the university competes against the most selective public and private institutions in the country. Freshman applications reached a new high of 14,953 for fall 2015. The credentials of our admitted students



remain strong, reflecting the highly selective nature of the university. This strength, coupled with our institution's academic reputation, suggests significant student demand well into the future.

State support for operations is a function of general economic conditions and the priority assigned to higher education among competing demands for commonwealth resources. Unstable financial conditions resulted in a reduction of state funding for William & Mary by 5.7 percent in fiscal year 2015. This again demonstrates that we exercise caution in making budget commitments that assume state investment. Revenue from tuition and fees, self-supporting auxiliary enterprise activities (residence halls, food service, intercollegiate athletics, etc.); grants and contracts; and, private giving continue to provide the diversity of funding critical to the university's overall financial health.

In FY 2015, the university continued implementation of the William & Mary Promise, an operating model that provides vitally needed resources to secure the future of Virginia's distinctive "Public Ivy." The Board of Visitors and the administration remain focused on attracting and retaining the very best students, faculty and staff while enhancing program quality, affordability and access for Virginia students. As tuition is reset for each incoming class, the Promise provides a

four-year tuition guarantee, relief for low- and middle-income Virginia families with need, less debt for Virginia students and additional in-state enrollment slots.

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

During FY 2015, funds generated through the Promise, in combination with private and reallocated funds, allowed the university to move forward with key elements of its strategic plan. Salary support for faculty and staff, financial aid for undergraduate and graduate students, and programmatic support for additional enrollment, faculty research, international and study abroad activities and instructional technology served to move the College forward in these vital areas.

The rebound in endowment value began in fiscal year 2010 and has continued through fiscal year 2015. By June 30, 2015, the consolidated value of endowments held by all of the various entities supporting William & Mary and its programs totaled \$811.2 million, a record high for the university.

Consistent investment performance by both the Board of Visitors portfolio and the William & Mary Investment Trust (WAMIT), along with increasing gift flow, support endowment growth. The Board of Visitors' endowment and WAMIT, which includes the endowment funds of the Foundation and three other College-related foundations, are the largest of William & Mary's investment portfolios. These portfolios remain highly diversified across asset classes. A more detailed discussion of investment performance follows.

For the first time in its history, the university raised more than \$100 million in three consecutive years, securing \$105.8 million in gifts and commitments during FY 2015. With more than 16,800 undergraduate alumni donors, an undergraduate alumni giving rate of 27.1 percent and increased investment in University Advancement, we expect an increase in private support for programs and activities now that the university has publicly announced its \$1 billion fundraising initiative — *For the Bold: The Campaign for William & Mary*.

Facilities activity remains brisk on campus. On the academic side, the final phase of the Integrated Science Center (ISC3) and the renovation inside Tyler Hall are both underway. 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 university's six-year capital plan submitted to the commonwealth requested funding to support the phased implementation of an "Arts Quarter," providing quality instructional, performance and exhibition space for our students, faculty and visitors.

The university's master land use plan, which serves as a guide for future campus development, was presented to the Board of Visitors for review and approval in November 2014 and approved by the board in February 2015.

DEBT MANAGEMENT

To date, William & Mary has issued none of its own debt but rather had debt issued on its behalf by the Commonwealth of Virginia. While the university remains responsible for principal and



Samuel E. Jones '75, M.B.A. '80
Photo: Stephen Salpukas

interest associated with this debt, this approach allows the College to minimize issuance costs and take advantage of the commonwealth's strong credit position.

As of June 30, 2015, outstanding long-term debt totaled \$240.4 million, consisting of \$78.6 million in 9(c) bonds and \$161.8 million in 9(d) bonds. Section 9(c) bonds are general obligation bonds issued by the commonwealth on behalf of the university pursuant to Section 9 of Article X of the constitution of Virginia. As such, while William & Mary is responsible for repayment, these bonds are backed by the full faith and credit of the commonwealth. Section 9(d) bonds are issued through the Virginia College Building Authority's Pooled Bond Program and backed by the general revenue pledge of the university. As debt is issued, the College's fee structure is adjusted to generate the funds necessary to support any new debt issuance or, in certain cases, private funds to support the necessary debt service are identified consistent with the requirements of the Debt Management Policy.

Long-term debt is used primarily to support the construction or renovation of major auxiliary facilities, including residence halls, university centers and dining facilities, parking improvements and recreational and athletic facilities. College-supported debt service for academic facilities has been used to provide supplemental funding for projects receiving significant support from the commonwealth or for projects where significant private support is available. The typical debt vehicle is a 20 year, fixed-rate 9(c) or 9(d) bond issued by

the Commonwealth of Virginia. Over the course of the bond period, bonds may be refinanced to take advantage of cost-saving opportunities. The university currently has no outstanding variable rate debt.

While William & Mary has not issued its own debt, Standard & Poor's reaffirmed its "AA" issuer credit rating for the university in July 2015, citing strong student quality and demand, consistent break-even financial performance, and solid fundraising and endowment.

The university's Debt Management Policy stipulates that maximum annual debt service as a percentage of total operating expense shall not exceed 10 percent and that debt issued in any given year shall be limited to an amount that allows the debt service to total operating expense ratio to remain at or below the 10 percent maximum. This ratio stood at 5.6 percent for FY 2015. The debt service ratio has remained reasonably stable during the past few years and we expect similar stability for FY 2016 and FY 2017 even while new debt is being issued. This is attributable to new debt being issued at an overall lower interest rate, systematic refunding of existing debt to take advantage of lower interest rates, and a steady increase in operating expenditures.

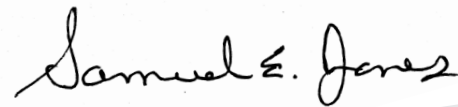
BUSINESS INNOVATION AND PRODUCTIVITY ENHANCEMENTS

The university is committed to the effective and efficient use of its financial resources. The William & Mary Promise confirmed this, requiring that the College review its business processes, administrative services and organizational design. The business innovation initiative, launched in December 2013, allows the university to identify the best and most fiscally sound ways to promote innovation in its business processes, to seek new sources of revenue and to reallocate funds to the university's highest priorities. As President Reveley noted in his December 2013 message to campus, the Promise "calls on the whole William & Mary family to contribute in the ways each of us can contribute: students through tuition, alumni and friends through philanthropy, and faculty and staff through productivity gains in our work on campus. We will

all benefit from our common success."

Although William & Mary already operates at high levels of effectiveness and efficiency, the business innovation initiative provides a structured and ongoing opportunity for discovering how to improve both. Early successes include increased savings through better use of procurement processes, cost avoidance by migrating certain Information Technology services to the cloud, and streamlining human resources processes for position listings and approvals.

The business innovation initiative is guided by a steering committee that is co-chaired by the provost and the vice president for strategic initiatives and includes faculty, administrators, a student and two members of the Board of Visitors. An initial assessment phase of potential opportunities was completed with the help of the Censeo Consulting Group in early 2014. To date, the university has reallocated \$4.3 million, reprogramming these funds to higher, more strategic priorities. We expect this process to continue over the next five years.

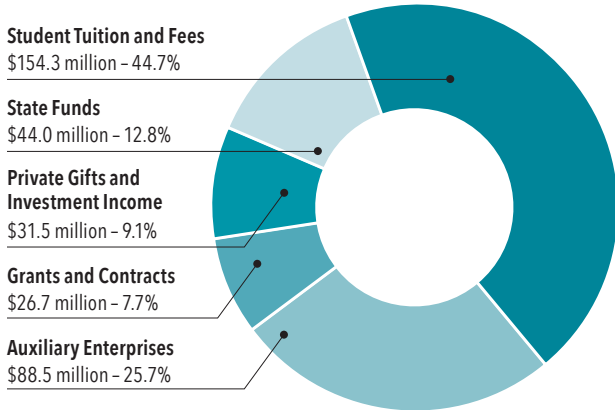


Samuel E. Jones '75, M.B.A. '80

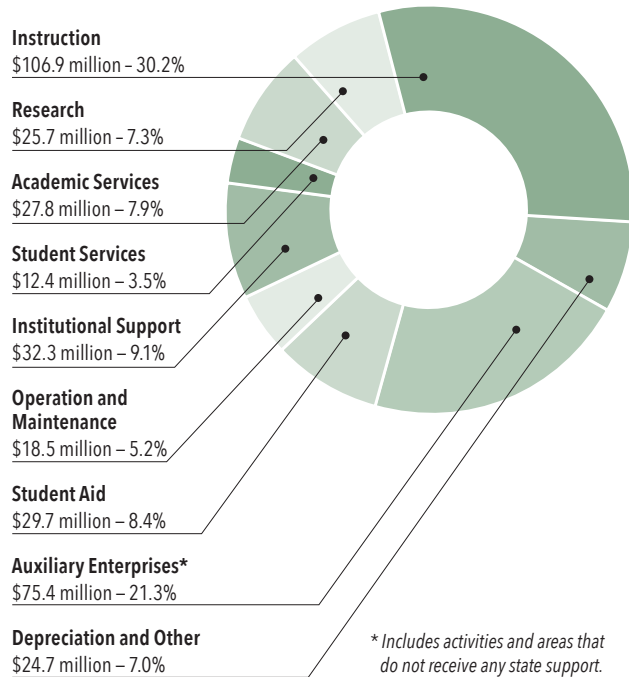
SENIOR VICE PRESIDENT FOR FINANCE
AND ADMINISTRATION

W&M FY 2015 OPERATING REVENUE AND EXPENSES
THE COLLEGE OF WILLIAM & MARY

OPERATING REVENUE \$345.0 million (Unaudited)

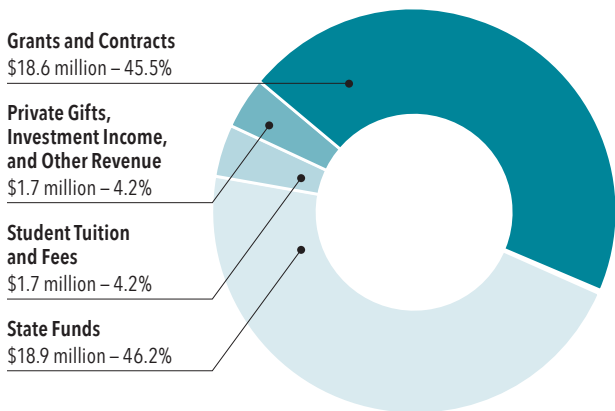


OPERATING EXPENSES \$353.4 million (Unaudited)

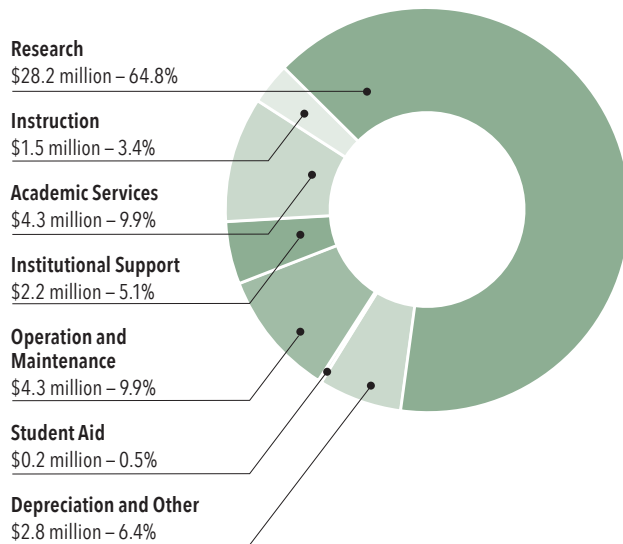


VIMS FY 2015 OPERATING REVENUE AND EXPENSES
VIRGINIA INSTITUTE OF MARINE SCIENCE

OPERATING REVENUE \$40.9 million (Unaudited)



OPERATING EXPENSES \$43.5 million (Unaudited)



WILLIAM & MARY SURPASSES ALL PREVIOUS FUNDRAISING AND ALUMNI GIVING RECORDS

William & Mary raised a record-breaking \$105.8 million in a single fiscal year and now has one of the highest percentages of undergraduate alumni from a public university giving back to their alma mater — 27.1 percent or more than 16,800 alumni. If current rankings stand, William & Mary will now be the top public university in the U.S. for undergraduate alumni participation.

“Last fiscal year provides a powerful example of our alumni and friends coming together to support William & Mary,” said President Taylor Reveley. “These accomplishments reinforce how the alumni of this 322-year old institution refuse to rest on their laurels but rather continue to make history every day.”

William & Mary surpassed previous alumni giving records in FY 2013 and FY 2014, in which 14,368 and 15,141 alumni gave back to the university respectively. Based on data published by *U.S. News & World Report* in 2014, William & Mary was ranked number two among top public universities in the U.S. in alumni participation and number one among all “Public Ivy” institutions. *U.S. News* defines undergraduate alumni donors as alumni with undergraduate degrees from an institution who made one or more gifts for either current operations or capital expenses during the specified academic year.

“At a time when other universities struggle with declining alumni participation rates, William & Mary’s upward trajectory bodes well for our future,” said Dan Frezza, assistant vice president for Lifetime Philanthropic Engagement and Annual Giving at William & Mary. “We are thankful to all of the alumni who chose to invest in this great university.”

William & Mary has raised more than \$100 million in a fiscal year only four times, including the last three years. The university also exceeded FY 2014 fundraising efforts by increasing private dollars raised from \$104.2 million to a total of \$105.8 million. Impressively, 35,896 private donors, including 16,805 undergraduate and 4,152 graduate and professional alumni, joined with students, parents and friends to generously support William & Mary in FY 2015.

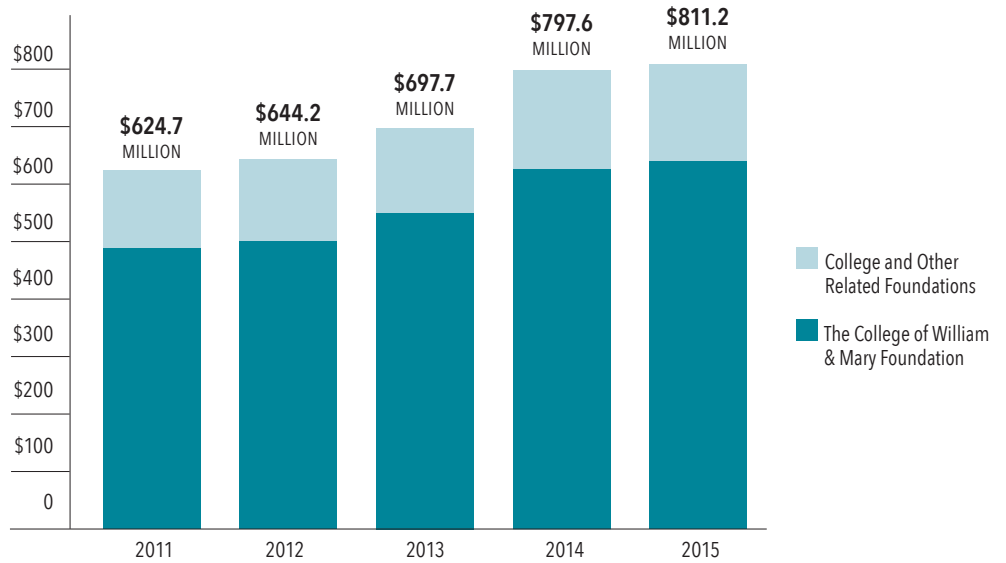
The university received a total of \$7.5 million from corporations and private foundations to help benefit students and faculty across campus. Notable grants included \$2.6 million from the Andrew W. Mellon Foundation to endow an interdisciplinary faculty fellows program; a Broderick-Goldman Sachs Gives Challenge of \$500,000 which helped raise a total of \$1 million to support scholarships; and a \$500,000 challenge grant from The Cabell Foundation to raise a total of \$1.5 million for vital new science equipment.

“At a time when other universities struggle with declining alumni participation rates, William & Mary’s upward trajectory bodes well for our future.”

“William & Mary’s priority is to provide a rigorous educational experience full of opportunity and promise,” said Matthew T. Lambert ’99, vice president for University Advancement at William & Mary. “Private support plays a vital role in ensuring the university has the necessary resources to attract and retain the best and brightest students and faculty who are vital to the academic enterprise.”

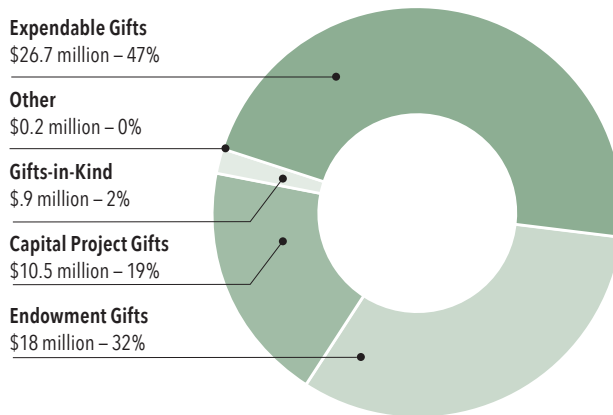
In light of declining public support for higher education, it is critical for the university to raise private funds to help meet important goals and priorities such as increased scholarships support, innovative and collaborative learning opportunities and teaching excellence. For this reason, Lambert said, William & Mary is prepared to raise more than it has ever raised before.

ENDOWMENT CHANGE OVER TIME W&M AND RELATED FOUNDATIONS



The W&M Fiscal Year ends on June 30.

FY 2015 GIFTS* BY TYPE W&M AND RELATED FOUNDATIONS



Total cash and commitments for FY 2015 was \$105.8 million. The university secured \$56.3 in gifts and \$49.5 in commitments.

INVESTMENTS

As of June 30, 2015, the consolidated endowment for the university totaled \$811.2 million — another new high watermark. Compared to the previous year's total of \$797.6 million, the endowment increased by approximately \$13.6 million, or 1.7 percent. The William & Mary Investment Trust (WAMIT), the largest of the investment portfolios, earned a 4.5 percent rate of return for the fiscal year ending June 30, 2015. WAMIT's Blended Policy Benchmark returned -1.3 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 U.S. Aggregate Bond Index, a 2 percent weighting to the Barclays U.S. Credit Index, an 8 percent weighting to the Barclays U.S. High Yield Index and a 10 percent weighting to the Bloomberg Commodity Total Return Index. The composition of WAMIT's Blended Policy Benchmark reflects the broad diversification in WAMIT's investment allocation.

INVESTMENT RESULTS

As of June 30, 2015 - Net of fees

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
WAMIT Portfolio	4.5%	9.9%	8.4%	6.7%
Blended Policy Benchmark	-1.3%	8.0%	9.4%	5.3%
Value Added	+5.8%	+1.9%	-1.0%	+1.4%

The WAMIT portfolio is constructed along asset class groupings, which are shown in the next column with the investment allocation and associated returns as of June 30, 2015.

	WAMIT Allocation at 6/30/15	WAMIT Annual Return
Domestic Equity	25.1%	7.3%
Foreign Equity:		
Developed Countries	15.3%	6.4%
Emerging Markets	8.1%	-4.5%
Private Equity	14.0%	20.9%
Marketable Alternatives:		
Absolute Return	16.5%	1.1%
Special Situations	7.2%	1.5%
Real Assets	6.2%	-5.3%
Fixed Income	4.9%	2.1%
Cash	2.6%	0.0%
Distributed Securities	0.1%	-

Domestic stocks, representing all cap sizes, returned 7.3 percent, matching the benchmark return of the broad Russell 3000 Index. The S&P 500 Index returned 7.4 percent. Maintaining a healthy core allocation to domestic equity proved to be a successful tactic contributing to overall portfolio appreciation in 2015.

With a low interest rate environment, relatively favorable growth forecasts, and optimism on corporate profits, the United States remains as the preferred safe harbor for investment capital. Primarily due to market appreciation, WAMIT's exposure to domestic equity has steadily risen over the years from 18.4 percent in 2011, to 19.9 percent in 2012, to 22.9 percent in 2013, to 24.4 percent in 2014 to its current year-end weight of 25.1 percent.

Foreign equity invested in developed regions of Europe, Asia and the Far East had a portfolio representation of approximately 15.3 percent on June 30, up slightly from last year's weighting at 14.7 percent. Investment performance of 6.4 percent exceeded the asset class benchmark of the MSCI EAFE Index of -4.2 percent by a factor of 106.0 basis points, or 10.6 percent. Emerging markets continued to be a difficult area for investment during the past year. WAMIT's performance in this asset class was a -4.5 percent return, faring slightly better than the MSCI Emerging Markets Index return of -4.8 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 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 23.7 percent of the WAMIT portfolio as of June 30, 2015, down measurably from 33.1 percent in 2012 and 36.2 percent in 2011. Distributions and gains from liquidating credit strategies and reduced exposure to multi-strategy type hedge funds account for the gradual decline in weighting. Combined, these marketable alternatives produced a 1.3 percent return in 2015. Individually, managers in the absolute return category returned 1.1 percent, trailing the benchmark HFR Fund of Funds Composite that returned 3.8 percent. Managers in special situations collectively produced a 1.5 percent return, exceeding the HFR Distressed Securities benchmark that returned -5.9 percent.

Private equity constituted approximately 14 percent of total assets on June 30, 2015, up from 11.5 percent in 2014, 10.6 percent in 2013 and 9.3 percent in 2012 and 6.6 percent in 2011. WAMIT's private equity returned 20.9 percent in 2015. Its benchmark, the Russell 3000 Index, reflecting the opportunity cost in deviating from the broad public market, returned 7.3 percent. Not only were new commitments made to private equity during FY 2015, but sizable gains were recognized in many underlying portfolios as many private companies either were bought or went public at high multiples. With current exposure levels now in the mid-teens and slightly above WAMIT's policy allocation, future returns expectedly will have more impact on WAMIT's total performance. This bodes well for the portfolio as private equity offers attributes and characteristics different from the public markets, and consequently this asset class serves as both a diversifier of risk and a source of meaningful investment return.

The fixed-income portion of the portfolio returned 2.1 percent for the fiscal year. This compares to the 1.9 percent return of the Barclays 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 -5.3 percent, outperforming the Bloomberg Commodity Total Return Index of -23.7 percent by 18.4 percent. On June 30, 2015, fixed-income carried a 4.9 percent weight in the portfolio; real assets a 6.2 percent weight; and cash, a 2.6 percent weight with a corresponding amount of slightly more than \$15 million.

As of June 30, 2015, the Investments Committee had oversight responsibility of approximately \$578.5 million in investable assets contained within WAMIT. At that time, 86.2 percent of representative ownership in WAMIT belonged to the College of William & Mary Foundation, 6.1 percent belonged to the Marshall-Wythe School of Law Foundation, 5.6 percent belonged to the William & Mary School of Business Foundation, and 2.1 percent belonged to the VIMS Foundation. Collectively, WAMIT investments represent approximately 71 percent of the \$811.2 million in total endowment resources that benefit the university.

PRIVATE GIFTS

THE COLLEGE OF WILLIAM & MARY AND RELATED FOUNDATIONS

FISCAL YEAR 2015

Total cash and commitments for FY 2015 was \$105.8 million; the university secured \$56.3 million in gifts and \$49.5 million in commitments.

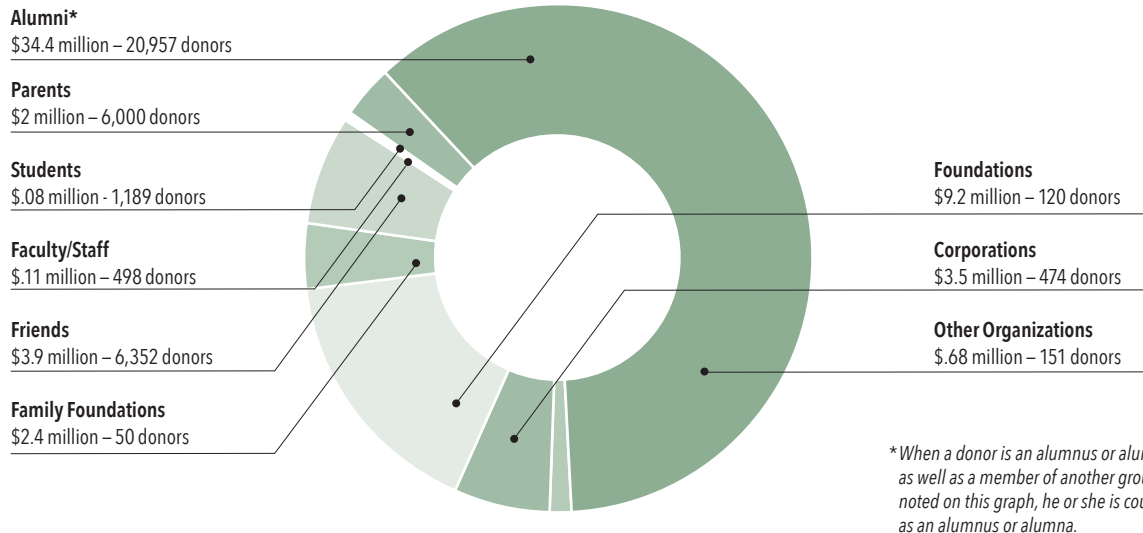
GIFTS BY AREA

The following chart shows gifts made to all areas of the College of William & Mary and its related foundations between July 1, 2014, and June 30, 2015.

Area	Type of Gift				All Gift Types
	EXPENDABLE GIFTS	ENDOWMENT GIFTS	FACILITIES SUPPORT	GIFTS-IN-KIND OTHER	
SCHOOLS					
Faculty of Arts & Sciences	\$ 3,856,509	\$ 3,122,125	\$ 94,942	\$ 106,990	\$ 7,180,566
Raymond A. Mason School of Business	\$ 3,254,926	\$ 1,423,456	\$ 4,116,758	\$ 0	\$ 8,795,140
School of Education	\$ 719,876	\$ 238,421	\$ 0	\$ 1,065	\$ 959,362
William & Mary Law School	\$ 2,306,829	\$ 658,658	\$ 1,656,955	\$ 13,399	\$ 4,635,841
Virginia Institute of Marine Science	\$ 681,123	\$ 692,319	\$ 200,000	\$ 4,000	\$ 1,577,442
PROGRAMS AND COLLEGE-WIDE SUPPORT					
Fund for William & Mary	\$ 5,940,608	\$ 0	\$ 0	\$ 0	\$ 5,940,608
Other College-wide Funding (including faculty support, student aid and other areas)	\$ 3,349,056	\$ 8,999,335	\$ 905,868	\$ 348,149	\$13,602,408
Alumni Association and Order of the White Jacket	\$ 276,536	\$ 84,767	\$ 751,401	\$ 96,772	\$ 1,209,476
Tribe Athletics	\$ 4,553,893	\$ 1,753,169	\$ 2,575,998	\$ 136,208	\$ 9,019,268
Earl Gregg Swem Library	\$ 409,793	\$ 1,055,424	\$ 0	\$ 82,013	\$ 1,547,230
Muscarella Museum of Art	\$ 410,935	\$ 42,496	\$ 154,546	\$ 247,424	\$ 855,401
Omohundro Institute of Early American History and Culture	\$ 947,527	\$ 6,447	\$ 0	\$ 54,572	\$ 1,008,546
GIFTS TO ALL AREAS	\$26,707,611	\$18,076,617	\$10,456,468	\$1,090,592	\$56,331,288

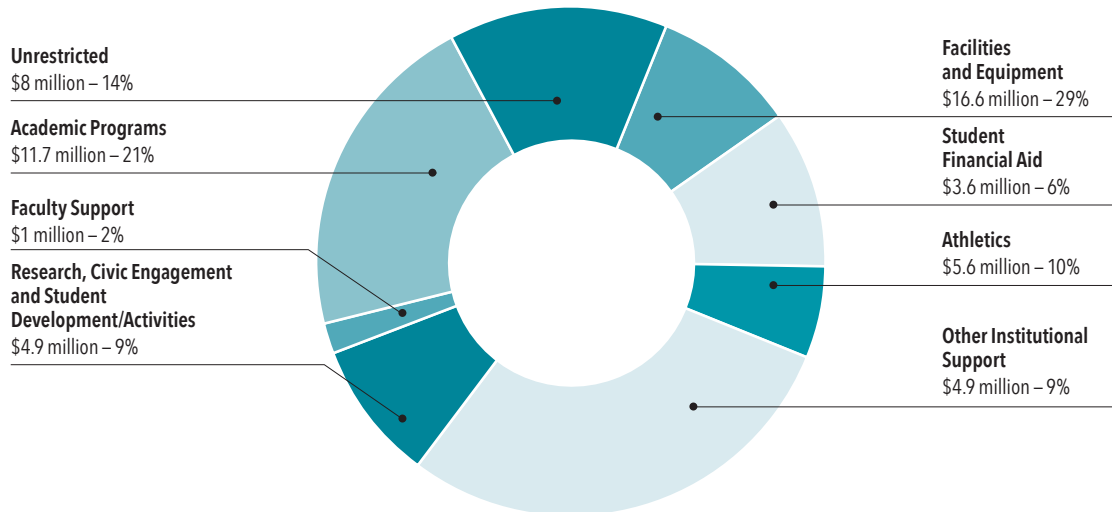
GIFTS BY SOURCE

The following graph shows the sources of the \$56.3 million raised for the College of William & Mary and its related foundations between July 1, 2014, and June 30, 2015.



GIFTS BY PURPOSE

This graph shows for what purposes the \$56.3 million in private gifts to the university and its related foundations during fiscal year 2015 was designated.



FINANCIAL SUMMARY

THE COLLEGE OF WILLIAM & MARY FOUNDATIONS

FY 2015

SUMMARY STATEMENT OF FINANCIAL POSITION — CONSOLIDATED *

As of June 30, 2015

Assets:	
Cash	\$ 8,286,462
Pledges and other receivables	25,052,715
Investments	535,172,484
Funds held in trust by others	130,829,146
Property and other assets	18,074,460
Total Assets	\$ 717,415,267
Liabilities and Net Assets	
LIABILITIES:	
Accounts, notes and bonds payable	\$ 11,904,364
Funds held for others	16,104,805
Other liabilities	3,782,205
TOTAL LIABILITIES	31,791,374
NET ASSETS:	
Unrestricted	34,974,689
Temporarily Restricted	247,651,224
Permanently Restricted	402,997,980
TOTAL NET ASSETS	685,623,893
Total Liabilities and Net Assets	\$ 717,415,267

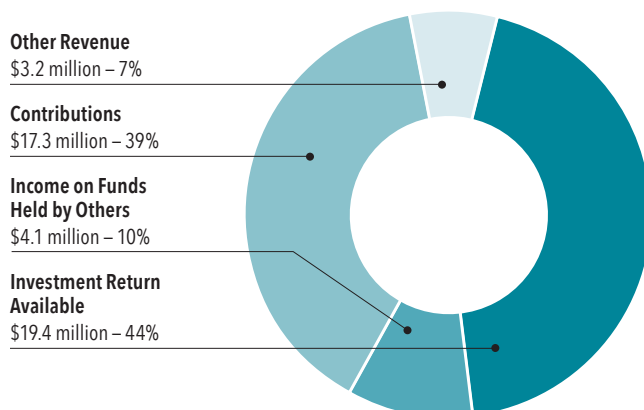
* Includes four subsidiaries

SUMMARY STATEMENT OF ACTIVITIES — CONSOLIDATED *

For the year ended June 30, 2015

Operating Revenue & Support:	
Contributions	\$ 17,263,877
Income on funds held by others	4,122,074
Investment return available for operations	19,410,901
Other revenue	3,186,109
TOTAL OPERATING REVENUE AND SUPPORT	43,982,961
Operating Expenses:	
Program expenses	25,278,625
Fundraising	5,279,527
Administrative and other	1,200,140
TOTAL EXPENSES	31,758,292
Change in Net Assets from Operations	12,224,669
Nonoperating Activity:	
Investment Return	4,126,646
Unrealized loss on funds held in trust by others	(9,851,128)
Other nonoperating activity	608,632
TOTAL NONOPERATING ACTIVITY	(5,115,850)
Change in Net Assets	7,108,819
Net Assets – Beginning of year	678,515,074
Net Assets – End of year	\$ 685,623,893

SOURCES OF SUPPORT \$44 million



USES OF SUPPORT \$31.8 million

