The College of William & Mary Foundation

Consolidated Financial Statements as of and for the Years Ended June 30, 2016 and 2015, and Independent Auditors’ Report

THE COLLEGE OF WILLIAM & MARY FOUNDATION

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Trustees (Continued)

Trustees Emeriti

Trustees Emeriti (Continued)

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Devin I. Murphy
Mark R. Patterson
John T. Reilly
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THE COLLEGE OF WILLIAM & MARY FOUNDATION

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Deloitte & Touche LLP
West Tower
901 East Byrd Street
Suite 820
Richmond, VA 23219
USA

Tel:+1 804 697 1500
Fax:+1 804 697 1825
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The College of William & Mary Foundation
Williamsburg, Virginia

We have audited the accompanying consolidated financial statements of The College of William & Mary Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The College of William & Mary Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The College of William & Mary Foundation's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

September 20, 2016

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 8,074,329	$ 8,286,462
Short-term investments	19,366,271	26,509,210
Accounts receivable	832,971	3,158,198
Prepaid expenses	813,500	1,522,970
Notes receivable	1,080,298	1,275,298
Pledges receivable—net	14,243,345	13,093,627
Property and equipment—net	10,261,880	10,515,784
Collections	5,937,740	5,937,740
Investments	490,652,717	508,175,195
Receivable from remainder trusts	6,234,988	6,002,622
Assets held in charitable remainder trusts	469,798	488,079
Cash surrender value of life insurance policies	1,529,598	1,565,368
Funds held in trust by others	149,908,314	130,829,146
TOTAL	$709,405,749	$717,359,699
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 863,149	$ 217,452
Accrued expenses	242,244	235,596
Accrued interest payable	66,690	68,288
Notes payable and lines of credit	1,750,258	3,293,028
Deferred compensation liability	442,427	405,779
Deferred income	35,811	39,264
Life estates retained by donors	1,215,706	1,232,893
Obligations under split-interest agreements	1,561,766	1,885,121
Bonds payable (net of unamortized bond issuance costs)	8,042,981	8,034,432
Interest in New Town Associates, LLC	270,130	219,148
Funds held for others	15,097,201	16,104,805
Total liabilities	29,588,363	31,735,806
NET ASSETS:		
Unrestricted	28,889,846	34,974,689
Temporarily restricted	220,475,247	247,651,224
Permanently restricted	430,452,293	402,997,980
Total net assets	679,817,386	685,623,893
TOTAL	$709,405,749	$717,359,699

See notes to consolidated financial statements.

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**2015 Total**
OPERATING ACTIVITY:					
Revenue and support:					
Contributions	$ 516,840	$ 13,490,340	$ 7,661,537	$ 21,668,717	$ 17,263,877
Income on funds held by others	4,208,616	-	200,400	4,409,016	4,122,074
Investment return for current operations	2,817,912	15,471,130	-	18,289,042	19,410,901
CEI—technology fees from the College	2,030,487	-	-	2,030,487	2,140,173
CEI—revenue from special projects	1,304,094	-	-	1,304,094	52,366
Other	893,496	18,630	88,299	1,000,425	993,570
	11,771,445	28,980,100	7,950,236	48,701,781	43,982,961
Net assets released from restrictions—satisfaction of program and time restrictions	28,531,858	(28,531,858)	-	-	-
Total revenue and support	40,303,303	448,242	7,950,236	48,701,781	43,982,961
Expenses:					
Program services:					
Instruction	4,236,309	-	-	4,236,309	3,920,236
Research	268,403	-	-	268,403	239,416
Public service	60,916	-	-	60,916	68,624
Academic support	1,621,345	-	-	1,621,345	1,538,702
Institutional support	799,737	-	-	799,737	651,864
Athletic programs	745,195	-	-	745,195	653,659
Student life and other	243,587	-	-	243,587	109,593
Plant and facilities	909,341	-	-	909,341	1,061,267
Scholarships and fellowships	7,817,544	-	-	7,817,544	6,983,415
Technology—CEI	4,236,612	-	-	4,236,612	1,764,495
Provided/conveyed to the College	12,826,736	-	-	12,826,736	8,143,757
Provided to related organizations	193,265	-	-	193,265	143,597
Total program services	33,958,990	-	-	33,958,990	25,278,625
Supporting services:					
Fundraising	9,151,260	-	-	9,151,260	5,279,527
Administrative and general:					
Board expenses	70,047	-	-	70,047	72,455
Office of Investment Administration	889,080	-	-	889,080	855,011
Expenses of the Real Estate Foundation	65,497	-	-	65,497	74,357
Expenses of Reliance Holdings, LLC	20,750	-	-	20,750	4,016
Other	444,622	-	-	444,622	194,301
	1,489,996	-	-	1,489,996	1,200,140
Total supporting services	10,641,256	-	-	10,641,256	6,479,667
Total expenses	44,600,246	-	-	44,600,246	31,758,292

(Continued)

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016 (WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016				2015
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
CHANGE IN NET ASSETS FROM OPERATIONS	$ (4,296,943)	$ 448,242	$ 7,950,236	$ 4,101,535	$ 12,224,669
NONOPERATING ACTIVITY:					
Investment return	(1,736,918)	(27,659,470)	(203,749)	(29,600,137)	4,126,646
Net unrealized gain (loss) on funds held in trust by others	-	-	19,079,168	19,079,168	(9,851,128)
Change in value of split-interest agreements	-	35,251	628,658	663,909	(322,838)
Change in value of interest in New Town Associates, LLC	(50,982)	-	-	(50,982)	931,470
Total nonoperating activity	(1,787,900)	(27,624,219)	19,504,077	(9,908,042)	(5,115,850)
CHANGE IN NET ASSETS	(6,084,843)	(27,175,977)	27,454,313	(5,806,507)	7,108,819
NET ASSETS—Beginning of year	34,974,689	247,651,224	402,997,980	685,623,893	678,515,074
NET ASSETS—End of year	$ 28,889,846	$ 220,475,247	$ 430,452,293	$ 679,817,386	$ 685,623,893

See notes to consolidated financial statements.

(Concluded)

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (5,806,507)	$ 7,108,819
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net unrealized (gain) loss on funds held in trust by others	(19,079,168)	9,851,128
Depreciation	527,027	511,652
Proceeds from sale of donated securities	946,413	774,893
Property and equipment written off	-	32,985
Contribution of collection items	-	(26,000)
Net realized gain on investments sold	(487,528)	(315,535)
Net unrealized loss on investments and short-term investments	446,655	230,715
Change in value of investment note receivable	-	(2,842,140)
Change in value of William and Mary Investment Trust	11,559,770	(20,484,730)
Change in value of William and Mary Investment Trust in funds held for others	408,525	(650,409)
Change in value of interest in New Town Associates, LLC	50,982	(931,470)
Amortization of bond issuance costs	8,549	8,548
Contributions restricted for endowment	(8,841,844)	(1,087,409)
Contributions restricted for split-interest agreements	(33,010)	(20,149)
Noncash gifts designated for endowment	(2,634,357)	(2,080,476)
Noncash gifts designated for split-interest agreements	-	(37,228)
Noncash gifts designated for other purposes	(946,153)	(785,300)
Investment return designated for long term investment	(1,829,008)	(2,066,752)
(Increase) decrease in assets:		
Accounts receivable	2,325,227	(1,360,048)
Prepaid expenses	709,470	(912,130)
Pledges receivable	(1,149,718)	3,636,152
Receivable from remainder trusts	(232,366)	475,844
Assets held in charitable remainder trusts	18,281	21,828
Cash surrender value of life insurance policies	35,770	(19,003)
Increase (decrease) in liabilities:		
Accounts payable	645,697	(741,873)
Accrued expenses	6,648	(3,281)
Accrued interest payable	(1,598)	(4,497)
Deferred compensation liability	36,648	64,918
Deferred income	(1,092)	786
Life estates retained by donors	(17,187)	(16,775)
Obligations under split-interest agreements	(116,389)	171,226
Funds held for others	(1,007,604)	143,222
Net cash used in operating activities	$(24,457,867)	$(11,352,489)

(Continued)

THE COLLEGE OF WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	$ (273,123)	$ (277,742)
Loans made	-	(53,224)
Loans repaid	195,000	-
Purchase of investments	(51,765,979)	(51,734,757)
Payments received on investment note receivable	1,050,000	1,350,000
Proceeds from investments sold	63,480,523	55,500,696
Net cash provided by investing activities	12,686,421	4,784,973
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term investment:		
Investment in endowment	8,841,844	1,087,409
Proceeds from sale of donated securities	2,607,548	2,059,320
Investment subject to split-interest agreements	33,010	20,149
Investment return designated for long-term investment	1,829,008	2,066,752
Other financing activities:		
Receipts funding split-interest obligations	41,990	29,851
Payments of split-interest obligations	(251,317)	(264,493)
Payments on notes and lines of credit	(1,542,770)	(1,442,120)
Net cash provided by financing activities	11,559,313	3,556,868
NET DECREASE IN CASH	(212,133)	(3,010,648)
CASH AND CASH EQUIVALENTS—Beginning of year	8,286,462	11,297,110
CASH AND CASH EQUIVALENTS—End of year	$ 8,074,329	$ 8,286,462

SUPPLEMENTAL DATA—Noncash investing and financing activities:

Noncash gifts designated for endowment and other purposes consist of securities and other investments.

Cash paid for interest on bonds and notes for the years ended June 30, 2016 and 2015, was $345,139 and $385,365, respectively.

Cash paid for taxes for the years ended June 30, 2016 and 2015 was $2,210 and $1,134, respectively. Taxes resulted from unrelated business income in limited partnerships.

See notes to consolidated financial statements. (Concluded)

1. NATURE OF OPERATIONS

The College of William & Mary Foundation (the "Foundation") is a private corporation, established as a nonprofit public charity under Section 501(c)(3) of the Internal Revenue Code and organized under the laws of the Commonwealth of Virginia. The Foundation was chartered in 1939 to "aid, strengthen, and expand in every proper and useful way" the work of The College of William and Mary in Virginia (the "College"). Members of the Foundation raise funds for the benefit of the College and manage its privately held assets.

2. SUMMARY OF SIGNIFICANT OPERATIONS AND ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements of the Foundation include the accounts of its affiliates, The College of William and Mary Real Estate Foundation, Inc., College Enterprises, Inc., Reliance Holdings, LLC, CWMF Ventures LLC and the Murray 1693 Scholars Foundation. Inter-company accounts and transactions have been eliminated in consolidation.

Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*, establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into categories as follows:

Unrestricted Net Assets—Unrestricted net assets generally result from receiving unrestricted contributions, unrealized and realized gains and losses on board designated funds functioning as endowments with no donor-imposed or legal restrictions on income, income from funds held in trust by others with no restrictions as to use, and revenue from investing in income-producing assets.

Temporarily Restricted Net Assets—Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Permanently Restricted Net Assets—Permanently restricted net assets generally represent the historical cost (market value at date of gift) of contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation.

Basis of Accounting—The accompanying consolidated financial statements are prepared under accounting principles generally accepted in the United States of America ("GAAP"). Revenue and support are recognized in the accounting period in which it is realized or realizable and earned and expenses are recognized in the accounting period in which the related liability is incurred. Nonoperating activity is recognized in accordance with these same principles.

Cash Equivalents—Cash equivalents include highly-liquid investment instruments with an original maturity of three months or less when purchased.

Pledges Receivable—ASC Topic 958 requires that unconditional promises to give (pledges) be recorded as receivables and revenue and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The pledges receivable reflects management's estimate of the funds to be received after an allowance for uncollectible pledges discounted to the net present value using an assumed risk free interest rate.

Fair Value Measurement—Certain assets and liabilities of the Foundation are reflected in the accompanying financial statements at fair value. The Foundation follows the provisions in ASC Topic 820, *Fair Value Measurement*. ASC Topic 820 establishes a fair value hierarchy and specifies that the valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1—Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Foundation has the ability to access at the measurement date;

Level 2—Quoted prices in markets which are not active, or inputs that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3—Prices, inputs or sophisticated modeling techniques, which are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As required by ASC Topic 820, assets and liabilities are classified within the level of the lowest significant input considered in determining fair value.

As a practical expedient, ASC 820 permits an entity holding investments in certain entities that have the attributes described in ASC 946, *Financial Services—Investment Companies*, or have attributes similar to such entities, and which calculate Net Asset Value ("NAV") per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. The Foundation uses the practical expedient to value its investments in certain mutual funds, limited partnerships, limited liability companies, commingled investment funds and investment trusts. Investments valued using the practical expedient are not categorized within the fair value hierarchy, and are presented as Other in the tables in Note 11 for purposes of reconciling to the Consolidated Statements of Financial Position.

Investments—The Foundation's investment activities expose it to a variety of risks, including but not limited to interest rate risk, liquidity risk, credit risk, concentration risk and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Investments are generally carried at fair value as described above. Securities traded on U.S. or foreign exchanges are valued at the last reported sales price or, if there are no sales, at the latest bid quotation. Mutual funds and exchange traded funds traded on U.S. or foreign exchanges are valued at the closing net asset value; mutual funds not traded on national exchanges are valued in good faith at the pro-rata interest in the net assets of these entities. Short-term investments held in the William and Mary Investment Trust (the "Trust"—see Note 10) are valued at their net asset value at each valuation date. Short-term government and agency bonds and notes, included in Short-term investments in the Statements of Financial Position, are valued based on market driven observations and securities characteristics including ratings, coupons and redemptions. The values of limited partnerships, commingled investment funds and investment trusts are determined in good faith at the pro-rata interest in the net assets of these entities. Investments held by these entities are valued at amounts which approximate fair value. The estimated fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors or third party administrators of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. These investments are valued using valuation techniques included in ASC Topic 820, including the market approach, income approach, and cost approach. The estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material.

Short-term investments have maturities of one year or less as of June 30.

Net realized and unrealized gains and losses are reflected in the Consolidated Statements of Activities as increases or decreases in unrestricted or temporarily restricted net assets, unless permanently restricted by the donor, in accordance with the donor's stipulations concerning the purposes for which income may be used.

Investment Return—The Foundation segregates investment return into operating and nonoperating components. Operating investment return includes investment income, net of fees, that is available for current operations and payout on endowments and similar funds calculated in accordance with the Board-adopted payout policy. Non-operating investment return represents investment return in excess of or less than amounts available for current operations.

Endowments—The Foundation's endowment consists of funds established for a variety of purposes, and includes donor-restricted endowment funds, funds designated by donors as long-term in nature but allowing distributions from principal under certain circumstances, and funds designated by the Board of Trustees (the "Board") of the Foundation to function as endowments. As required by GAAP, net assets associated with endowments and funds functioning as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring preservation of the fair value, as of the gift date, of gifts to a donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of all gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standards of prudence prescribed by UPMIFA, and, where income is designated by the donor for use for a specific purpose, when the funds are used for the purpose specified by the donor. In accordance with UPMIFA, the Foundation considers the following factors in making a determination, in the aggregate, to appropriate for expenditure or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment fund;
(2) The purposes of the institution and the endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation or deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the institution; and
(7) The investment policy of the institution

Generally, endowment assets are pooled on a market value basis. Each individual fund purchases or disposes of units on the basis of the market value per unit at the beginning of the calendar quarter within which the transaction takes place. Annual payout, including unrealized and realized net gains, as necessary, is distributed pro rata based upon the number of units owned by each fund. These amounts are either expendable at the discretion of the Board or according to donor restrictions.

Collections—Collections presented in the Consolidated Statements of Financial Position represent non-depreciable works of art and historical items reported at cost or fair market value at the time of donation. Contributions to collections were $0 and $26,000 for the years ended June 30, 2016 and 2015, respectively.

Receivable from Remainder Trusts—Gifts in which the Foundation has an irrevocable remainder interest, but that are held in trust and administered by outside agents, have been recorded as gifts that are temporarily or permanently restricted based on donor stipulations and reported as a receivable from remainder trusts. Upon termination of life interests in the trusts, the remainder will be distributed to the Foundation. The receivables are valued using present value and actuarial techniques to estimate the present value of expected future cash flows.

Property and Equipment—Property and equipment used in operations are reported at cost or the current estimated value at the date of gift, if donated. Depreciation is computed by the straight-line method using the following estimated useful lives:

	Useful Life
Land improvements	15 years
Buildings and improvements	15–50 years
Equipment	5–30 years
Furniture and fixtures	12–30 years
Telecommunications system	3–15 years
Other	5–20 years

Gains and losses arising from retirement or sale of property and equipment are recognized currently in the Consolidated Statements of Activities.

Property and equipment includes certain assets to which the Foundation has legal title, but are used and controlled by the College.

Funds Held for Others—The Foundation holds certain assets for the benefit of The William & Mary Alumni Association (the "Association") and the Omohundro Institute of Early American History and Culture (the "Institute"). In accordance with ASC Topic 958, *Not-for-Profit Entities*, contributions received by the Foundation which have been designated for the benefit of other organizations are recorded as liabilities unless the organization is financially interrelated with the Foundation or the Foundation has been granted variance power. The Institute is not financially interrelated with the Foundation, and since assets held by the Foundation to benefit the Institute were either contributed by third parties without granting variance power or were transferred from the Institute, these funds are recorded as liabilities under funds held for others. The value of the liability is measured at the fair value of the assets, the majority of which are invested in the Trust. Since both the Foundation and the Association were established primarily to support the College, the Association is considered a financially interrelated organization of the Foundation, and therefore, activities of assets held by the Foundation in support of its operations are included in the accompanying Consolidated Statements of Activities and are reflected in the net assets of the Foundation. Funds held for the benefit of the Association, included in net assets, were valued at $4,379,686 and $4,555,421 at June 30, 2016 and 2015, respectively.

Life Estates Retained by Donors—The Foundation owns land and buildings in which the donors have retained the right to occupy for their lifetime. The value of the land and buildings is reported in investments or in property and equipment, with the value of the life estate reported as a liability.

Split-Interest Agreements—Through planned giving agreements, donors have contributed assets to the Foundation or to trusts for which the Foundation serves as trustee. In exchange, the donor or other beneficiaries will receive a fixed amount or percentage of assets over their lifetime. The present values of these commitments are liabilities and are classified as obligations under split interest agreements in the Consolidated Statements of Financial Position. Discount rates of 1.2% to 10.2% were used in determining the actuarial liability for fiscal years 2016 and 2015. The related assets are classified in investments and assets held in charitable remainder trusts on the Consolidated Statements of Financial Position.

Contributions—Contributions, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. Gifts received by bequests are recognized as revenue when the will is declared valid by the respective probate court and when all conditions are substantially met. Contributions to the Foundation are either unrestricted as to use or carry specific restrictions imposed by the donors. Unrestricted gifts are reflected as contributions in unrestricted net assets. Restricted contributions are reflected as contributions in temporarily restricted net assets or in permanently restricted net assets based on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Comparative Information—The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Recent Accounting Pronouncements—In April 2015, the Financial Accounting Stamdards Board ("FASB") adopted Accounting Standards Update ("ASU") 2015-03 to Interest—Imputation of Interest (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The Foundation has elected to early adopt the ASU for the current fiscal year, and as required, has retrospectively applied the ASU to the June 30, 2015 information provided. As a result of adopting this ASU, unamortized bond issuance costs of $47,019 and $55,568 as of June 30, 2016 and 2015, respectively, have been netted against bonds payable rather than being presented as an asset.

In August 2016, the FASB adopted ASU 2016-14 to Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends several requirements for financial statements and notes, including net asset classifications in the statement of financial position and statement of activities and enhanced disclosures in numerous areas. The ASU is effective for the Foundation's fiscal year ending June 30, 2019. Management is evaluating the impact this ASU will have on the financial statements.

Reclassifications—Presentation of certain information included in Invstments (Note 10) and Fair Value Measurements (Note 11) relating to investments in The William and Mary Investment Trust has been revised for the fiscal year ended June 30, 2016, and the information for the fiscal year ended June 30, 2015 has been reclassified to be consistent with the revised presentation. The reclassifications result from revised investment categories presented in these notes.

3. THE COLLEGE OF WILLIAM AND MARY REAL ESTATE FOUNDATION, INC.

The College of William and Mary Real Estate Foundation, Inc. ("REF") was created in 1994 to hold title to real and personal property, collect income therefrom, and transfer the income to the Foundation, which is the sole stockholder of the corporation.

4. COLLEGE ENTERPRISES, INC.

In March 1996, the Board approved funding support by the Foundation for the installation of a campus-wide communications system. The Foundation received approval from the Attorney General's Office of the Commonwealth of Virginia to use private funds to finance the telecommunications project for the College as it was not feasible to use state funds. The Foundation and the College created an entity under the name of College Enterprises, Inc. ("CEI"). In accordance with accounting guidance for reporting of related entities by not-for-profit organizations, the financial statements of the Foundation include the accounts of CEI because control of and economic interest in CEI rests with the Foundation. CEI receives student technology fees, billed to the students by the College, and from this revenue pays for network maintenance, improvements and personnel costs related to operating the system. In addition, the College has agreed to pay CEI for its costs of various construction projects relating to the telecommunications network.

5. RELIANCE HOLDINGS, LLC

Reliance Holdings, LLC ("Reliance"), created in March 2000, holds a 50% interest in New Town Associates, LLC ("New Town Associates"), a real estate joint venture, and receives 50% of the associated gains and losses. Reliance, which is wholly owned by the REF and the Foundation, is considered a subsidiary of the Foundation for consolidation purposes.

Investment real estate which was owned by the REF and C.C. Casey, Limited Company ("Casey") was sold to New Town Associates in June 2000 in exchange for a $26,789,834 note receivable, including accrued interest (the "Note").

Effective July 1, 2003, the note was restructured to decrease the aggregate balance due to the REF and Casey to $12,000,000. This total represented principal in the amount of $7,950,000 and interest in the amount of $4,050,000 calculated at the rate of 4.425% per annum, compounded annually through the due date of December 31, 2012. Under the restructured Note, if New Town Associates generates cash flow in excess of $12,000,000, additional interest payments will be made until interest paid provides a rate of return of 20% compounded annually. Based on revised cash flow projections, the face amount of the note due to the REF and Casey was increased to $13,600,000, including interest, during the year ended June 30, 2009, with an effective date of June 30, 2007.

Effective December 31, 2012, the due date of the note was extended to December 31, 2013, with automatic one year extensions unless the REF or Casey provide written notice by September 30 of any year stating that the note shall not be extended. All other terms of the note continued in full force and effect. Under the terms of the automatic extension, the current due date is December 31, 2016.

In accordance with the Intercreditor Agreement between the REF and Casey, the REF is entitled to receive 75% of the first $12,000,000 of Note payments and 25% of Note payments in excess of $12,000,000. During the fiscal year ended June 30, 2007, the REF received $4,725,000 in note payments. No additional payments were made until the fiscal year ended June 30, 2015, when the REF received $1,350,000 in Note payments. Additional payments of $1,050,000 were received on the Note in the fiscal year ended June 30, 2016. Prior to the Note payments received in the fiscal year ended June 30, 2015, management determined that the realization of further interest was not probable. Therefore, no additional interest was recorded. Based on analysis of financial results and cash flow projections of New Town Associates, the recorded value of the note was increased during the fiscal year ended June 30, 2015 to reflect the estimated amount to be received. Additional interest will be recognized as note payments are received in excess of the recorded value, or as new information indicates collection is likely. The REF's interest in the Note is recorded at a value of $1,875,000 and $2,925,000 at June 30, 2016 and 2015, respectively, and is included in investments on the Consolidated Statements of Financial Position.

6. CWMF VENTURES, LLC

During the year ended June 30, 2007, the Foundation established CWMF Ventures, LLC ("CWMF Ventures"), a limited liability company, in which the Foundation is the sole member. The purpose of CWMF Ventures is to own the Discovery 1 Building, an office building which was completed and placed in service during the year ended June 30, 2008, and which is leased to the College. Together with the Foundation, CWMF Ventures is also a party to agreements relating to the issuance of certain revenue bonds issued to finance the Discovery Building 1 (see Note 17).

7. MURRAY 1693 SCHOLARS FOUNDATION

The Murray 1693 Scholars Foundation ("1693 Foundation") was created in 2013 to develop, expand, manage, oversee and strengthen in every proper and useful way the 1693 Scholars Program on behalf of the College and the Foundation. The Foundation is required to appoint a majority of the board of the 1693 Foundation, and as a result of this control, the accounts of the 1693 Foundation are included in the consolidated financial statements of the Foundation. With consent of donors, during the fiscal year ended June 30, 2016, the Foundation transferred endowments valued at $11,618,707 to the 1693 Foundation, and these endowments are included in the total invested in the Trust.

8. NOTES RECEIVABLE

In July 2009, the Foundation agreed to advance a total of $250,000 as a loan to support legal costs associated with the defense of certain claims made against two estates by one plaintiff. The Foundation is a potential beneficiary of the estates. The Foundation is joined by other parties in the loan. The agreement provides that the loan will be repaid, with interest at 5%, with first priority from assets received from the estates in the same proportion as amounts loaned by each party. During fiscal years 2010–2013, additional loans were extended on similar terms committing total additional amounts of $814,490 to support legal costs and to fund costs associated with maintenance of real estate constituting the primary asset of one of the estates. The loans are recorded in notes receivable, and at June 30, 2016 and 2015, had a carrying value of $1,080,298 and $1,275,298, respectively, including interest.

9. PROPERTY AND EQUIPMENT

The summary of property and equipment at June 30, 2016 and 2015, is as follows:

	2016	2015
Land and nondepreciable assets	$ 2,280,527	$ 2,280,527
Land improvements	338,138	338,138
Buildings and improvements	8,506,255	8,503,734
Equipment	913,886	913,886
Furniture and fixtures	429,170	429,170
Telecommunications system	5,978,189	5,821,978
Other	55,792	64,892
Total	18,501,957	18,352,325
Less accumulated depreciation	(8,240,077)	(7,836,541)
Property and equipment—net	$ 10,261,880	$ 10,515,784

10. INVESTMENTS

Investments, which are generally carried at fair value, at June 30, 2016 and 2015, were comprised of the following:

	2016	2015
Cash pending investment	$ 314,610	$ 143,935
Common stock	340,799	328,559
Investment in William and Mary Investment Trust	482,212,453	498,772,779
Mutual funds and commingled funds—equity	2,693,030	2,945,035
Mutual funds and commingled funds—fixed income	1,517,222	1,412,392
Real estate	987,982	987,982
Notes receivable (Note 5)	1,875,000	2,925,000
Private equity and other	711,621	659,513
Total investments	$490,652,717	$508,175,195

The following schedule summarizes the investment return and its classification in the consolidated statements of activities:

	2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 Total
Interest and dividends (net of expenses of $32,844 and $36,855 for 2016 and 2015, respectively)	$ 120,620	$ 58,647	$ 28,535	$ 207,802	$ 2,967,874
Net realized gains	304	230,888	256,336	487,528	315,659
Net unrealized losses	(30,327)	(165,260)	(251,068)	(446,655)	(230,716)
Change in value of William and Mary Investment Trust	990,397	(12,312,615)	(237,552)	(11,559,770)	20,484,730
Total investment return	$ 1,080,994	$(12,188,340)	$(203,749)	$(11,311,095)	$23,537,547
Reported on Consolidated Statements of Activities					
Investment return from pooled investments budgeted for current operations	$ 2,697,291	$ 15,437,542	$ -	$ 18,134,833	$16,490,559
Other investment return designated for current operations	120,621	33,588	-	154,209	2,920,342
Total for current operations	2,817,912	15,471,130	-	18,289,042	19,410,901
Investment return (less than) in excess of amounts for current operations	(1,736,918)	(27,659,470)	(203,749)	(29,600,137)	4,126,646
Total investment return	$ 1,080,994	$(12,188,340)	$(203,749)	$(11,311,095)	$23,537,547

Effective July 1, 2004, the Foundation established a grantor group trust known as The William and Mary Investment Trust (the "Trust"). The purpose of the Trust is to provide a means by which tax-exempt organizations, including the Foundation, whose principal purpose is to support the functions and activities of the College, may take advantage of the investment strategies and opportunities developed, implemented, and monitored by the Foundation. The Foundation serves as trustee of the Trust, and The Northern Trust Company acts as custodian. Each grantor to the Trust owns an interest proportional to the value of the assets transferred to the Trust and is increased or decreased with subsequent contributions or distributions.

At June 30, 2016 and 2015, the investments in the Trust were composed of:

	2016	2015
Common stocks	$ 59,396,217	$ 60,248,465
Investment in exchange listed funds	4,213,730	31,184,123
Investment in private investment funds	478,878,681	462,747,133
Short-term investments	17,971,823	17,272,389
Total investments	560,460,451	571,452,110
Prepaid subscriptions	-	4,500,000
Receivables	792,010	256,199
Receivable for investments sold	3,842,705	2,517,618
Payables and accrued expenses	(1,146,713)	(200,323)
Net assets	$ 563,948,453	$ 578,525,604

At June 30, 2016 and 2015, the Foundation, which includes the 1693 Foundation as a consolidated entity, owned 85.51% and 86.21% of the net assets of the Trust, respectively.

For the years ended June 30, 2016 and 2015, the investment return for the Trust consisted of:

	2016	2015
Net investment income	$ 3,063,086	$ 3,665,796
Net realized gain on investments and foreign currency transactions	7,156,997	19,654,553
Net change in unrealized appreciation on investments	(24,087,498)	1,152,742
Total investment return	$ (13,867,415)	$ 24,473,091

The Foundation, which includes the 1693 Foundation as a consolidated entity, received 86.3% and 86.4% of the total investment return of the Trust for the years ended June 30, 2016 and 2015, which includes amounts of ($408,525) and $650,409, respectively, for investment return on funds held for others.

The majority of the Foundation's financial assets are held in the Trust. Each year grantors may notify the Trust of the amount to be withdrawn quarterly representing spending rate distributions. At the discretion of the Trustee, providing sufficient liquidity exists in the portfolio such that special withdrawals will not adversely impact the asset allocation or expected return of the portfolio, special withdrawals may be made in accordance with the following schedule:

- First $5 million within four months
- Next $15 million within seven months
- Next $30 million within ten months
- More than $50 million within thirteen months

Disbursements may be made on a more accelerated basis if sufficient liquidity can be generated without affecting the Trust's investment strategy. However, disbursements may be delayed due to liquidation schedules affecting illiquid securities held in the portfolio.

The following table summarizes the liquidity provisions related to the Trust's investments in Other funds by investment strategy as of June 30, 2016:

Private Investment Funds by Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Estimated Remaining Holding Period
Absolute Return [A]					
Redeemable ≤ 1 year [1]	$ 81,918,523	$ -	Monthly, Quarterly, Annually, Every 2 years	14–95 days	1 day–6 months
Illiquid [2]	2,273,373	-	Illiquid	NA	Termination of fund
Domestic Equity [B]					
Redeemable ≤ 1 year [1]	96,103,494	-	Daily, Quarterly, Semi-annually, Annually	1-90 days	1 day–12 months
Redeemable > 1 year [1]	6,676,504	-	Quarterly, Every 3 years	60-90 days	15-27 months
Illiquid [2]	122,734	-	Illiquid	NA	Termination of fund
Fixed Income [C]					
Redeemable ≤ 1 year [1]	25,871,496	-	Daily, Weekly	1–5 days	1 day–1 month
Illiquid [2]	3,320,955	6,696,314	Illiquid	NA	Termination of fund
Foreign Equity (Developed) [D]					
Redeemable ≤ 1 year [1]	52,618,281	-	Daily, Monthly, Quarterly, Every 3 years	1–90 days	1 day–8 months
Redeemable > 1 year [1]	5,608,725	-	Every 3 years	90 days	15–32 months
Foreign Equity (Emerging Markets) [E]					
Redeemable ≤ 1 year [1]	35,907,929	-	Daily, Monthly	1–90 days	1 day–1 month
Private Equity [F]					
Illiquid [2]	90,187,573	76,403,600	Illiquid	NA	Termination of fund
Real Assets [G]					
Redeemable ≤ 1 year [1]	972,084	-	Quarterly	90 days	12 months
Illiquid [2]	37,861,687	30,019,015	Illiquid	NA	Termination of fund
Special Situations [H]					
Redeemable ≤ 1 year [1]	10,834,051	-	Quarterly	65 days	3–12 months
Illiquid [2]	28,439,152	12,725,000	Illiquid	NA	Termination of fund
Transitional Trading [I]					
Illiquid [2]	162,120	-	Illiquid	NA	Termination of fund
	$478,878,681	$125,843,929			

The following table summarizes the liquidity provisions related to the Trust's investments in Other funds by investment strategy as of June 30, 2015:

Private Investment Funds by Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Estimated Remaining Holding Period
Absolute Return [A]					
Redeemable ≤ 1 year [1]	$ 73,960,034	$ -	Monthly, Quarterly, Annually	14–95 days	1 day–9 months
Redeemable > 1 year [1]	14,031,018	-	Every 2 years	90 days	16 months
Illiquid [2]	2,526,807	-	Illiquid	NA	Termination of fund
Domestic Equity [B]					
Redeemable ≤ 1 year [1]	102,627,700	-	Quarterly, Semi-annually, Annually, Every 3 years	30–90 days	1 day–8 months
Redeemable > 1 year [1]	3,171,293	-	Every 3 years	60 days	30 months
Illiquid [2]	188,145	-	Illiquid	NA	Termination of fund
Fixed Income [C]					
Redeemable ≤ 1 year [1]	21,747,609	-	Daily, Weekly	1–5 days	1 day
Illiquid [2]	2,923,328	7,552,257	Illiquid	NA	Termination of fund
Foreign Equity (Developed) [D]					
Redeemable ≤ 1 year [1]	45,216,197	-	Monthly, Quarterly, Every 3 years	5–90 days	1–8 months
Redeemable > 1 year [1]	6,324,222	-	Every 3 years	90 days	15–32 months
Foreign Equity (Emerging Markets) [E]					
Redeemable ≤ 1 year [1]	34,695,730	-	Daily, Monthly, Annually	5–90 days	1 day–6 months
Private Equity [F]					
Illiquid [2]	78,181,995	51,874,392	Illiquid	NA	Termination of fund
Real Assets [G]					
Redeemable ≤ 1 year [1]	2,277,266	-	Quarterly	90 days	3 months
Redeemable > 1 year [1]	1,190,589	-	Quarterly	90 days	15–24 months
Illiquid [2]	32,348,661	43,290,071	Illiquid	NA	Termination of fund
Special Situations [H]					
Redeemable ≤ 1 year [1]	10,952,042	-	Quarterly	65 days	3–12 months
Illiquid [2]	30,318,802	2,000,000	Illiquid	NA	Termination of fund
Transitional Trading [I]					
Illiquid [2]	65,695	-	Illiquid	NA	Termination of fund
	$462,747,133	$104,716,720			

[1] Redeemable investments may be redeemed at the discretion of the Trust in accordance with the terms of the governing agreement, which may include restrictions that do not allow redemption for a specified period of time following an investment. Investments held at June 30, 2016 and June 30, 2015 that are available for redemption during the next fiscal year totaled $304,225,858 and $291,476,578, respectively. Investments held at June 30, 2016 and June 30, 2015 that are available for redemption in more than one year totaled $12,285,229 and $24,717,122, respectively. Estimated remaining holding period reflects the period until the next available redemption date subsequent to June 30, including expiration of lockup periods.

[2] Illiquid investments cannot be redeemed with the investment fund. This category includes investments from which distributions will be received as the underlying investments are liquidated, and may include investments on which redemption restrictions of unknown duration have been imposed. If allowed under the terms of the fund agreement, illiquid investments can be sold to other eligible investors through private placements arranged through the general partner. Illiquid investments at June 30, 2016 and June 30, 2015 totaled $162,367,594 and $146,553,433, respectively.

[A] Absolute Return represents miscellaneous types of equity and equity-like as well as fixed income securities held by managers that operate under broadly defined investment guidelines, indicative of the hedge fund industry. This category is populated by multi-strategy, credit-driven, event arbitrage and fund-of-fund hedge funds. Securities can be of all types, public and private, foreign and domestic, of all capitalization sizes, industry concentrations, including exposures to various long/short and option strategies, managed futures, global tactical asset allocation, currency, and various forms of real estate or other hard assets.

[B] Domestic Equity represents equity securities held by managers who primarily invest in securities listed on United States exchanges. This category comprises all capitalization sizes, industry sectors, and includes both long and short strategies.

(C) Fixed Income represents various bond and bond-like securities that have an income stream as a component part of the security's total rate of return. These securities can either be traded through established bond markets, both foreign and domestic or privately negotiated lending facilities with public or private companies. In cases where there is no bid or established market, pricing can be determined through modeling and other means of comparative analysis. Fixed income strategies employed by the Trust can include the engagement of investment managers who use various derivative instruments as a component part of their commingled fund portfolios.

(D) Foreign Equity (Developed) represents equity securities held by managers who primarily invest in securities listed on non-U.S. exchanges in those countries captured within the MSCI EAFE index. This category comprises all capitalization sizes, industry sectors, and includes both long and short strategies.

(E) Foreign Equity (Emerging Markets) represents equity securities held by managers who primarily invest in securities listed on non-U.S. exchanges in those countries captured within the MSCI Emerging Markets index. This category comprises all capitalization sizes, industry sectors, and includes both long and short strategies.

(F) Private Equity represents equity interests held primarily through various limited partnerships in asset categories of venture capital and private equity, foreign and domestic.

(G) Real Assets include miscellaneous foreign and domestic partnership interests in various asset classes of real estate, managed futures (commodities), energy (oil and gas), and timber. Whereas most held securities are equity and equity-like interests, the engaged investment managers may employ various derivative instruments as a component part of their commingled fund portfolios.

(H) Special Situations includes miscellaneous types of foreign and domestic equity and equity-like as well as fixed income securities held by managers who were hired to pursue specific opportunistic strategies. This category is populated by managers who were investing in distressed debt situations, specialized credit opportunities, event-driven arbitrage, and aviation assets.

(I) Transitional Trading includes a variety of assets that have been distributed or redeemed from a manager's holdings in the portfolio. These assets include specific securities traded on major exchanges, mutual fund shares, and specific illiquid investments that are in the process of being liquidated during the wind down of a fund investment.

The Trust may invest in exchange traded funds in any of the above strategies in situations of investment manager transitions, portfolio rebalancing, or portfolio completion.

11. FAIR VALUE MEASUREMENTS

As required by ASC Topic 820, certain assets and liabilities are classified within the level of the lowest significant input considered in determining fair value. Assets and liabilities classified within Level 3 consider several inputs which may include Level 1 or Level 2 inputs as components of the overall fair value measurement.

At June 30, 2016, the Foundation's assets and liabilities carried at fair value were classified as follows:

	Level 1	Level 2	Level 3	Other	Total
Assets:					
Investments—Foundation investment in William and Mary Investment Trust:					
Common stock:					
Domestic equity	$ 26,902,894	$ -	$ -	$ -	$ 26,902,894
Foreign equity (developed)	23,048,633	-	-	-	23,048,633
Transitional trading	836,085	-	-	-	836,085
Exchange listed funds:					
Foreign equity (emerging markets)	3,603,012	-	-	-	3,603,012
Private investment funds					
Absolute return	-	-	-	71,989,524	71,989,524
Domestic equity	-	-	-	87,988,501	87,988,501
Fixed income	-	-	-	24,961,436	24,961,436
Foreign equity (developed)	-	-	-	49,787,861	49,787,861
Foreign equity (emerging markets)	-	-	-	30,703,605	30,703,605
Private equity	-	-	-	77,116,216	77,116,216
Real assets	-	-	-	33,205,389	33,205,389
Special situations	-	-	-	33,581,132	33,581,132
Transitional trading	-	-	-	138,632	138,632
Short-term investments	18,349,533	-	-	-	18,349,533
Total Foundation investment in William and Mary Investment Trust	72,740,157	-	-	409,472,296	482,212,453
Common and preferred stocks and corporate bonds	340,799	-	-	-	340,799
Private equity and other	-	-	34,823	676,798	711,621
Mutual and commingled funds	4,210,252	-	-	-	4,210,252
Real estate	-	-	987,982	-	987,982
Notes receivable	-	-	1,875,000	-	1,875,000
Short-term government and agency bonds and notes	-	19,366,271	-	-	19,366,271
Funds held in trust by others:					
Equity securities	146,659,979	-	-	-	146,659,979
Mutual funds and other	3,248,335	-	-	-	3,248,335
Assets held in charitable remainder trusts	469,798	-	-	-	469,798
Fair value of assets	$ 227,669,320	$ 19,366,271	$ 2,897,805	$ 410,149,094	$ 660,082,490
Liabilities—funds held for others	$ 2,515,610	$ -	$ -	$ 12,581,591	$ 15,097,201
Fair value of liabilities	$ 2,515,610	$ -	$ -	$ 12,581,591	$ 15,097,201

At June 30, 2015, the Foundation's assets and liabilities carried at fair value were classified as follows:

	Level 1	Level 2	Level 3	Other	Total
Assets:					
Investments—Foundation investment in William and Mary Investment Trust:					
Common stock:					
Domestic equity	$ 24,691,386	$ -	$ -	$ -	$ 24,691,386
Foreign equity (developed)	26,750,678	-	-	-	26,750,678
Transitional trading	500,830	-	-	-	500,830
Exchange listed funds:					
Domestic equity	8,817,925	-	-	-	8,817,925
Fixed income	2,813,523	-	-	-	2,813,523
Foreign equity (developed)	2,189,503	-	-	-	2,189,503
Foreign equity (emerging markets)	10,392,059	-	-	-	10,392,059
Private equity	2,672,217	-	-	-	2,672,217
Private investment funds					
Absolute return	-	-	-	78,039,491	78,039,491
Domestic equity	-	-	-	91,376,244	91,376,244
Fixed income	-	-	-	21,269,918	21,269,918
Foreign equity (developed)	-	-	-	44,435,298	44,435,298
Foreign equity (emerging markets)	-	-	-	29,912,739	29,912,739
Private equity	-	-	-	67,404,192	67,404,192
Real assets	-	-	-	30,879,019	30,879,019
Special situations	-	-	-	35,581,439	35,581,439
Transitional trading	-	-	-	56,639	56,639
Short-term investments	20,989,679	-	-	-	20,989,679
Total Foundation investment in William and Mary Investment Investment Trust	99,817,800	-	-	398,954,979	498,772,779
Common and preferred stocks and corporate bonds	328,559	-	-	-	328,559
Private equity and other	-	-	34,881	624,632	659,513
Mutual and commingled funds	4,357,427	-	-	-	4,357,427
Real estate	-	-	987,982	-	987,982
Notes receivable	-	-	2,925,000	-	2,925,000
Short-term government and agency bonds and notes	-	26,509,210	-	-	26,509,210
Funds held in trust by others:					
Equity securities	123,258,367	-	-	-	123,258,367
Fixed income securities	-	3,636,169	-	-	3,636,169
Mutual funds and other	3,934,610	-	-	-	3,934,610
Assets held in charitable remainder trusts	488,079	-	-	-	488,079
Fair value of assets	$ 232,184,842	$ 30,145,379	$ 3,947,863	$ 399,579,611	$ 665,857,695
Liabilities—funds held for others	$ 3,465,165	$ -	$ -	$ 12,639,640	$ 16,104,805
Fair value of liabilities	$ 3,465,165	$ -	$ -	$ 12,639,640	$ 16,104,805

As required by ASC Topic 820, the following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2016:

	Fair Value (Level 3)							
	2016							Change in Unrealized Gain or (Loss) on Assets Still Held at June 30, 2016
	Balance July 1, 2015	Gains (Losses)	Additions	Disposals	Transfers In	Transfers Out	Balance June 30, 2016	
Private equity and other	$ 34,881	$(58)	$ -	$ -	$ -	$ -	$ 34,823	$(58)
Notes receivable	2,925,000	-	-	(1,050,000)	-	-	1,875,000	-
Real estate	987,982	-	-	-	-	-	987,982	-
Balance	$3,947,863	$(58)	$ -	$(1,050,000)	$ -	$ -	$2,897,805	$(58)

As required by ASC Topic 820, the following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2015:

	Fair Value (Level 3)							
	2015							Change in Unrealized Gain or (Loss) on Assets Still Held at June 30, 2015
	Balance July 1, 2014	Gains (Losses)	Additions	Disposals	Transfers In	Transfers Out	Balance June 30, 2015	
Private equity and other	$ 38,949	$(68)	$ -	$ (4,000)	$ -	$ -	$ 34,881	$(68)
Notes receivable	1,432,860	-	2,842,140	(1,350,000)	-	-	2,925,000	-
Real estate	987,982	-	-	-	-	-	987,982	-
Balance	$2,459,791	$(68)	$2,842,140	$(1,354,000)	$ -	$ -	$3,947,863	$(68)

There were no transfers between levels during the fiscal years ended June 30, 2016 or 2015. The Foundation determines the fair value of transfers between levels using the most recent valuation on or immediately before the investment qualifies for a change in hierarchy level.

12. ENDOWMENT

In accordance with ASC Topic 958 and UPMIFA, net assets associated with endowments and funds functioning as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The following table presents endowment net asset composition by type of fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (444,230)	$ 122,078,936	$ 267,199,468	$ 388,834,174
Donor-restricted funds that allow distribution of principal	355,090	7,120,185	-	7,475,275
Board designated endowment funds	18,999,057	54,964,420	-	73,963,477
Total endowment funds	$ 18,909,917	$ 184,163,541	$ 267,199,468	$ 470,272,926

The negative unrestricted balance for donor-restricted endowments results from funds with deficiencies, which are described below.

The following table presents the change in endowment net assets for the fiscal year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 20,586,847	$ 210,078,393	$ 255,053,129	$ 485,718,369
Investment return:				
Investment income	(192)	6,344	-	6,152
Net appreciation (depreciation) (realized and unrealized)	1,005,883	(12,345,134)	(237,552)	(11,576,803)
Total investment return	1,005,691	(12,338,790)	(237,552)	(11,570,651)
Contributions received	-	-	12,383,891	12,383,891
Appropriation of endowment assets for expenditure	(2,684,138)	(15,437,542)	-	(18,121,680)
Transfers to board-designated endowment funds	1,517	1,861,480	-	1,862,997
Endowment net assets—end of year	$ 18,909,917	$ 184,163,541	$ 267,199,468	$ 470,272,926

The following table presents endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,106)	$ 145,940,224	$ 255,053,129	$ 400,992,247
Donor-restricted funds that allow distribution of principal	377,738	7,557,003	-	7,934,741
Board designated endowment funds	20,210,215	56,581,166	-	76,791,381
Total endowment funds	$ 20,586,847	$ 210,078,393	$ 255,053,129	$ 485,718,369

The negative unrestricted balance for donor-restricted endowments results from funds with deficiencies, which are described below.

The following table presents the change in endowment net assets for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets—beginning of year	$ 20,401,595	$ 204,995,006	$ 242,115,989	$ 467,512,590
Investment return:				
Investment income	(192)	4,050	-	3,858
Net appreciation (realized and unrealized)	2,698,969	17,434,032	338,955	20,471,956
Total investment return	2,698,777	17,438,082	338,955	20,475,814
Contributions received	-	-	12,598,185	12,598,185
Appropriation of endowment assets for expenditure	(2,514,452)	(13,975,572)	-	(16,490,024)
Transfers to board-designated endowment funds	927	1,620,877	-	1,621,804
Endowment net assets—end of year	$ 20,586,847	$ 210,078,393	$ 255,053,129	$ 485,718,369

The above amounts exclude $14,816,632 and $15,802,055 of investments in funds held for others as of June 30, 2016 and 2015, respectively.

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $444,230 and $1,106 as of June 30, 2016 and 2015, respectively. These deficiencies resulted largely from unfavorable market fluctuations that occurred after the establishment of endowments.

Return Objectives and Risk Parameters—The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to enhance the inflation-adjusted purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested with an objective to achieve real growth of 2% over the long term (i.e., real total return less that of annual spending and management fees). The measure of inflation used in adjusting for real purchasing power is the Higher Education Price Index, a measure of college and university costs. The majority of the Foundation's endowment funds are invested in the Trust, which follows an investment policy that is consistent with these objectives.

Strategies Employed in Achieving Objectives—To satisfy its long-term return objectives, the Trust follows a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Trust's portfolio is highly diversified among asset classes, strategies, and investment managers. This diversification in holdings and manager relationships is intended as a means to consistently produce returns in excess of policy benchmarks with less concentration of risk. The Trust has established asset allocation ranges in each of its major asset classes within which policy targets are set and monitored against actual allocations.

Spending Policy—The Foundation sets a spending rate annually for its respective investment portfolios. For the years ended June 30, 2016 and 2015, the rate was applied to a trailing 20-quarter average market value through December 31 of the previous fiscal year to calculate the payout from investment pools available for current operations. For fiscal years ended June 30, 2016 and 2015, the spending rates for the Foundation's three discrete investment portfolios, Pooled Investments, Eminent Scholars, and Virginia Assistance Program, were 4.75%, 5%, and 4.75%, respectively. Other investment returns for current operations include income on unrestricted and temporarily restricted funds.

13. INCOME TAXES

The Foundation, CEI and the 1693 Foundation are nonstock corporations which have been determined by the Internal Revenue Service to be exempt from taxes on income derived from activities related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code. The REF is a stock corporation, wholly owned by the Foundation, which has been determined by the Internal Revenue Service to be exempt from taxes on income derived from activities related to its exempt purpose under Section 501(c)(2) of the Internal Revenue Code. Reliance is a limited liability company which is not disregarded for tax purposes, and therefore is subject to tax. CWMF Ventures is a disregarded entity for income tax purposes, and all activity is reported on the Foundation's tax return.

ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in financial statements. ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing tax returns of the Foundation, CEI, REF and Reliance to determine whether the tax positions will "more-likely-than-not" be sustained by the applicable tax authority. As a result, tax positions not meeting the more-likely-than-not threshold would result in a current year expense or the absence of a benefit, as appropriate for the tax position. The Foundation has concluded that no provision for income tax is required in the Foundation's financial statements for the years ended June 30, 2016 and 2015.

As of June 30, 2015, the Foundation had net operating losses available for carryforward in the amount of $833,500 as a result of unrelated business taxable income ("UBTI") resulting from investments in The William and Mary Investment Trust. These loss carryforwards begin to expire in 2028. Due to the uncertainty about whether these losses will result in a tax asset, no tax asset is recorded in the financial statements. Losses are available for carryforward for twenty years, and UBTI is taxed at the prevailing corporate rates. In addition to the fiscal year ended June 30, 2016, the years ended June 30, 2015, 2014, and 2013 are open for inspection by the taxing authorities.

14. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others represent resources neither in the possession nor under the control of the Foundation but held and administered by outside fiscal agents, with the Foundation deriving income from such funds. The majority of the funds held in trust by others is derived from the bequest of Lettie Pate Evans, which provides a distribution of 5% of the annual net income of the Lettie Pate Evans Foundation, Inc. At June 30, 2016 and 2015, the fair value of the Foundation's interest was reported as $145,790,274 and $126,351,600, respectively. The Lettie Pate Evans Foundation, Inc. has specified that the annual income distributed to the Foundation may be used for the benefit of the College in such manner as the governing board of the Foundation may determine.

The Foundation also receives income payments from an external trust set up under a testamentary provision which states that assets are to be held in perpetuity by Dominion Trust Company or its corporate successor (Wells Fargo). Under terms of the donor's will, 40% of the trust's annual income is to be distributed as unrestricted endowment for the benefit of the College. The Board of Visitors of the College has resolved that the income of this trust be directed to unrestricted endowment of the Foundation. At June 30, 2016 and 2015, the fair value of the Foundation's interest was reported by the trustee as $3,719,155 and $4,038,583, respectively.

An additional trust with fair value of $398,885 and $438,963 at June 30, 2016 and 2015, respectively, is also included in funds held in trust by others.

15. PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables at their net present value in the year promised and are recognized as temporarily restricted or permanently restricted support, as appropriate. Pledges receivable include amounts due from trustees and officers of the Foundation, which are considered related party transactions. Pledges receivable at June 30, 2016 and 2015, have been discounted using a rate of 0.90% and 0.97%, respectively, for contributions expected to be collected in one to five years and a rate of 1.84% and 1.85%, respectively, for contributions expected to be collected beyond five years. Pledges receivable to be collected within one year have not been discounted. At June 30, 2016 and 2015, the net present value of pledges receivable was as follows:

	2016	2015
Less than one year	$ 5,860,382	$ 4,648,111
One to five years	7,651,803	8,902,407
More than five years	1,785,487	483,000
Total pledges receivable—gross	15,297,672	14,033,518
Less allowance for uncollectible amounts	(641,890)	(655,926)
Total pledges receivable—net of allowance	14,655,782	13,377,592
Discount to reduce pledges to present value	(412,437)	(283,965)
Pledges receivable—net	$ 14,243,345	$ 13,093,627

16. NOTES PAYABLE AND LINES OF CREDIT

On June 25, 2001, Reliance entered into a revolving line of credit agreement with First Union National Bank (now Wells Fargo Bank, NA) in the amount of $2,000,000, which the Foundation guaranteed. The purpose of the line of credit was to fund the initial purchase of the real estate sold to New Town Associates, and to provide working capital to Reliance. As such, most of the loan proceeds have in turn been advanced to the REF, and the majority of the interest on the note is reflected as expenses of the REF. The line of credit was increased to $3,000,000 with all principal and accrued interest due and payable on June 29, 2014. On June 29, 2014, the amount available under the line of credit was reduced to $2,145,000 and the due date was extended to June 29, 2015. On June 29, 2015, the total amount available under the line of credit was reduced to $1,300,000 and the due date was extended to June 29, 2016. On June 24, 2016 the due date was extended to August 29, 2016. Interest only, which accrues daily at the one month LIBOR Market Index Rate plus 1.35%, is payable monthly. The amount outstanding was $272,541 at June 30, 2016 and $1,247,541 at June 30, 2015. Interest paid during the years ended June 30, 2016 and 2015, was $10,679 and $28,022, respectively. The outstanding balance was paid in full on July 19, 2016.

During the fiscal year ended June 30, 2009, the Foundation entered into a borrowing arrangement with SunTrust Bank in the amount of $2,636,140 for renovation of the College's Admissions Office. The terms of the loan were revised during the fiscal year ended June 30, 2011. Under the revised terms, interest accrues at a rate of 4.99% and is payable monthly. Principal is payable annually over a ten year term, with the final amount due on February 1, 2021. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. The balance outstanding at June 30, 2016 and 2015, was $1,477,717 and $1,732,487, respectively. Interest paid during the fiscal years ended June 30, 2016 and 2015, on the loans was $83,618 and $95,892, respectively.

During the year ended June 30, 2011, the Foundation and CEI entered into a joint borrowing arrangement with SunTrust Bank to fund expansion of the telecommunications system. The agreement provided for loan draws up to the amount of $1,450,000 through August 7, 2011. Interest at a rate of 3.97% is payable monthly. Principal is payable annually over a five year term, with the final amount due January 15, 2016. SunTrust is granted a security interest in all deposits and investments maintained with SunTrust and any of its affiliates. The terms of the note require the Foundation to maintain at all times unrestricted and temporarily restricted net assets in excess of 200% of the Foundation's total funded debt. The balance outstanding at June 30, 2016 and 2015, was $0 and $313,000, respectively. Interest paid during the fiscal years ended June 30, 2016 and 2015, on the loans was $7,387 and $18,661, respectively.

The Foundation and its affiliates are in compliance with all debt covenants.

The carrying value of the above debt approximates fair value.

The following represents principal amounts due for all notes payable and lines of credit for the years ending:

Fiscal Year Ending June 30	
2017	$ 540,024
2018	280,830
2019	294,844
2020	309,551
2021	325,009
Total notes payable	$ 1,750,258

17. BONDS PAYABLE

In December 2011, the Economic Development Authority of James City County, Virginia ("Authority") issued a revenue refunding bond in the amount of $8,090,000 ("Series 2011 Bond"), and loaned the proceeds to the Foundation and CWMF Ventures ("Obligors"). The Series 2011 Bond was acquired by SunTrust Bank, as Series 2011 Bondholder. Proceeds from the sale of the Series 2011 Bond were used to redeem bonds issued in December 2006 by the Authority to finance the cost of property acquisition, construction and equipping of a three-story building in New Town in James City County, Virginia, for use by the Foundation, CWMF Ventures or the College. The Series 2011 Bond bears interest at a fixed rate of 2.96% per annum, subject to the put rights of the Series 2011 Bondholder as described below, and interest payments are due quarterly on each January 1, April 1, July 1 and October 1. The Series 2011 Bondholder has the option to tender the Series 2011 Bond for payment on December 1, 2021, the first optional put date, unless extended under the terms of the loan agreement to not earlier than December 1, 2026. An additional extension may be made to not earlier than December 1, 2031. The Obligors are required to maintain assets so that on each June 30, unrestricted and temporarily restricted net assets shall exceed 200% of the total funded debt of the Obligors.

Total issuance costs in the amount of $85,488 were incurred and are being amortized over a term of ten years, which is the first optional put date for the 2011 bonds. Unamortized bond issuance costs are deducted directly from the face amount of the bonds.

The following represents the face value of bonds and unamortized bond issuance costs as of June 30, 2016 and 2015:

	2016	**2015**
Face amount of bonds	$ 8,090,000	$ 8,090,000
Unamortized bond issuance costs	(47,019)	(55,568)
Bonds payable	$ 8,042,981	$ 8,034,432

Interest expense, including amortization of bond issuance costs, on the Series 2011 Bond during the fiscal years ended June 30, 2016 and 2015, was $252,004 and $242,790, respectively

The Foundation is in compliance with all bond covenants.

18. COMMITMENTS AND CONTINGENCIES

During the fiscal year ended June 30, 2012, New Town Associates entered into a financing arrangement with Chesapeake Bank. The agreement is a $3,000,000 line of credit available for the issuance of loans and letters of credit, and is secured by a lien on New Town Associates' commercial land and improvements, as well as the assignment of rents, profits and leases. This facility bears an interest rate of 5.5%, and matured November 22, 2015. The Foundation guaranteed 50% of the balance of the Chesapeake facility, not to exceed $1,500,000. As of June 30, 2015, the principal amount outstanding under this note was $0. Letters of credit outstanding under this facility totaled $0 at June 30, 2015.

19. LEASE AND RENT EXPENSE

The Foundation leases office space in Washington, DC under a non-cancelable agreement with an expiration date of June 30, 2022. The Foundation also leases office space in New York, New York under a non-cancelable agreement with an expiration date of September 30, 2019. Future minimum lease payments under these agreements are:

Fiscal Year Ending June 30	**Total Payments**
2017	$203,732
2018	206,687
2019	209,729
2020	120,500
2021	105,261
Due in more than five years	131,576
Total	$977,485

Total rent expense for all operating leases for the years ended June 30, 2016 and 2015, was $264,508 and $175,483, respectively.

20. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2016 and 2015, net assets are temporarily restricted for the following:

	2016	**2015**
Instruction	$ 64,627,222	$ 71,669,289
Research	4,994,328	4,636,963
Public service	1,901,926	2,039,670
Academic support	23,537,609	23,846,673
Student services	10,498,774	11,877,292
Institutional support	5,428,609	5,817,490
Plant and facilities	15,015,919	21,114,667
Scholarships and fellowships	78,210,096	88,394,890
Deferred gifts	4,001,417	3,017,365
General operations	12,259,347	15,236,925
Total	$ 220,475,247	$ 247,651,224

At June 30, 2016 and 2015, net assets are permanently restricted for the following:

	2016	**2015**
Instruction	$ 69,802,145	$ 69,113,414
Research	6,827,554	6,738,171
Public service	1,265,304	1,265,304
Academic support	18,997,600	18,240,619
Student services	14,186,552	11,808,091
Institutional support	4,240,445	4,116,519
Plant and facilities	2,110,337	2,016,012
Scholarships and fellowships	111,452,971	107,668,828
Deferred gifts	7,023,014	7,002,688
General operations (includes funds held in trust by others)	185,896,292	166,132,926
	421,802,214	394,102,572
Endowment requiring reinvestment of income until year 2076	8,650,079	8,895,408
Total	$430,452,293	$402,997,980

21. OTHER MATTERS

Concentration of Risk—Financial instruments, which potentially subject the Foundation to concentration of risk, consist primarily of an equity investment in a large U.S. company. This investment comprised 90.51% and 92.02% of total funds held in trust by others as of June 30, 2016 and 2015, respectively. The trustees of the Foundation have no control over this investment.

Real Estate Foundation had approximately $104,382 and $0 on deposit with one federally insured financial institution in excess of the $250,000 limit as of June 30, 2016 and 2015, respectively. CWMF Ventures had approximately $913,587 and $660,648 on deposit with one federally insured financial institution in excess of the $250,000 limit as of June 30, 2016 and 2015, respectively. CEI had approximately $1,707,962 and $1,908,050 on deposit with one federally insured financial institution in excess of the $250,000 limit as of June 30, 2016 and 2015, respectively.

22. DEFERRED COMPENSATION PLAN

During the fiscal year ended June 30, 2009, the Foundation entered into a deferred compensation agreement with the President of the College. The arrangement is unfunded and intended to comply with ERISA and Internal Revenue Code Sections 409A and 457(f). As of June 30, 2016 and 2015, a liability of $442,427 and $405,779, respectively, has been recorded.

23. RELATED PARTY TRANSACTIONS

Pledges receivable from trustees and officers of the Foundation at June 30, 2016 and 2015, totaled $5,093,810 and $2,231,660, respectively, and are considered related party transactions. Gift receipts from trustees and officers, including payments on pledges, totaled $3,589,218 and $1,198,348 for the years ended June 30, 2016 and 2015, respectively.

The Foundation leases certain property to the College for dormitories and office space. Total rent income during the years ended June 30, 2016 and 2015, was $865,554 and $871,429, respectively.

The Trust invests in certain investment funds managed by a firm in which a member of the Board of Trustees and Investments Committee of the Foundation is co-founder, principal and a managing member of the investment funds. Total investment in these funds as of June 30, 2016 and 2015, was $2,030,696 and $4,436,980, respectively. Total outstanding commitment (uncalled capital) to the funds as of June 30, 2016 and 2015, was $3,705,822 and $4,340,269, respectively. Total management fees for the years ended June 30, 2016 and 2015, were $37,887 and $40,706, respectively. The Trust also invests in certain investment funds in which another member of the Board of Trustees and Investments Committee of the Foundation is an officer and a managing partner. The total invested in these fund as of June 30, 2016 and 2015, was $1,708,570 and $859,788, respectively. Total outstanding commitment (uncalled capital) to the funds as of June 30, 2016 and 2015, was $4,765,855 and $5,514,757, respectively. Total management fees for the fiscal years ended June 30, 2016 and 2015, were $109,193 and $105,692, respectively. Before investing in these funds, management followed guidelines and procedures prescribed by the Foundation's Conflict of Interest Policy ensuring full disclosure of such relationships.

The Trust or Foundation has retained since 1992 a market-leading investment consulting and proprietary research firm to provide information and services in support of the Trust's investment activities. During the fiscal year ended June 30, 2014, a managing director of this firm joined the Board of Trustees of the College of William and Mary Foundation. The total amount paid for this firm's services during the fiscal year ended June 30, 2015 was $51,000. As of June 30, 2015, this Trustee no longer worked for the consulting firm.

24. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 20, 2016, the date the consolidated financial statements were issued. There are no subsequent events to report.

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