Williams College

Consolidated Financial Statements

June 30, 2024 and 2023

Williams College
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June 30, 2024 and 2023

Report of Independent Auditors

To the Board of Trustees of Williams College

Opinion

We have audited the accompanying consolidated financial statements of Williams College and its subsidiaries (the "College"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date the consolidated financial statements were issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises a summary of financial results, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Fairport, New York
October 24, 2024

Williams College
Consolidated Statements of Financial Position
June 30, 2024 and 2023

(in thousands)

	2024		2023	
Assets				
Cash and cash equivalents		$ 86,680		$ 49,939
Accounts receivable		1,927		2,486
Contributions receivable (Note 2)		63,552		59,331
Notes receivable (Note 3)		14,729		14,922
Other assets		29,521		16,258
Investments				
Investments held on behalf of Williams College (Note 4)	$ 3,712,057		$ 3,543,495	
Investments held on behalf of the Clark Art Institute (Note 5)	471,385		441,267	
Total investments, at fair value		4,183,442		3,984,762
Land, buildings and equipment, net (Note 6)		695,983		692,148
Total assets		$ 5,075,834		$ 4,819,846
Liabilities				
Accounts payable and accrued liabilities		$ 22,387		$ 24,963
Accrued salaries and benefits		43,280		44,073
Investments held on behalf of the Clark Art Institute (Note 5)		471,385		441,267
Other liabilities		9,526		6,887
Liabilities related to split-interest agreements		55,548		56,579
Bonds payable (Note 9)		364,908		372,757
Total liabilities		967,034		946,526
Net assets				
Without donor restrictions		699,390		639,506
With donor restrictions		3,409,410		3,232,282
Total College net assets		4,108,800		3,871,788
Noncontrolling interests without donor restrictions		-		1,532
Total net assets		4,108,800		3,873,320
Total liabilities and net assets		$ 5,075,834		$ 4,819,846

The accompanying notes are an integral part of these consolidated financial statements.

Williams College
Consolidated Statement of Activities
Year Ended June 30, 2024 with Summarized Comparative Totals for 2023

(in thousands)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenue, gains and other				
Net student revenues				
Tuition, fees, room and board,				
net of financial aid of $71,751 in 2024 ($64,623 in 2023)	$ 94,336	$ -	$ 94,336	$ 98,896
Auxiliary enterprises - other	12,155	-	12,155	11,711
Special purpose grants expended and related income	3,152	-	3,152	6,608
Gifts and grants, net of discount and allowance	19,502	7,182	26,684	23,009
Investment income	4,124	-	4,124	1,713
Investment gains appropriated	17,662	155,676	173,338	162,606
Other income	883	-	883	1,046
Net assets released from restrictions	155,619	(155,619)	-	-
Total operating revenue, gains, and other	307,433	7,239	314,672	305,589
Operating expenses and other				
Salaries and wages	127,704	-	127,704	122,618
Employee benefits	43,984	-	43,984	39,999
Operating expenses	83,106	-	83,106	84,038
Interest expense	10,335	-	10,335	10,125
Depreciation	32,277	-	32,277	39,127
Total operating expenses and other	297,406	-	297,406	295,907
Change in net assets from operating activities	10,027	7,239	17,266	9,682
Nonoperating activities				
Investment return, net	42,210	298,906	341,116	99,780
Change in deferred tax liability and payable	(388)	(3,487)	(3,875)	1,448
Investment gains appropriated	(17,662)	(155,676)	(173,338)	(162,606)
Investment income, annuitant payments and				
change in value of split-interest agreements, net	(1,349)	(781)	(2,130)	(869)
Adjustments for post-employment liabilities	(2,234)	-	(2,234)	(1,253)
Endowment, plant, and split-interest gifts, net of discount and allowance	671	56,009	56,680	45,859
Unrealized gains on interest rate swaps	1,980	-	1,980	2,269
Gains on the retirement of long-term debt	-	-	-	12,832
Gain on purchase of noncontrolling interest	1,390	-	1,390	
Net assets released from restrictions	21,755	(21,755)	-	-
Other adjustments	3,484	(3,327)	157	(94)
Change in net assets from nonoperating activities	49,857	169,889	219,746	(2,634)
Total change in net assets without donor restriction - Williams College	59,884	-	59,884	21,345
Total change in net assets without restriction - noncontrolling interest	(1,532)	-	(1,532)	51
Total change in net assets with donor restriction	-	177,128	177,128	(14,297)
Total change in net assets	58,352	177,128	235,480	7,099
Beginning net assets	641,038	3,232,282	3,873,320	3,866,221
Ending net assets	$ 699,390	$ 3,409,410	$ 4,108,800	$ 3,873,320

The accompanying notes are an integral part of these consolidated financial statements.

Williams College
Consolidated Statement of Activities
Year Ended June 30, 2023

(in thousands)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other			
Net student revenues			
Tuition, fees, room and board, net of financial aid of $64,623	$ 98,896	$ -	$ 98,896
Auxiliary enterprises - other	11,711	-	11,711
Special purpose grants expended and related income	6,608	-	6,608
Gifts and grants, net of discount and allowance	17,518	5,491	23,009
Investment income	1,713	-	1,713
Investment gains appropriated	16,936	145,670	162,606
Other income	1,046	-	1,046
Net assets released from restrictions	146,541	(146,541)	-
Total operating revenue, gains, and other	300,969	4,620	305,589
Operating expenses and other			
Salaries and wages	122,618	-	122,618
Employee benefits	39,999	-	39,999
Operating expenses	84,038	-	84,038
Interest expense	10,125	-	10,125
Depreciation	39,127	-	39,127
Total operating expenses and other	295,907	-	295,907
Change in net assets from operating activities	5,062	4,620	9,682
Nonoperating activities			
Investment return, net	8,978	90,802	99,780
Change in deferred tax liability and payable	118	1,330	1,448
Investment gains appropriated	(16,936)	(145,670)	(162,606)
Investment income, annuitant payments and change in value of split-interest agreements, net	(1,322)	453	(869)
Adjustments for post-employment liabilities	(1,253)	-	(1,253)
Endowment, plant, and split-interest gifts, net of discount and allowance	5,810	40,049	45,859
Unrealized gains on interest rate swaps	2,269	-	2,269
Gains on the retirement of long-term debt	12,832	-	12,832
Net assets released from restrictions	828	(828)	-
Other adjustments	4,959	(5,053)	(94)
Change in net assets from nonoperating activities	16,283	(18,917)	(2,634)
Total change in net assets without donor restriction - Williams College	21,345	-	21,345
Total change in net assets without restriction - noncontrolling interest	51	-	51
Total change in net assets with donor restriction	-	(14,297)	(14,297)
Total change in net assets	21,396	(14,297)	7,099
Beginning net assets	619,642	3,246,579	3,866,221
Ending net assets	$ 641,038	$ 3,232,282	$ 3,873,320

The accompanying notes are an integral part of these consolidated financial statements.

Williams College
Consolidated Statement of Cash Flows
Years Ended June 30, 2024 and 2023

(in thousands)

	2024	2023
Cash flow from operating activities		
Total change in net assets	$ 235,480	$ 7,099
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation, amortization and accretion, net	31,534	37,565
Provision for doubtful accounts	(34)	(71)
Realized and change in unrealized gains on investments and income	(342,855)	(101,485)
Change in noncontrolling interests without donor restrictions	25	51
Gain on real property held for resale	(31)	(445)
Gain on purchase of noncontrolling interest	(1,390)	-
Gain on retirement of long-term debt	-	(12,832)
(Gain) loss on disposal of plant assets	(41)	3
Gifts restricted for long-term investment	(9,196)	(19,565)
Donated securities	(10,781)	(14,518)
Proceeds from sale of donated securities	3,161	2,850
Gifts-in-kind	(670)	(5,757)
Changes in operating assets and liabilities		
Accounts receivable	547	1,020
Contributions receivable	(4,221)	(8,020)
Notes receivable	108	122
Other assets	(6,178)	(3,427)
Accounts payable and accrued liabilities	(246)	(103)
Present value of beneficiary payments	4,582	3,027
Accrued salaries and benefits	(793)	170
Other liabilities	2,812	(5,345)
Net cash used in operating activities	(98,187)	(119,661)
Cash flow from investing activities		
Proceeds from sale of investments	508,023	690,606
Purchase of investments	(319,198)	(522,406)
Additions to land, buildings and equipment	(39,744)	(27,565)
Proceeds from the sale of real estate	468	1,418
Purchase of noncontrolling interest	(167)	-
Student loans granted	(54)	(71)
Student loans repaid	284	348
Net cash provided by investing activities	149,612	142,330
Cash flow from financing activities		
Gifts restricted for long-term use	9,196	19,565
Proceeds from sale of donated securities restricted for endowments	7,621	11,668
Payments to beneficiaries	(5,612)	(6,122)
Proceeds to the Clark Art Institute	(13,000)	(20,500)
Deposits made for bond payments	(5,862)	2,891
Issuance of new debt	-	99,670
Repayment of debt	(6,854)	(114,126)
Repayment of U.S. Government advances	(173)	(330)
Net cash used in financing activities	(14,684)	(7,284)
Net increase in cash	36,741	15,385
Cash		
Beginning of year	49,939	34,554
End of year	$ 86,680	$ 49,939
Supplemental disclosures		
Cash paid during the year for interest	$ 11,234	$ 11,315
Noncash transactions		
Fair value of securities received and distributed	27,216	35,549
Donated securities	10,781	14,518
Exchange of land for notes receivable	100	290
Amounts included in accounts payable related to land, buildings, and equipment and other assets	1,965	4,296

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands)

1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Williams College have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The consolidated financial statements include the accounts of Williams College, the Williams Inn, LLC, Williams Renewables, LLC and Williams College Foundation (UK) Limited. Collectively, these entities are referred to as the "College".

Williams College is the sole shareholder of Williams Renewables, LLC. Williams Renewables, LLC was established to facilitate Williams' investments in renewable energy projects. During 2017, Williams Renewables, LLC entered into an agreement with Simonds Road Solar, LLC, and held a controlling interest in it until August of 2023, when Williams Renewables, LLC purchased the noncontrolling interest, and recorded a gain for $1,390. As of June 30, 2023, the College reflected noncontrolling interest without donor restrictions related to a third party's interest in Simonds Road Solar of $1,532.

Net assets and revenues, expenses, gains and losses are classified 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 as follows:

Net assets without donor restriction - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restriction may be allocated for specific purposes, such as board designated funds functioning as endowment, or may otherwise be limited by contractual agreement or as net investment in plant.

Net assets with donor restriction - Net assets subject to donor-imposed stipulations include current spendable contributions (nonendowment) with donor-imposed restrictions, endowment, capital and planned contributions, and realized and unrealized gains and losses on the endowment.

Revenues are reported as increases in net assets without donor restriction unless use of the revenue is restricted by the donor.

Operating expenses are reported as decreases in net assets without donor restriction.

Gains and losses on investment and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is defined by the donor.

When a donor-imposed restriction is met, it is reported as net assets released from restrictions and reclassifications between net asset classes. Periodically a donor may decide to change the restriction on their gift, such changes are reflected at the time they are identified.

Measure of Operations

The College divides its consolidated statements of activities into operating and nonoperating activities. The College's measure of operations includes operating revenue from student tuition and fees (net of financial aid), auxiliaries, gifts and grants, investment income, income gains appropriated, and other income. Operating expenses are presented by natural classification.

Nonoperating activities include realized and unrealized gains and losses on investments, excise taxes, additions to or changes in the value of split-interest arrangements, unrealized gain on interest rate swaps, adjustments to post-employment liabilities, gains on retirement of debt and purchase of noncontrolling interest, and plant, split-interest and endowment gifts.

(in thousands)

Revenues

The College considers tuition, room and board as one contract with three performance obligations under Accounting Standards Codification ("ASC") 606. The College is a residential community with the majority of students living in campus housing and dining in campus facilities. Tuition is charged per semester at the same rate for all students. Tuition, room and board are all fully earned by June 30. Financial aid is calculated based on total cost of attendance.

The College records student related revenue within the fiscal year in which services are provided. Institutional financial aid includes amounts funded by the College's operations, endowments, and gifts and provide funding to offset the published price of tuition and fees, room, and board for students. Grants to students for costs in excess of the cost of attendance are reported as student services expense in the consolidated statement of activities.

Student related revenue by performance obligation is as follows:

	2024			
	Tuition & Fees	Room	Board	Total
Student charge	$ 135,038	$ 16,152	$ 14,897	$ 166,087
Allocation of financial aid	(58,337)	(6,978)	(6,436)	(71,751)
Total net student charges	$ 76,701	$ 9,174	$ 8,461	$ 94,336

	2023			
	Tuition & Fees	Room	Board	Total
Student charge	$ 133,245	$ 15,831	$ 14,443	$ 163,519
Allocation of financial aid	(52,658)	(6,256)	(5,709)	(64,623)
Total net student charges	$ 80,587	$ 9,575	$ 8,734	$ 98,896

Cash and Cash Equivalents

Cash represents liquid investments with a maturity of three months or less at the date of purchase. It has been the College's policy to consider short-term highly liquid investments held within the investment pool as investments rather than cash equivalents.

Contributions

Contributions are recognized as revenues when received. Conditional pledges are recognized as revenues when conditions are substantially met. The College had no conditional pledges outstanding, excluding bequests, as of June 30, 2024 and 2023, respectively. Unconditional pledges, net of an allowance for uncollectible amounts, are reported at their estimated net present values and are classified as with donor restrictions. Contributions restricted for the acquisition of property and collections are reported as with donor restrictions gifts and are reclassified to without donor restrictions net assets at the time the assets are acquired and placed in service.

(in thousands)

Other Assets

Other assets of the College consist of the following at June 30:

	2024	2023
Prepayment of bonds	$ 12,716	$ 6,854
Prepaid expenses	2,007	2,178
Inventories	372	356
Interest rate swap	7,370	5,390
ERP implementation costs	7,056	1,480
	$ 29,521	$ 16,258

Investments

The College reports investments at fair value in accordance with GAAP. Fair value is defined as the amount that would be received as a result of selling an asset, or the amount that would be paid to transfer a liability (i.e., an exit price), in an orderly transaction between market participants at the measurement date.

The fair values of investments are determined as follows:

Investments	Value as Recorded
Short-term investments, including cash at banks and short-term, highly liquid investments with an original maturity of three months or less at the time of purchase	At amortized cost which approximates fair value
Stocks, bonds, mutual funds, and other publicly traded securities	At quoted market value, representing fair value
Privately held investment vehicles including investments in funds with managers managing global long/short equities, absolute return strategies, venture capital, buyouts, real estate, real assets, and other strategies	Estimated net asset value determined by the manager of the privately held partnership, representing fair value.

Certain investment vehicles do not have quoted market prices. These include 1) hedge fund investments with managers of global long/short equities and absolute return strategies; 2) investments in venture capital, buyout, real asset and real estate partnerships; and 3) certain other commingled funds. In the absence of quoted market prices for these investments, the College determined fair value based on information provided by external investment managers. Most of these external managers calculate the College's capital account or Net Asset Value (NAV) at fair value in accordance with, or in a manner consistent with, GAAP. GAAP permits the College to estimate the fair value of these investments by using the reported NAV provided by the external investment managers as a practical expedient. The College has performed due diligence procedures on these investments to support recognition at NAV as a reasonable estimate of fair value as of June 30, 2024 and 2023. Due to the inherent uncertainties of valuation, these estimated fair values may differ significantly from the values that would have been reported had a readily available market for these investments existed, and these differences could be material.

Beneficial and perpetual trusts held by third parties are recorded at fair value based upon the present value of the future distributions expected to be received over the term of the agreement. These methods may result in a fair value measurement that may not be indicative of net realizable value or reflective of future fair values.

(in thousands)

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Liquidity

The College regularly monitors the availability of resources required to meet its general operating expenditures.

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expense, interest and principal payments, and capital renewal programs were as follows:

	2024		2023	
Total assets, at June 30		$ 5,075,834		$ 4,819,846
Less:				
Other assets		(29,521)		(16,258)
Investments held on behalf of the Clark Art Institute		(471,385)		(441,267)
Land, buildings and equipment, net		(695,983)		(692,148)
Financial assets, at June 30		3,878,945		3,670,173
Less: Financial assets due in more than one year or with donor-imposed restrictions				
Contributions restricted by donor with time or purpose restrictions	$ 48,737		$ 44,949	
Endowment assets	3,530,440		3,368,671	
Split-income gifts	45,441		47,661	
Other investments	11,059		9,276	
Notes due in over one year	13,394		13,423	
		3,649,071		3,483,980
Financial assets available for operating expense		229,874		186,193
Endowment distribution approved by board for spending		182,000		171,000
Total financial assets available for operating expense		$ 411,874		$ 357,193

The College maintains $205,000 of lines of credit that can be drawn as needed to manage both operating and endowment liquidity. Cash flows are subject to seasonal variations attributable to the timing of tuition billings, receipts of gifts and grants, pledge payments and endowment distributions. Also, the College had an additional $351,467 and $343,249 for 2024 and 2023, respectively, of board designated endowment that is available to support general operations with board approval.

(in thousands)

Land, Buildings and Equipment
Capital expenditures for and gifts of land, buildings and equipment are recorded at cost at the date of acquisition or fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (40-60 years), building systems, renovations and land improvements (20 years), equipment (3-10 years) and software (3 years).

Interest is capitalized on debt funded capital projects in process until the project is substantially complete.

The College's art and rare book collections are recorded at cost or appraised value at the date of acquisition. Collections are not depreciated. The College does not capitalize the cost of library books and periodicals.

Employee Benefits
Retirement benefits for substantially all full-time employees are individually funded and vested under a defined contribution retirement program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund ("TIAA" and "CREF", respectively). Under this agreement, the College and plan participants make periodic contributions to TIAA and CREF. The College's expense under defined contribution retirement plans amounted to $10,510 and $9,620 for 2024 and 2023, respectively.

The College provides post-retirement benefits that include retiree life insurance and a portion of early retiree medical, dental and life insurance premiums.

The College accrues post-employment benefits which may include salary continuation, severance benefits, workers' compensation and other disability related benefits, and the post-employment continuation of health care benefits, life insurance benefits and similar benefits to certain employees and beneficiaries, and is included in accrued salaries and benefits in the consolidated statements of financial position.

The components of net periodic benefit cost other than the service cost component are included in the line item "Adjustment for post-employment liabilities" in the consolidated statement of activities.

Split-Interest Agreements and Outside Trusts
For those trusts for which the College serves as trustee, the assets are held in the long-term investment pool. Assets under these agreements are recorded at fair value. Contribution revenues are recognized at the dates the trusts are established net of a liability for the present value of the estimated future payments. Liabilities related to split-interest agreements of $55,548 and $56,579 as of June 30, 2024 and 2023, respectively, presented in the consolidated statements of financial position, reflect adjustment for changes in the value of the assets, and actuarial estimates of future benefits.

For those irrevocable charitable remainder trusts for which the College does not serve as trustee, the College records its beneficial interest as contribution revenue and contributions receivable at the present value of the expected future cash inflows. Such trusts are recorded at the date the College has been notified of the trust's existence and sufficient information has been accumulated to form the basis for an accrual. Changes in the value of these assets related to the amortization of the discount or revisions in the income beneficiary's life expectancy are recorded as a nonoperating change in the valuation of contributions receivable of net assets with donor restrictions.

The College is also the beneficiary of certain perpetual trusts held and administered by others. The fair value of these trusts, which is reported by the outside trustee, is included in investments. Distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as nonoperating gains or losses both with and without donor restriction.

(in thousands)

Use of Estimates
The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The College's most significant estimate includes the fair value of its investments. Actual results could differ from those estimates.

Income Taxes/Tax-Exempt Status
Williams College is exempt from federal and state income taxes to the extent provided by section 501(c)(3) of the Internal Revenue Code and equivalent state provisions, except with regard to unrelated business income which is taxable at corporate income tax rates, and provisions of the 2017 Tax Cuts and Jobs Act (the "Act"). The Act impacts the College in several ways, including excise taxes on compensation and net investment income, changes to the net operating loss rules, repeal of the certain minimum tax (AMT), and the computation of UBTI separately for each unrelated trade or business. Further, the Act established a flat 21% US federal corporate tax rate and federal corporate unrelated business income tax rate.

The College has made provisions for a deferred tax liability from net unrealized gains on qualifying assets and estimated at the 1.4% tax rate of $6,683 and $3,808 as of June 30, 2024 and 2023, respectively. Accruals for the current portion of the excise and compensation tax of $1,000 were also included for the years ending June 30, 2024 and 2023. The deferred tax liability and current accrual are included in other liabilities in the consolidated statements of financial position. Excise taxes paid related to the year ended June 30, 2023 were $1,134.

The College believes it has taken no significant uncertain tax positions.

Reclassifications
Certain prior year balances were reclassified to conform to the current year presentation.

2. Contributions Receivable

Contributions receivable are as follows at June 30:

	2024	2023
Expected collection period		
Less than one year	$ 14,815	$ 14,382
One year to five years	26,815	23,437
Over five years	659	714
Less: Discount to present value	(973)	(670)
Allowance for uncollectible contributions	(2,870)	(2,955)
Net contributions receivable	38,446	34,908
Funds held in trust by others	23,106	21,423
Bequest receivable	2,000	3,000
Contributions receivable, net	$ 63,552	$ 59,331

Conditional contributions, including bequest intentions, are recorded as revenue when received. Bequest intentions totaled $96,090 at June 30, 2024.

(in thousands)

Unexpended federal awards totaling $4,822 and $4,602 as of June 30, 2024 and 2023, respectively, are considered nonexchange transactions and include a barrier and a right of return. As such, these conditional promises to give are not recognized as revenues until the College expends the resources.

Funds held in trust by others are valued using Level 3 inputs (see Note 4 for discussion on classification of fair value measurements). The following is a reconciliation of funds held in trust by others in which significant unobservable inputs (Level 3) were used in determining value.

	2024	2023
Beginning of year balances	$ 21,423	$ 23,119
Change in unrealized gains	3,883	(1,296)
Net (retirements) additions	(2,200)	(400)
End of year balances	$ 23,106	$ 21,423

3. Notes Receivable

Notes receivable, net of allowance, are as follows at June 30:

	2024	2023
Federal student loans	$ 317	$ 465
Other student loans	449	532
Faculty and staff mortgages	9,735	9,710
Pine Cobble land notes	3,153	3,151
Other notes receivable	1,146	1,182
	14,800	15,040
Allowance	(71)	(118)
	$ 14,729	$ 14,922

Management regularly assesses the adequacy of the allowance for credit losses, evaluating notes receivable for such factors as the differing economic risks associated with each loan category, collectability from specific borrowers, and the value of collateral.

The College holds notes receivable from student loans (net of allowance) totaling $695 and $879 as of June 30, 2024 and 2023, respectively. The College discontinued its student loan programs in fiscal year 2022, replacing it with an all-grant initiative.

The average stated interest rate on faculty and staff mortgages as of June 30, 2024 and 2023 was 2.34% and 2.24%, respectively. The College holds other notes receivable totaling $4,299 and $4,333 as of June 30, 2024 and 2023, respectively.

(in thousands)

4. Investments

Investments held by the College at June 30 are comprised of:

	2024	2023
Investments held on behalf of Williams College	$ 3,655,558	$ 3,486,558
Investments held on behalf of the Clark Art Institute	471,385	441,267
Total Investment Pool	4,126,943	3,927,825
Split-interest agreements	45,441	47,661
Other investments	11,058	9,276
Total investments	$ 4,183,442	$ 3,984,762

Investment Pool Governance

The Investment Committee, a standing committee of the Board of Trustees, is responsible for setting asset allocation, investment policy and the strategic direction of the Williams College Investment Pool. The Investment Committee approves the operating budget and annual goals for the investment office and monitor investment results to ensure policy objectives are met. Three Advisory Committees (Marketable Assets, Nonmarketable Assets and Real Assets) serve as sub-committees of the Investment Committee and provide focused asset class advice. The Chief Investment Officer ("CIO") reports to the College President and oversees and manages the

College's Investment Office, including the selection of investments, investment managers and consultants, subject to the approval of the Investment Committee and in accordance with the Committee's policies and procedures.

Investment Pool Mission, Objectives and Strategy

The mission of the Investment Pool is to contribute financial support to both the present and future needs of the College as well as to provide sufficient liquidity to meet such needs on a timely basis.

The College's overall investment objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices.

The College's investment strategy is designed to meet its investment objective and has the following characteristics: an equity bias; diversification; an emphasis on alternative investments; and sufficient liquidity.

Investment Pool Asset Allocation

The asset allocation, asset class benchmarks, and allowable ranges for each asset class for the Williams College Investment Pool are approved by the Investment Committee upon the recommendation of the CIO and reviewed every year.

In addition to the asset class diversification targets presented above, the College diversifies its investments among various investment strategies. The investments are managed by external investment management firms and held in custody by a major commercial bank, except for assets structured as partnerships, LLCs and commingled funds, which have separate arrangements appropriate to their legal structure.

ASC 820 Disclosure - Fair Value Hierarchy

FASB Accounting Standards Codification ASC 820 on Fair Value Measurements, prescribes a three-level hierarchy for fair value measurements based on the observability of inputs used in the valuation of an investment as of the measurement date. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 include short-term investments, listed equity securities held in the name of the College in separately managed accounts and exchange traded mutual fund investments.

(in thousands)

Level 2 Pricing inputs, including broker quotes, other than exchange traded quoted prices in active markets. The inputs are either directly or indirectly observable as of the reporting date.

Level 3 Pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the investment.

Investments measured at fair value using a fund's NAV as a practical expedient have not been classified in the fair value hierarchy.

Redemptions receivables represent estimated proceeds to be received from investments where the College has requested either a full or partial redemption for the June 30 dealing date. Redemption receivables are settled by the funds per the terms specified in their legal documents, but generally, the majority of redemption proceeds are delivered within 30 days. In the case of a full redemption from a fund, there can be a small amount (generally 5-10% of the total redemption amount) that is "held back" and not returned until after a fund's annual audit, typically in March or April of the following year.

The following table presents the fair value of the College's investments as of June 30, 2024 and 2023, by the ASC 820 fair value valuation hierarchy defined above.

	June 30, 2024			
	Investment Assets Quoted Prices in Active Markets (Level 1)	**Investment Assets Valued With Unobservable Inputs (Level 3)**	**Investment Assets Valued at NAV**	**Total Investments**
Investment Pool				
Investments	$ -	$ -	$ 3,952,992	$ 3,952,992
Short-term investments	93,588	-	-	93,588
Redemption receivable from underlying funds	-	-	80,363	80,363
Total Investment Pool	93,588	-	4,033,355	4,126,943
Investments held for the Clark Art Institute	-	-	(471,385)	(471,385)
Total Investment Pool - Williams College	93,588	-	3,561,970	3,655,558
Split-interest agreements				
Cash and cash equivalents	676	-	-	676
Common and preferred stocks	18,431	-	-	18,431
Fixed income securities	8,049	-	-	8,049
Real estate mutual funds	1,511	-	-	1,511
Perpetual trusts held by others	-	16,774	-	16,774
Total split-interest agreements	28,667	16,774	-	45,441
Other investments	2,148	8,910		11,058
Total investments - Williams College	124,403	25,684	3,561,970	3,712,057
Investments held for the Clark Art Institute	-	-	471,385	471,385
Total investments at fair value	$ 124,403	$ 25,684	$ 4,033,355	$ 4,183,442

(in thousands)

	June 30, 2023			
	Investment Assets Quoted Prices in Active Markets (Level 1)	Investment Assets Valued With Unobservable Inputs (Level 3)	Investment Assets Valued at NAV	Total Investments
Investment Pool				
Investments	$ -	$ -	$ 3,809,960	$ 3,809,960
Short-term investments	62,626	-	-	62,626
Redemption receivable from underlying funds	-	-	55,269	55,269
Other assets and liabilities	-	-	(30)	(30)
Total Investment Pool	62,626	-	3,865,199	3,927,825
Investments held for the Clark Art Institute	-	-	(441,267)	(441,267)
Total Investment Pool - Williams College	62,626	-	3,423,932	3,486,558
Split-interest agreements				
Cash and cash equivalents	6,120	-	-	6,120
Common and preferred stocks	18,292	-	-	18,292
Fixed income securities	5,611	-	-	5,611
Real estate mutual funds	1,707	-	-	1,707
Perpetual trusts held by others	-	15,931	-	15,931
Total split-interest agreements	31,730	15,931	-	47,661
Other investments	2,111	7,165	-	9,276
Total investments - Williams College	96,467	23,096	3,423,932	3,543,495
Investments held for the Clark Art Institute	-	-	441,267	441,267
Total investments at fair value	$ 96,467	$ 23,096	$ 3,865,199	$ 3,984,762

Level 3 Assets Rollforward

The following table presents the College's activity for the fiscal years ended June 30, 2024 and 2023, for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2024	2023
Beginning of year balances	$ 23,096	$ 22,433
Gifts received	30	80
Sales	-	(1,733)
Net gains (losses)	2,558	2,316
End of year balances	$ 25,684	$ 23,096

(in thousands)

Additional Fair Value Disclosure

The College uses NAV to determine the fair value of investments which (a) do not have a readily determinable fair value (e.g., private equity partnerships) and (b) prepare their financial statements consistent with the measurement principals of an investment company or have the attributes of an investment company. In accordance with US GAAP, the following required disclosure lists specified investment types by major category.

2024				
Investment Pool/ Strategy	**Market Value**	**Unfunded Commitments**	**Redemption Terms**	**Redemption Restrictions**
Global Long Equity	$ 806,067	$ 1,167	Ranges from 2 days to 18 months. One fund is in the process of liquidating.	Ranges from 1 day to 120 days.
Global Long/Short Equity	666,888	5,930	Ranges from 30 days to 12 months. Fund may have lock-up provisions and/or investor/fund level gates. Two funds are commitment-based with no ability to redeem.	Ranges from 60 days to 90 days.
Absolute Return	545,456	4,082	Ranges from 3 to 12 months. Four funds are commitment based with no ability to redeem. One fund holds illiquid positions and will redeem at manager discretion.	Ranges from 60 days to 90 days.
Venture Capital	674,694	105,411	Closed-end funds not available for redemption.	Not Applicable.[1]
Buyouts	610,952	261,957	Closed-end funds not available for redemption.	Not Applicable.[1]
Real Assets	159,540	53,646	Closed-end funds not available for redemption.	Not Applicable.[1]
Real Estate	253,240	73,645	Closed-end funds not available for redemption.	Not Applicable.[1]
Noninvestment Grade Fixed Income	236,155	84,629	Ranges from 90 days to 6 months. Some funds are commitment based with no ability to redeem.	Ranges from 61 days to 78 days. Not applicable for closed-end funds.
Total Investments, NAV practical expedient	$ 3,952,992	$ 590,467		

[1] These are invested in limited partnership structures for which the College does not have discretion over redemption. Distributions from the underlying funds are received as investments are realized.

(in thousands)

			2023	
Investment Pool/ Strategy	**Market Value**	**Unfunded Commitments**	**Redemption Terms**	**Redemption Restrictions**
Global Long Equity	$ 810,187	$ 1,541	Ranges from 5 days to 30 months. One fund is in the process of liquidating.	Ranges from 1 day to 150 days.
Global Long/Short Equity	583,478	10,930	Ranges from 30 days to 21 months. Fund may have lock-up provisions and/or investor/fund level gates. Two funds are commitment-based with no ability to redeem.	Ranges from 10 days to 90 days.
Absolute Return	551,031	5,398	Ranges from 30 days to 6 months. Four funds are commitment based with no ability to redeem. One fund holds illiquid positions and will redeem at manager discretion. One fund is in the process of liquidating.	Ranges from 30 days to 90 days.
Venture Capital	700,047	106,275	Closed-end funds not available for redemption.	Not Applicable.[1]
Buyouts	530,632	303,762	Closed-end funds not available for redemption.	Not Applicable.[1]
Real Assets	192,301	45,784	Closed-end funds not available for redemption.	Not Applicable.[1]
Real Estate	228,782	109,213	Closed-end funds not available for redemption.	Not Applicable.[1]
Noninvestment Grade Fixed Income	213,502	99,065	Ranges from 90 days to 6 months. Some funds are commitment based with no ability to redeem.	Ranges from 45 days to 61 days. Not applicable for closed-end funds.
Total Investments, NAV practical expedient	$ 3,809,960	$ 681,968		

[1] These are invested in limited partnership structures for which the College does not have discretion over redemption. Distributions from the underlying funds are received as investments are realized.

Other Investment-Related Disclosures

The College is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels. The timing and amounts of the contributions are determined by the general partners.

The following table reflects the total return for the year:

	2024	2023
Realized and change in unrealized gain (loss), net of investment management fees and costs	$ 379,095	$ 108,694
Reinvested endowment income	5,139	3,214
Net investment income (other than reinvested amounts)	4,124	1,713
Net investment income from trusts [1]	1,696	1,663
Less: Earnings related to supporting organization	(43,118)	(12,128)
Total	$ 346,936	$ 103,156

[1] Included with "Investment income, annuitant payments and change in value of split-interest agreements"

Investment management fees and costs are netted against investment returns and include fund management fees, endowment accounting, and investment office expenses.

Derivative financial instruments, principally options, futures and options on futures, may be employed by certain advisors. Derivative financial instruments are not an integral part of the College’s direct overall investment strategy.

(in thousands)

5. Investments Held for the Clark Art Institute

In February 2017, the College and a supporting organization, the Clark Art Institute ("Clark"), entered into a participation agreement wherein the Clark transferred substantially all of its endowment over a three-year period to the College to invest in the College's investment pool. The College will manage the investments on the Clark's behalf. The funds are invested in accordance with the College's investment policies and objectives.

	2024	2023
Investments held for the Clark Art Institute	$ 471,385	$ 441,267

6. Land, Buildings and Equipment

Land, buildings and equipment of the College consist of the following at June 30:

	2024	2023
Land and land improvements	$ 89,351	$ 89,202
Buildings	989,035	948,450
Equipment	133,192	125,725
Right of use asset	2,124	2,911
	1,213,702	1,166,288
Less: Accumulated depreciation	(596,308)	(563,110)
	617,394	603,178
Construction in progress	14,609	25,827
Art collections	63,980	63,143
	$ 695,983	$ 692,148

Depreciation expense was $32,277 and $39,127 for the years ended June 30, 2024 and 2023, respectively. The College disposed of certain assets with an original cost of $665 and $1,742 for the years ended June 30, 2024 and 2023, respectively.

No interest costs were capitalized in 2024 and 2023, respectively.

7. Commitments and Contingencies

At June 30, 2024, the College has outstanding construction and purchase contracts totaling approximately $29,659. Completion of these projects is estimated to extend through June 2027.

The College has entered into long-term noncancelable operating leases with lease terms extending through the year 2030. These leases are reflected in the right of use asset in the land, building and equipment footnote with a corresponding liability of $2,124 in the accounts payable and accrued liabilities in the consolidated statements of financial position.

(in thousands)

8. Self-Insurance

The College uses a combination of insurance and self-insurance mechanisms to provide for potential liabilities for employee healthcare benefits, workers' compensation, general liability, property damage, director and officers' liability and vehicle liability. Liabilities associated with the risks that are retained by the College are not discounted and are estimated, in part, by considering historical claims experience and evaluations of outside experts, demographic factors, severity factors, and other actuarial assumptions. The estimated accrual for these liabilities could be affected if future occurrences and claims differ from these assumptions and historical trends. For the fiscal years ended June 30, 2024 and June 30, 2023, the self-insurance liability, which is specific to employee healthcare benefits, was $1,669 and $1,162, respectively, and is included in accrued salaries and benefits in the consolidated statements of financial position.

9. Bonds Payable

The College has the following long-term debt obligations at June 30:

Series	Mode	Rate Range	Average Annual Rate	Convert to Fixed Option	Original Principal	Original Premium	Current Annual Principal	Maximum Annual Principal	Call Date	Amount Outstanding at 2024	Amount Outstanding at 2023
MDFA Series I	Fixed	0.70% variable after 2025	0.70%	Yes	$ 17,000	$ -	$ 1,190	$ 1,550	1/1/25	$ 13,635	$ 14,790
MDFA Series J	Variable with Swap	Variable	3.52%	Yes	33,065	-	2,959	3,185	4/3/06	9,214	12,067
MDFA Series N	Fixed	0.45% variable after 2025	0.45%	Yes	50,470	-	-	10,250	7/1/25	50,470	50,470
MDFA Series Q	Fixed	2.50%-5.00%	4.66%	N/A	64,645	13,516	140	24,200	7/1/26	56,475	56,615
Taxable Debt 2016	Variable	Variable	6.07%		10,500	-	312	485	Anytime	9,030	9,336
MDFA Series R	Variable with Swap	Variable	4.87%		40,000	-	-	10,950	Anytime	40,000	40,000
MDFA Series S	Fixed	4.00%-5.00%	4.51%	N/A	52,770	7,725	1,410	6,745	7/1/27	51,370	52,770
MDFA Series T	Fixed	5.00%	5.00%	N/A	20,555	5,370	1,065	1,665	7/1/31	17,450	18,450
MDFA Series U	Fixed	3.16%	3.16%	N/A	99,670	-	5,640	14,670	Anytime	99,670	99,670
Unamortized premium										19,543	20,673
Unamortized bond costs										(1,949)	(2,084)
							$ 12,716			$ 364,908	$ 372,757

The bonds are general obligations of the College with no collateral requirements.

Bond issuance costs at June 30, 2024 of $1,949 are amortized over the life of the respective bonds. Bond premiums of $19,543 at June 30, 2024, are amortized over the life of the respective bonds. Combined debt principal payment requirements for the years 2025 through 2029 approximate $12,716, $13,188, $13,665, $14,127, and $14,708, respectively.

The Series J bonds are subject to tender by bondholders. To the extent that tendered bonds cannot be remarketed, the College is required to repurchase the bonds.

The combined debt principal payment requirements above reflect the repayment of such bonds according to their scheduled maturity dates. If bonds were fully tendered as of June 30, 2024, the debt principal payment requirements for the years 2025 through 2029 would approximate $18,971, $71,808, $9,220, $66,867 and $47,978, respectively.

On April 4, 2023 the College issued refunding revenue bonds, Issue Series U. The proceeds of these bonds refund the Issue Series P bonds maturing on and after July 1, 2024, in the aggregate par amount of $97,885 and related issuance costs. The College made an escrow contribution of $4,771 to pay the principal of and accrued interest on the July 1, 2023 maturity of the Series P bonds.

Forward Interest Rate Swaps

In 2005, the College entered into a forward interest rate swap agreement related to the Series J Bonds. The agreement has a current notional amount of $14,813. Under the terms of the agreement, the College pays a fixed rate of 3.457% to a third party who in turn pays a variable rate, estimated as 68% of SOFR + 0.26%, on the respective notional amount.

(in thousands)

In 2016, the College entered into an interest rate swap agreement related to the issuance of the Series R bonds. The agreement has a notional amount of $40,000. Under the terms of the agreement, the College pays a fixed rate of 1.2530% to a third party who in turn pays a variable rate, estimated as 67% of SOFR + 0.11%, on the respective notional amount.

The interest rate swap agreements were not entered into for trading or speculative purposes. Because market risks arise from movements in interest rates, the College entered into the interest rate swap to reduce interest rate volatility on the outstanding debt.

As of June 30, 2024 and 2023, the fair value of the two swaps was a net asset of approximately $7,370 and $5,390, respectively, and is included in other assets in the consolidated statements of financial position. The interest rate swaps expire on July 1, 2026 and July 1, 2046, respectively. Interest rate swap agreements are valued using Level 2 inputs.

10. Lines of Credit

At June 30, 2024, the College has the following lines of credit available:

Expiration Date	Amount
August 2024	$ 40,000
May 2025	50,000
July 2025	15,000
May 2026	100,000
Total lines of credit	$ 205,000

If drawn upon these lines would be assessed a spread to an index depending on the duration of the loan. There were no outstanding amounts on the lines of credit at June 30, 2024 or 2023.

11. Endowments

The College's endowment consists of donor-restricted endowment funds and board designated endowment funds for a variety of purposes. Split-interest agreements that have been designated for endowment are not considered as part of the endowment until realized. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College pools the majority of its investments in a unitized account similar to an open-ended mutual fund. Funds added or withdrawn from the pool are recorded at their share of the then current fair value of the pool. Investment income is unitized by the funds interest in the investment pool, which is calculated and allocated monthly.

The College utilizes the total return approach including current yield (interest and dividends) and net appreciation (realized and change in unrealized gains) to determine the fair value of the investment pool. Under the total return approach, the College appropriated for operations accumulated gains of $173,338 and $162,606 for the years ended June 30, 2024 and 2023, respectively. Total return in excess of, or less than, the amount appropriated is reported as nonoperating gains or losses.

(in thousands)

The College establishes a spending rate expressed as a percentage of the trailing twelve quarter fair value of the investment pool. The College has interpreted the Massachusetts enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure. In accordance with UPMIFA, the College considers the following factors in determining appropriate spending levels from donor-restricted endowment funds:

(1) The duration and preservation of the endowment fund

(2) The purposes of the College and the endowed fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the College

(7) The investment policy of the College.

As a result of market declines, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent contributed value (underwater). Funds with an original gift value of $20,867 were underwater by $2,269 as of June 30, 2024. Funds with an original gift value of $25,270 were underwater by $3,190 as of June 30, 2023. These unrealized losses are classified as a reduction in net assets with donor restrictions. The College distributes, based on the spending rate, from underwater funds. Future market gains will be used to restore this reduction in net assets.

Changes in endowment net assets for the year ended June 30:

	2024		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Net endowment assets, July 1, 2023	$ 343,249	$ 3,025,422	$ 3,368,671
Gifts and transfers			
Gifts received and pledge activity	-	15,698	15,698
Transfers and gifts further designated	(14,800)	3,344	(11,456)
Investment return			
Net gains	36,689	288,439	325,128
Accumulated gains spent for operations	(17,662)	(155,676)	(173,338)
Income earned returned to principal	3,991	1,746	5,737
Net endowment assets, June 30, 2024	$ 351,467	$ 3,178,973	$ 3,530,440

(in thousands)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Net endowment assets, July 1, 2022	$ 355,202	$ 3,055,984	$ 3,411,186
Gifts and transfers			
Gifts received and pledge activity	-	24,734	24,734
Transfers and gifts further designated	(6,817)	2,979	(3,838)
Investment return			
Net gains	7,672	84,756	92,428
Accumulated gains spent for operations	(16,936)	(145,670)	(162,606)
Income earned returned to principal	4,128	2,639	6,767
Net endowment assets, June 30, 2023	$ 343,249	$ 3,025,422	$ 3,368,671

Return Objectives and Risk Parameters
The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The College expects its endowment funds over time, to provide an average rate of return of approximately 5.0% after adjusting for inflation, annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The College targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
Spending from the endowment to support operations, referred to as asset use at the College, is expected to be 5.0% of the twelve-quarter trailing average of the end of year investment pool. The spending rate is approved by Budget and Finance Committee of the Board of Trustees.

(in thousands)

12. Net Assets

Following is the composition of the College's net assets without donor restrictions and net assets with donor restriction at June 30, 2024 and 2023:

	2024	2023
Net assets without donor restriction		
College unrestricted	$ 348,702	$ 296,648
Board designated endowment funds	351,467	343,249
Deferred tax liability	(779)	(391)
Noncontrolling interest	-	1,532
Total net assets without donor restrictions	$ 699,390	$ 641,038
Net assets with donor restriction		
Spendable gifts for restricted purposes	$ 86,557	$ 65,657
Contributions & bequests receivable	38,612	38,098
Split-interest agreements, including outside managed trusts	113,172	107,522
Term endowed funds - original principal	52,154	51,972
Endowment funds - unspent appreciation	2,353,733	2,221,048
Endowment funds - original principal	773,086	752,402
Deferred tax liability	(7,904)	(4,417)
Total net assets with donor restrictions	$ 3,409,410	$ 3,232,282

13. Expenses by Function and Natural Classification

Expenses reported by natural classification on the consolidated statements of activities are summarized by function for the year ended June 30, 2024 and 2023, respectively.

	2024					
Operating Expenses	**Instruction and Departmental Research**	**Academic Support**	**Student Services**	**Institutional Support**	**Auxiliary Enterprises**	**Total**
Salaries and wages	$ 61,734	$ 10,506	$ 22,251	$ 20,740	$ 12,473	$ 127,704
Benefits	20,701	3,736	7,442	6,627	5,478	43,984
Operating expenses	16,947	7,801	26,952	11,324	20,082	83,106
Interest	4,451	2,985	1,202	383	1,314	10,335
Depreciation	15,417	2,228	1,872	4,235	8,525	32,277
Total operating expenses	$ 119,250	$ 27,256	$ 59,719	$ 43,309	$ 47,872	$ 297,406

(in thousands)

	2023					
Operating Expenses	**Instruction and Departmental Research**	**Academic Support**	**Student Services**	**Institutional Support**	**Auxiliary Enterprises**	**Total**
Salaries and wages	$ 57,570	$ 9,831	$ 22,770	$ 20,806	$ 11,641	$ 122,618
Benefits	18,922	3,318	7,183	5,699	4,877	39,999
Operating expenses	19,908	8,322	25,376	10,977	19,455	84,038
Interest	4,483	2,648	1,150	639	1,205	10,125
Depreciation	18,724	3,474	1,675	4,364	10,890	39,127
Total operating expenses	$ 119,607	$ 27,593	$ 58,154	$ 42,485	$ 48,068	$ 295,907

Allocation of Interest, Depreciation and Operation and Maintenance of Plant
Certain expenses have been allocated to functional areas based on the following:

- Interest – by bond issue, by functional nature of building use
- Depreciation – by square footage, by functional nature of building use
- Operation and maintenance of plant – by specific identification where applicable and by square footage, by functional nature of building use

14. Related Parties

Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with individuals or entities doing business with the College. The College has a written conflict of interest policy that requires annual reporting by each Trustee, as well as senior management. This policy includes, among other things, that members of the Board of Trustees disclose any interest or relationship that might constitute or give rise to a conflict of interest and recuse themselves from participating in any discussions on and voting on any decisions regarding any transactions where there is a conflict.

In the ordinary course of business, the College receives donations from the Board of Trustees, officers, and other related parties. These activities do not have a material impact on the College's financial position.

15. Subsequent Events

In August 2024, the College issued Series V, tax-exempt bonds with a principal amount of $105,820 to fund capital projects. The bonds were issued at a premium of $20,106 for total proceeds of $125,926 with an effective fixed rate of 2.78% and coupon of 5%. Interest is payable semiannually starting January 2025, and a bullet principal payment is due in 2036.

In fiscal year 2025, the line of credit scheduled to expire in August 2024 was renewed for the same credit amount and expiration date of August 2026.

The College has evaluated subsequent events for potential recognition or disclosure through October 24, 2024, the date the consolidated financial statements were issued.