

Williams College
Consolidated Financial Statements
June 30, 2021 and 2020

Williams College
Index
June 30, 2021 and 2020

	Page(s)
Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3-4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6–26



Report of Independent Auditors

To the Board and Trustees of Williams College:

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, 2021 and 2020, and the related consolidated statements of activities and of cash flows for the years then ended.

Management's Responsibility 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; 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 the consolidated financial statements based on our audits. We conducted our audits 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 our 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, we consider internal control relevant to the Company'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 Company'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 Williams College and its subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Hartford, Connecticut
October 8, 2021

Williams College
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 24,351,966	\$ 26,369,259
Accounts receivable	914,269	1,048,290
Contributions receivable (Note 2)	65,888,519	87,451,390
Notes receivable - student loans (Note 3)	1,442,563	1,720,136
Notes receivable - other (Note 4)	13,492,578	13,111,766
Other assets	14,931,647	11,912,365
Investments		
Investments held on behalf of Williams College (Note 5)	\$ 4,234,658,821	\$ 2,896,816,496
Investments held on behalf of supporting organization	516,742,460	352,398,749
Total Investments, at fair value	<u>4,751,401,281</u>	<u>3,249,215,245</u>
Land, buildings and equipment, net (Note 7)	<u>716,994,549</u>	<u>716,755,846</u>
Total assets	<u>\$ 5,589,417,372</u>	<u>\$ 4,107,584,297</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 30,200,161	\$ 33,632,796
Accrued salaries and benefits (Note 8)	51,439,336	49,477,852
Investments held on behalf of supporting organization (Note 6)	516,742,460	352,398,749
Deferred revenue and deposits	2,259,558	3,618,335
Deferred excise taxes	17,040,778	-
U. S. Government advances for student loans	1,205,981	2,310,918
Liabilities related to split interest agreements	62,937,647	54,698,457
Bonds payable (Note 11)	<u>462,948,125</u>	<u>425,178,670</u>
Total liabilities	<u>1,144,774,046</u>	<u>921,315,777</u>
Net assets		
Without donor restrictions	662,020,930	399,405,763
With donor restrictions	<u>3,781,199,207</u>	<u>2,785,492,476</u>
Total College net assets	4,443,220,137	3,184,898,239
Noncontrolling interests without donor restrictions	<u>1,423,189</u>	<u>1,370,281</u>
Total net assets	<u>4,444,643,326</u>	<u>3,186,268,520</u>
Total liabilities and net assets	<u>\$ 5,589,417,372</u>	<u>\$ 4,107,584,297</u>

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

Williams College
Consolidated Statement of Activities
Year Ended June 30, 2021 with Summarized Comparative Totals for 2020

	2021			2020
	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 \$46,945,865 in 2021 (\$57,658,731 in 2020)	\$ 70,318,889	\$ -	\$ 70,318,889	\$ 86,952,877
Auxiliary enterprises - other	5,192,034	-	5,192,034	7,204,530
Special purpose grants expended and related income	5,041,161	-	5,041,161	1,978,909
Gifts and grants, net of discount and allowance	28,513,464	3,096,155	31,609,619	23,980,976
Investment income	281,538	-	281,538	634,764
Realized gains utilized	11,646,956	130,027,649	141,674,605	134,655,991
Other income	605,590	-	605,590	2,014,859
Net assets released from restrictions	128,593,943	(128,593,943)	-	-
Total operating revenue, gains, and other	<u>250,193,575</u>	<u>4,529,861</u>	<u>254,723,436</u>	<u>257,422,906</u>
Operating expenses and other				
Salaries and wages	114,248,967	-	114,248,967	111,391,316
Employee benefits	37,590,534	-	37,590,534	41,015,508
Operating expenses	66,491,624	-	66,491,624	66,865,126
Interest expense	10,789,848	-	10,789,848	11,261,120
Depreciation	37,794,823	-	37,794,823	38,582,047
Total operating expenses and other	<u>266,915,796</u>	<u>-</u>	<u>266,915,796</u>	<u>269,115,117</u>
Change in net assets from operating activities	<u>(16,722,221)</u>	<u>4,529,861</u>	<u>(12,192,360)</u>	<u>(11,692,211)</u>
Nonoperating activities				
Investment return, net	180,876,937	1,228,075,800	1,408,952,737	84,538,572
Excise taxes	(1,387,191)	(15,653,587)	(17,040,778)	-
Realized gains utilized for current operations	(11,646,956)	(130,027,649)	(141,674,605)	(134,655,991)
Investment income, annuitant payments and change in value of split interest agreements	(1,223,468)	(7,444,635)	(8,668,103)	120,539
Adjustments for post-employment liabilities	(1,036,621)	-	(1,036,621)	(1,355,285)
Endowment, plant, and split interest gifts, net of discount and allowance	45,000	24,828,975	24,873,975	27,484,398
Unrealized gains (loss) and net settlement on interest rate swaps	3,617,573	-	3,617,573	(7,005,472)
Gains on the retirement of long term debt	1,490,080	-	1,490,080	-
Net assets released from restrictions	101,317,620	(101,317,620)	-	-
Fund retirements	8,258,843	(8,258,843)	-	-
Funds further designated	(974,429)	974,429	-	-
Change in net assets from nonoperating activities	<u>279,337,388</u>	<u>991,176,870</u>	<u>1,270,514,258</u>	<u>(30,873,239)</u>
Total change in net assets without donor restriction - Williams College	262,615,167	-	262,615,167	(13,869,738)
Total change in net assets without restriction - noncontrolling interest	52,908	-	52,908	6,334
Total change in net assets with donor restriction	-	995,706,731	995,706,731	(28,695,712)
Total change in net assets	<u>262,668,075</u>	<u>995,706,731</u>	<u>1,258,374,806</u>	<u>(42,559,116)</u>
Beginning net assets	<u>400,776,044</u>	<u>2,785,492,476</u>	<u>3,186,268,520</u>	<u>3,228,827,636</u>
Ending net assets	<u>\$ 663,444,119</u>	<u>\$ 3,781,199,207</u>	<u>\$ 4,444,643,326</u>	<u>\$ 3,186,268,520</u>

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

Williams College
Consolidated Statement of Activities
Year Ended June 30, 2020

	2020		
	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 \$57,658,731)	\$ 86,952,877	\$ -	\$ 86,952,877
Auxiliary enterprises - other	7,204,530	-	7,204,530
Special purpose grants expended and related income	1,978,909	-	1,978,909
Gifts and grants, net of discount and allowance	22,255,174	1,725,802	23,980,976
Investment income	634,764	-	634,764
Realized gains utilized	11,164,334	123,491,657	134,655,991
Other income	2,014,859	-	2,014,859
Net assets released from restrictions	132,833,582	(132,833,582)	-
Total operating revenue, gains, and other	<u>265,039,029</u>	<u>(7,616,123)</u>	<u>257,422,906</u>
Operating expenses and other			
Salaries and wages	111,391,316	-	111,391,316
Employee benefits	41,015,508	-	41,015,508
Operating expenses	66,865,126	-	66,865,126
Interest expense	11,261,120	-	11,261,120
Depreciation	38,582,047	-	38,582,047
Total operating expenses and other	<u>269,115,117</u>	<u>-</u>	<u>269,115,117</u>
Change in net assets from operating activities	<u>(4,076,088)</u>	<u>(7,616,123)</u>	<u>(11,692,211)</u>
Nonoperating activities			
Investment return, net	8,779,741	75,758,831	84,538,572
Realized gains utilized for current operations	(11,164,334)	(123,491,657)	(134,655,991)
Investment income, annuitant payments and changes in value of split interest agreements	(907,901)	1,028,440	120,539
Adjustments for post-employment liabilities	(1,355,285)	-	(1,355,285)
Life income and endowment gifts, net	143,063	27,341,335	27,484,398
Unrealized gain (loss) and net settlement on interest rate swaps	(7,005,472)	-	(7,005,472)
Fund retirements	2,589,776	(2,589,776)	-
Funds further designated	(873,238)	873,238	-
Change in net assets from nonoperating activities	<u>(9,793,650)</u>	<u>(21,079,589)</u>	<u>(30,873,239)</u>
Total change in net assets without donor restriction - Williams College	(13,869,738)	-	(13,869,738)
Total change in net assets without restriction - noncontrolling interest	6,334	-	6,334
Total change in net assets with donor restriction	<u>-</u>	<u>(28,695,712)</u>	<u>(28,695,712)</u>
Total change in net assets	<u>(13,863,404)</u>	<u>(28,695,712)</u>	<u>(42,559,116)</u>
Beginning net assets	414,639,448	2,814,188,188	3,228,827,636
Ending net assets	<u>\$ 400,776,044</u>	<u>\$ 2,785,492,476</u>	<u>\$ 3,186,268,520</u>

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

Williams College
Consolidated Statement of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flow from operating activities		
Total change in net assets	\$ 1,258,374,806	\$ (42,559,116)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation, amortization and accretion, net	36,576,903	37,348,651
Provision for doubtful accounts	45,034	(5,592)
Realized gains and change in unrealized gains on investments and income	(1,410,500,431)	(86,128,085)
Change in noncontrolling interests without donor restrictions	52,908	6,334
Gain (loss) on real property held for resale	375,951	22,441
Loss on retirement of long term debt	(1,490,080)	-
Gain (loss) on disposal of plant assets	(661,511)	65,034
Gifts restricted for long-term investment	(28,362,915)	(34,876,781)
Donated securities	(11,806,127)	(14,467,908)
Proceeds from sale of donated securities	4,173,116	4,077,700
Gifts in kind	(109,142)	(3,203,678)
Changes in operating assets and liabilities		
Accounts receivable	99,548	851,877
Contributions receivable	21,562,871	23,158,018
Other assets	(7,215,498)	220,061
Accounts payable and accrued liabilities	5,855,423	121,274
Present value of beneficiary payments	13,906,349	2,612,039
Accrued salaries and benefits	1,961,484	6,766,002
Deferred revenue and deposits	(1,358,777)	1,783,158
Deferred excise taxes	17,040,778	-
Net cash provided by (used in) operating activities	<u>(101,479,310)</u>	<u>(104,208,571)</u>
Cash flow from investing activities		
Proceeds from sale of investments	558,912,994	476,616,920
Purchase of investments	(477,854,897)	(365,444,242)
Additions to land, buildings and equipment	(43,737,707)	(74,828,268)
Bond proceeds held by trustee	-	319,995
Proceeds from the sale of real estate	643,675	973,006
Student loans granted	(84,000)	(113,888)
Student loans repaid	351,012	349,453
Net cash provided by (used in) investing activities	<u>38,231,077</u>	<u>37,872,976</u>
Cash flow from financing activities		
Gifts restricted for long-term use	28,362,915	34,876,781
Proceeds from sale of donated securities restricted for endowments	7,633,011	10,390,209
Payments to beneficiaries	(5,667,159)	(5,389,474)
Proceeds to/from supporting organization	(8,400,000)	22,000,000
Deposits made for bond payments	(376,398)	(315,158)
Issuance of new debt	75,215,010	-
Repayment of debt	(34,431,502)	(8,897,345)
U.S. Government advances for student loans	(1,104,937)	26,570
Net cash provided by (used in) financing activities	<u>61,230,940</u>	<u>52,691,583</u>
Net decrease in cash	<u>(2,017,293)</u>	<u>(13,644,012)</u>
Cash		
Beginning of year	<u>26,369,259</u>	<u>40,013,271</u>
End of year	<u>\$ 24,351,966</u>	<u>\$ 26,369,259</u>
Supplemental disclosures		
Cash paid during the year for interest	\$ 13,686,491	\$ 14,623,011
Noncash transactions		
Donated securities	11,806,127	14,467,908
Exchange of land for notes receivable	99,000	190,800
Amounts included in accounts payable related to land, buildings, and equipment	4,155,531	9,359,486

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

Williams College

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Williams College (the “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, all of these entities are referred to as the “College”. All significant inter-entity transactions and balances have been eliminated upon consolidation.

The 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. As a result of the agreement, Williams Renewables, LLC has a controlling interest in Simonds Road Solar, LLC. As of June 30, 2021 and 2020, assets of Simonds Road Solar, LLC totaled \$5.2 million, liabilities totaled \$0, and net operating gain (loss) totaled \$0.10 and \$0.06 million, respectively. The College has reflected noncontrolling interest without donor restrictions related to a third party’s interest in Simonds Road Solar of \$1.4 million as of June 30, 2021 and June 30, 2020.

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 derived from tuition and other institutional resources which are not subject to donor-imposed restrictions. Net assets without donor restrictions also include board designated funds functioning as endowment and net investment in plant.

Net Assets with Donor Restriction - Net assets which are subject to donor-imposed restrictions that can be fulfilled by actions of the College pursuant to those restrictions or that expire by the passage of time. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets for general or specific purposes.

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

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 donor-imposed restrictions.

Expirations or changes in donor-imposed stipulations are reported as net assets released from restrictions and reclassifications between net asset classes. Periodically a donor may decide to clarify or no longer restrict their gift, such changes are reflected as funds further designated at the time they are identified.

Measure of Operations

The measure of operations is the change in net assets from operating activities, which includes revenue support for operating activities without donor restriction and with donor restrictions that are not long-term in nature. Tuition, net of certain scholarships and fellowships, fees, contributions for operations and the allocation of endowment spending for operations are included in the measure of operations.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Nonoperating activities include transactions of a capital nature including realized and changes in unrealized gains and losses on investments to be reinvested by the College to generate a return that will support operations, excise taxes, additions to or changes in the value of split-interest arrangements, unrealized gain (loss) and net settlement of interest rate swaps, adjustments to post-employment liabilities, and plant, life income and endowment gifts.

Revenues

The College considers tuition, room and board as one contract with three performance obligations under ASU 2014-09. The College is a residential community with the large 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 published prices are reported as student services and expense in the consolidated statement of activities.

Student related revenue by performance obligation is as follows:

	2021			
	Tuition & Fees	Room	Board	Total
Student charge	\$ 99,519,982	\$ 9,526,756	\$ 8,218,016	\$ 117,264,754
Allocation of financial aid	<u>(39,841,909)</u>	<u>(3,813,949)</u>	<u>(3,290,007)</u>	<u>(46,945,865)</u>
Total net student charges	<u>\$ 59,678,073</u>	<u>\$ 5,712,807</u>	<u>\$ 4,928,009</u>	<u>\$ 70,318,889</u>
	2020			
	Tuition & Fees	Room	Board	Total
Student charge	\$ 121,544,061	\$ 11,852,682	\$ 11,214,865	\$ 144,611,608
Allocation of financial aid	<u>(48,461,368)</u>	<u>(4,725,835)</u>	<u>(4,471,528)</u>	<u>(57,658,731)</u>
Total net student charges	<u>\$ 73,082,693</u>	<u>\$ 7,126,847</u>	<u>\$ 6,743,337</u>	<u>\$ 86,952,877</u>

Cash and Cash Equivalents

Cash represents highly liquid investments with a maturity of three months or less at the date of purchase.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions with donor-imposed restrictions (together with the associated investment return on such contributions) are reported as revenues with donor restrictions. When an expenditure is incurred that satisfies the donor-imposed restriction, the contribution is reclassified to net assets without donor restrictions. Contributions restricted for the acquisition of land, buildings and equipment are reported as revenues with donor restrictions. These contributions are reclassified to net assets without donor restrictions upon acquisition of the assets or when the asset is placed into service. Gifts-in-kind are reported as revenue without donor restrictions unless use of the asset is restricted by the donor.

Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Contributions to be received after one year are measured at fair value using a discount rate commensurate with the terms of the contribution. Discount rates range from 0.94% to 3.20% based on the year the pledge was recorded. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution. An allowance is made for uncollectible contributions based upon management's judgment, past collection experience and other relevant factors. The current year increment to such allowance, along with modifications to contributions receivable for changes in payment methodology, are netted against current year contribution revenue. Amounts netted to (against) contribution revenue were \$3,052,771 and \$2,731,446 for the years ended June 30, 2021 and 2020, respectively.

Other Assets

Other assets consist of prepayment of bonds, prepaid expenses and inventories. Inventories consist primarily of supplies and are valued at the lower of cost (determined using a first-in, first-out methodology) or net realizable value.

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
Cash and cash equivalents, 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 fair value determined by the manager of the privately held partnership

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 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 managers as a practical expedient. The College has performed due diligence procedures on these investments to support recognition at fair value as of June 30, 2021 and 2020. 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 3rd 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.

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.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Liquidity

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

As of June 30, 2021, and 2020, 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:

	2021	2020
Financial assets, at June 30:	\$ 4,340,748,716	\$ 3,026,517,337
Less financial assets due in more than one year or with donor-imposed restrictions		
Contributions restricted by donor		
with time or purpose restrictions	46,067,266	56,274,127
Endowment assets	3,893,861,246	2,713,287,856
Split income gift assets	54,436,462	46,730,815
Other investments	9,327,079	8,725,341
Notes due in over one year	12,856,081	12,443,861
	<u>4,016,548,134</u>	<u>2,837,462,000</u>
Financial assets available for operating expenses	324,200,582	189,055,337
Endowment distribution approved by board for spending	156,025,083	141,674,605
Total financial assets available for operating expense	<u>\$ 480,225,665</u>	<u>\$ 330,729,942</u>

To manage liquidity, the College maintains \$210 million of lines of credit that is drawn upon as needed to manage both operating and endowment cash flow. Cash flows are subject to seasonal variations attributable to the timing of tuition billings, receipts of gifts and grants, pledge payments and endowment draws. Also, the College had an additional \$316,976,647 and \$223,057,234 for 2021 and 2020, respectively, of board designated endowment that is available to support general operations with board approval.

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 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.

Conditional Asset Retirement Obligation

The College recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with ASC 410, Asset Retirement and Environmental Obligations. The liability is reflected in accounts payable and accrued liabilities. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of activities.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

	2021	2020
Change in asset retirement obligation		
Asset retirement obligation at beginning of year	\$ 4,669,764	\$ 4,675,114
Settlement of obligation	(37,846)	(59,811)
Accretion expense	92,638	54,461
	<u>4,724,556</u>	<u>4,669,764</u>
Asset retirement obligation at end of year	\$ 4,724,556	\$ 4,669,764

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 \$9,441,786 and \$9,348,415 for 2021 and 2020, respectively.

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

The College accrues postemployment 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.

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.

U.S. Government Advances for Student Loans

Funds provided by the United States Government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collection. If the College were to terminate the Federal Perkins Loan Program, these funds would be refundable to the government and, therefore, are recorded as a liability.

Split Interest Agreements and Outside Trusts

For those trusts for which the College serves as trustee, the assets held are included with its pooled investments. Assets under these agreements are recorded at fair value. Contribution revenues are recognized at the dates the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities of \$62,937,647 and \$54,698,457 as of June 30, 2021 and 2020, respectively, recorded in present value of beneficiary payments on the consolidated statements of financial position, are adjusted during the term of the trusts for changes in the value of the assets, amortization of the discount and other changes in the 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 in those assets 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 regarding the trust 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 with donor restricted and without donor restricted net assets.

Williams College

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

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 significant estimates include the fair value of its investments, its valuation of contributions receivable, its valuation of financial contracts, recognition of its asset retirement obligations, its postretirement health benefits and other accruals for expenses incurred which will be settled in the future. Actual results could differ from those estimates.

Income Taxes/Tax-Exempt Status

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. 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 accrued, and reflected as a non-operating expense, approximately \$17,000,000 for excise taxes for the year ended June 30, 2021. Approximately \$900,000 relates specifically to gains realized and compensation during fiscal year 2021 and \$16,100,000 relates to unrealized gains at June 30, 2021. Excise tax paid related to the year ended June 30, 2020 was \$549,924.

Recently Adopted Authoritative Pronouncements:

ASU 2018-13: "Fair Value Measurements (Topic 820)"

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-13, Fair Value Measurements (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). Following this new guidance, the College is no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. For investments in certain entities that calculate net asset value, the requirement to disclose the estimated period of time over which the underlying assets might be liquidated is modified to only require disclosure if the investee has communicated the timing to the College or announced the timing publicly. The guidance is effective for financial statements fiscal years beginning on or after December 15, 2019. The College early adopted ASU 2018-13 as of June 30, 2020.

ASU 2016-02: "Leases (Topic 842)"

In February 2016, the FASB issued ASU 2016-02. The objective of this standard update is to provide a representation of an entity's leasing activities. This standard update requires that lease assets and lease liabilities be recognized on the balance sheet and all key information about leasing arrangements be disclosed. The standard update is effective for fiscal years beginning after December 15, 2019. The College has adopted the standard as of July 1, 2020 and determined the impact on its consolidated financial statements is immaterial.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

2. Contributions Receivable

Contributions receivable are as follows at June 30:

	2021	2020
Expected collection period		
Less than one year	\$ 22,592,434	\$ 28,267,184
One year to five years	23,305,447	27,482,782
Over five years	724,827	1,100,010
Less: Discount to present value	(3,188,259)	(4,447,711)
Allowance for uncollectible contributions	<u>(10,310,847)</u>	<u>(6,176,781)</u>
Net contributions receivable	33,123,602	46,225,484
Charitable remainder trusts held by others	<u>32,764,917</u>	<u>41,225,906</u>
Contributions receivable, net	<u>\$ 65,888,519</u>	<u>\$ 87,451,390</u>

Conditional contributions, including bequest intentions, are not recognized as assets and will be recorded as revenue when received.

Unexpended federal awards totaling \$5,335,289 and \$3,473,436 as of June 30, 2021 and 2020 respectively, are considered non-exchange 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 totaled \$32,764,917 and \$41,225,906 at June 30, 2021 and 2020, respectively, are valued using Level 3 inputs (see Note 5 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.

	2021	2020
Beginning of year balances	\$ 41,225,906	\$ 36,960,789
Change in unrealized gains	2,787,769	6,250,656
Net (retirements) additions	<u>(11,248,758)</u>	<u>(1,985,539)</u>
End of year balances	<u>\$ 32,764,917</u>	<u>\$ 41,225,906</u>

3. Notes Receivable – Student Loans

The College holds notes receivable from student loans (net of allowance) totaling \$1,442,563 and \$1,720,136 as of June 30, 2021 and 2020, respectively. The College is required to disclose the fair value of student loans receivable. Management believes that it is not practicable to determine the fair value of loans receivable because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restrictions as to their transfer or disposition. College sponsored and donor provided loans are similarly restricted as to interest rate and disposition.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

4. Notes Receivable – Other

The College holds mortgages on residences of eligible faculty and staff members that amounted to \$9,755,958 and \$9,409,599 as of June 30, 2021 and 2020, respectively. The average stated interest rate paid on the mortgages as of June 30, 2021 and 2020 was 2.36% and 2.52% respectively. The College holds other notes receivable totaling \$3,736,620 and \$3,702,167 as of June 30, 2021 and 2020, respectively.

5. Investments

Investments held by the College are comprised of:

	2021	2020
Williams College		
Investment Pool Williams College	\$ 4,170,895,279	\$ 2,841,360,340
Supporting organization interest in Investment Pool	516,742,460	330,398,749
Total Investment Pool	4,687,637,739	3,171,759,089
Advanced subscription to the Investment Pool	-	22,000,000
Split interest agreements	54,436,462	46,730,815
Other investments	9,327,080	8,725,341
Total Investments	\$ 4,751,401,281	\$ 3,249,215,245

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, Non-Marketable 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.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

- 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. The College performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

The following table presents the fair value of the College's investments as of June 30, 2021 and 2020, by the ASC 820 fair value valuation hierarchy defined above. The College held no Level 2 investments as of June 30, 2021 and 2020.

June 30, 2021

	Investment Assets Quoted Prices in Active Markets (Level 1)	Investment Assets Valued With Significant Unobservable Inputs (Level 3)	Investment Assets Not Subject to Fair Value Leveling	Total Investments
Investment Pool				
Investments at NAV Practical Expedient	\$ -	\$ -	\$ 4,545,277,981	\$ 4,545,277,981
Short-term investments	107,157,011	-	-	107,157,011
Redemption receivable from underlying funds	-	-	35,230,282	35,230,282
Other assets and liabilities	-	-	(27,535)	(27,535)
Total Investment Pool	<u>107,157,011</u>	<u>-</u>	<u>4,580,480,728</u>	<u>4,687,637,739</u>
Supporting Organization Portion	-	-	(516,742,460)	(516,742,460)
Total Investment Pool - Williams College	<u>107,157,011</u>	<u>-</u>	<u>4,063,738,268</u>	<u>4,170,895,279</u>
Split interest agreements				
Cash and cash equivalents	1,207,285	-	-	1,207,285
Common and preferred stocks	24,472,609	-	-	24,472,609
Fixed income securities	10,831,718	-	-	10,831,718
Real estate mutual funds	212,000	-	-	212,000
Perpetual trusts held by others	-	17,712,850	-	17,712,850
Total Split Interest Agreements	<u>36,723,612</u>	<u>17,712,850</u>	<u>-</u>	<u>54,436,462</u>
Other investments	1,031,842	8,295,238	-	9,327,080
Investments Total - Williams College	<u>144,912,465</u>	<u>26,008,088</u>	<u>4,063,738,268</u>	<u>4,234,658,821</u>
Investments held for supporting organization	<u>-</u>	<u>-</u>	<u>516,742,460</u>	<u>516,742,460</u>
Total Investments at fair value	<u>\$ 144,912,465</u>	<u>\$ 26,008,088</u>	<u>\$ 4,580,480,728</u>	<u>\$ 4,751,401,281</u>

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

June 30, 2020

	Investment Assets Quoted Prices in Active Markets (Level 1)	Investment Assets Valued With Significant Unobservable Inputs (Level 3)	Investment Assets Not Subject to Fair Value Leveling	Total Investments
Investment Pool				
Investments at NAV Practical Expedient	\$ -	\$ -	\$ 3,119,664,753	\$ 3,119,664,753
Short-term investments	9,658,013	-	-	9,658,013
Redemption receivable from underlying funds	-	-	54,475,539	54,475,539
Other assets and liabilities	-	-	(39,216)	(39,216)
Advanced subscription to the underlying funds	-	-	10,000,000	10,000,000
Total Investment Pool	<u>9,658,013</u>	<u>-</u>	<u>3,184,101,076</u>	<u>3,193,759,089</u>
Advanced subscription to the Investment Pool	-	-	(22,000,000)	(22,000,000)
Supporting Organization Portion	-	-	(330,398,749)	(330,398,749)
Total Investment Pool - Williams College	<u>9,658,013</u>	<u>-</u>	<u>2,831,702,327</u>	<u>2,841,360,340</u>
Split interest agreements				
Cash and cash equivalents	962,168	-	-	962,168
Common and preferred stocks	18,837,196	-	-	18,837,196
Fixed income securities	12,894,803	-	-	12,894,803
Real estate mutual funds	212,000	-	-	212,000
Perpetual trusts held by others	-	13,824,648	-	13,824,648
Total Split Interest Agreements	<u>32,906,167</u>	<u>13,824,648</u>	<u>-</u>	<u>46,730,815</u>
Other investments	3,024,585	5,700,756	-	8,725,341
Investments Total - Williams College	<u>45,588,765</u>	<u>19,525,404</u>	<u>2,831,702,327</u>	<u>2,896,816,496</u>
Investments held for supporting organization	<u>-</u>	<u>-</u>	<u>352,398,749</u>	<u>352,398,749</u>
Total Investments at fair value	<u>\$ 45,588,765</u>	<u>\$ 19,525,404</u>	<u>\$ 3,184,101,076</u>	<u>\$ 3,249,215,245</u>

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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.

2021					
Investment Pool/ Strategy	Market Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions	
Global Long Equity	\$ 1,008,893,854	\$ 2,500,000	Ranges from 5 days to 30 months.	Ranges from 1 day to 150 days.	
Global Long/Short Equity	829,765,367	22,081,583	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 45 days to 90 days.	
Absolute Return	599,282,601	11,358,638	Ranges from 30 days to 6 months. Three funds are commitment based with no ability to redeem. Three funds are in the process of liquidating.	Ranges from 30 days to 90 days.	
Venture Capital	1,141,037,019	81,193,936	Closed-end funds not available for redemption.	Not Applicable.	
Buyouts	426,593,533	270,927,228	Closed-end funds not available for redemption.	Not Applicable.	
Real assets	166,107,797	50,653,002	Closed-end funds not available for redemption.	Not Applicable.	
Real estate	167,343,958	111,709,886	Closed-end funds not available for redemption.	Not Applicable.	
Noninvestment grade fixed income	206,253,852	93,757,790	Ranges from 90 days to 6 months. Some funds are commitment based with no ability to redeem.	60 days for open-end funds. Not applicable for closed-end funds.	
Total investment pool, NAV Practical Expedient	\$ 4,545,277,981	\$ 644,182,063			

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Investment Pool/ Strategy	Market Value	2020		
		Unfunded Commitments	Redemption Terms	Redemption Restrictions
Global Long Equity	\$ 724,148,253	\$ -	Ranges from 5 days to 12 months.	Ranges from 1 day to 150 days.
Global Long/Short Equity	630,427,867	23,700,000	Ranges from 30 days to 33 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 45 days to 90 days.
Absolute Return	547,077,371	20,563,663	Ranges from 30 days to 6 months. Three funds are commitment based with no ability to redeem. Four funds are in the process of liquidating.	Ranges from 30 days to 90 days.
Venture Capital	539,789,605	80,362,556	Closed-end funds not available for redemption.	Not Applicable.
Buyouts	234,388,181	219,434,162	Closed-end funds not available for redemption.	Not Applicable.
Real assets	128,399,184	62,078,058	Closed-end funds not available for redemption.	Not Applicable.
Real estate	127,250,576	149,730,643	Closed-end funds not available for redemption.	Not Applicable.
Noninvestment grade fixed income	188,183,716	96,943,123	Ranges from 90 days to 6 months. Some funds are commitment based with no ability to redeem. Five funds are in the process of liquidating.	60 days to 120 days for open-end funds. Not applicable for closed-end funds.
Total investment pool, NAV Practical Expedient	<u>\$ 3,119,664,753</u>	<u>\$ 652,812,205</u>		

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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:

	2021	2020
Realized and change in unrealized gain, net of investment management fees and costs	\$ 1,581,638,096	\$ 93,374,171
Reinvested endowment income	58,352	877,191
Net investment income (other than reinvested amounts)	281,538	634,764
Net investment income from trusts	1,516,583	1,589,512
Earnings related to supporting organization	<u>(172,743,711)</u>	<u>(9,712,790)</u>
Total	<u>\$ 1,410,750,858</u>	<u>\$ 86,762,848</u>

Investment management fees and costs are netted against investment returns. Investment management fees are comprised of management fees earned by fund managers of the commingled funds. Costs are comprised of endowment accounting and investment office expenses.

In connection with the investments managed by external investment advisors, 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.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the fair values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

6. Investments Held for Supporting Organization

In February of 2017, the College and a supporting organization ("Organization") entered into a participation agreement wherein the Organization 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 Organization's behalf. The funds are invested in accordance with the College's investment policies and objectives.

	2021	2020
Held in the investment pool	\$ 516,742,460	\$ 330,398,749
Advanced subscriptions to investment pool	<u>-</u>	<u>22,000,000</u>
Investments held for supporting organization	<u>\$ 516,742,460</u>	<u>\$ 352,398,749</u>

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

7. Land, Buildings and Equipment

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

	2021	2020
Land and land improvements	\$ 86,179,494	\$ 84,636,984
Buildings	940,694,334	842,758,375
Equipment	119,668,738	114,789,205
	<u>1,146,542,566</u>	<u>1,042,184,564</u>
Less: Accumulated depreciation	<u>(487,402,529)</u>	<u>(451,345,955)</u>
	659,140,037	590,838,609
Construction in progress	3,558,231	72,147,588
Art collections	54,296,281	53,769,649
	<u>\$ 716,994,549</u>	<u>\$ 716,755,846</u>

Depreciation expense was \$37,794,823 and \$38,582,047 for the years ended June 30, 2021 and 2020, respectively. During fiscal year 2021, the College disposed of certain assets with an original cost of \$2,347,823 and accumulated depreciation of \$1,989,500.

Interest costs of \$1,378,192 and \$1,724,461 were capitalized in 2021 and 2020, respectively.

8. Postretirement Benefits Other than Pensions

The College accounts for the funded status of its postretirement plan and recognizes its benefit liability for the plan in accrued salaries and benefits with an offsetting adjustment to net assets without donor restrictions in the consolidated statement of financial position.

9. Commitments and Contingencies

At June 30, 2021, the College has outstanding construction and purchase contracts totaling approximately \$15,000,000. Completion of these projects is estimated to extend through June 2025.

The College has entered into long-term noncancelable operating leases with lease terms extending through the year 2030.

10. 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, 2021 and June 30, 2020, the self-insurance liability, which is specific to employee healthcare benefits, was \$1,359,842 and \$1,129,265, respectively, and is included in accrued and other liabilities in the consolidated statements of financial position.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

11. Bonds Payable

Borrowing for plant facilities consists of the following 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 6/30/21	Amount Outstanding at 6/30/20
MDFA Series I	Fixed	0.70% variable after 2025	0.11% ¹	Yes	17,000,000	-	1,090,000	1,550,000	1/1/25	17,000,000	18,060,000
MDFA Series J	Variable with Swap	Variable	0.06%	Yes	33,065,000	-	2,650,000	3,185,000	4/3/06	17,463,000	20,017,000
MDFA Series N	Fixed	0.45% variable after 2025	1.45% ²	Yes	50,470,000	-	-	10,250,000	7/1/25	50,470,000	50,470,000
MDFA Series O	Fixed	2.50%-5.00%	5.00%	N/A	38,740,000	2,867,256	-	-	-	-	26,290,000
MDFA Series P	Fixed	2.00%-5.00%	4.00%	N/A	126,140,000	22,236,209	4,290,000	15,310,000	7/1/23	111,370,000	115,495,000
MDFA Series Q	Fixed	2.50%-5.00%	5.00%	N/A	64,645,000	13,516,121	120,000	11,135,000	7/1/26	56,870,000	56,985,000
Taxable Debt 2016	Variable	Variable	0.78%		10,500,000	-	293,900	485,418	Anytime	9,930,153	10,217,656
MDFA Series R	Variable with Swap	Variable	0.70%		40,000,000	-	-	10,950,000	Anytime	40,000,000	40,000,000
MDFA Series S	Fixed	4.00%-5.00%	4.30%	N/A	52,770,000	7,725,031	-	6,745,000	7/1/27	52,770,000	52,770,000
MDFA Series T	Fixed	5.00%	5.00%	N/A	20,555,000	5,369,981	1,145,000	1,665,000	7/1/31	20,555,000	-
Taxable Debt 2021	Fixed	0.56%	0.56%	N/A	50,000,000	-	-	50,000,000	2/18/24	50,000,000	-
Unamortized Premium										38,991,560	37,282,598
Unamortized Bond Costs										(2,471,588)	(2,408,584)
							<u>9,588,900</u>			<u>462,948,125</u>	<u>425,178,670</u>

1. Average annual rate is calculated using a variable rate from 7/1/20 through 3/31/21 and a fixed rate of 0.70% from 4/1/2021 through 6/30/2021

2. Average annual rate to convert to the new interest rate of 0.45% on July 1, 2021

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

Bond issuance costs at June 30, 2021 of \$2,471,588 are amortized over the life of the respective bonds. Bond premiums of \$38,991,560 at June 30, 2021, are amortized over the life of the respective bonds. Combined debt principal payment requirements for the years 2022 through 2026 approximate \$9,588,900, \$9,745,859, \$61,563,940, \$12,075,642, and \$12,608,463, respectively.

The Series I and 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, 2021, the debt principal payment requirements for the years 2022 through 2026 would approximate \$24,401,900, \$6,999,859, \$58,710,940, \$72,031,642 and \$9,538,463 respectively.

Interest expense for the years ended June 30, 2021 and 2020 was \$13,686,491 and \$14,623,011 respectively.

Forward Interest Rate Swaps

In 2005, the College entered into a forward interest rate swap agreement related to the previously outstanding Series J Bonds. The agreement has a current notional amount of \$17,463,000. 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 LIBOR, on the respective notional amount.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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 \$40,000,000. 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 LIBOR, 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, 2021, and 2020, the fair value of the two swaps was a net liability of approximately (\$2,792,923) and (\$7,453,090), respectively. The interest rate swaps expire on July 1, 2026 and July 1, 2046 respectively.

12. Lines of Credit

At June 30, 2021, the College has the following lines of credit:

Expiration Date	Amount
August 31, 2021	40,000,000
August 31, 2022	80,000,000
January 1, 2023	75,000,000
July 1, 2025	15,000,000
Total lines of credit	<u>\$ 210,000,000</u>

If drawn upon these lines would be assessed a spread to LIBOR fee depending on the duration of the loan. There were no outstanding amounts on the lines of credit at June 30, 2021 or 2020. The College renewed the line of credit expiring on August 31, 2021 reducing the amount to \$15,000,000 and extending the term until August 31, 2022.

13. 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 funds are received. 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 of the pools is recognized by the funds owning the assets based on their share of the investment pool, which is determined on a monthly basis.

The College utilizes a total return approach to managing the investment pool. This approach emphasizes total return, which consists of current yield (interest and dividends) as well as the net appreciation (realized and change in unrealized gains) in the fair value of pooled investments.

Under the total return approach, the College appropriated for operations accumulated gains of \$141,674,605 and \$134,655,991 for the years ended June 30, 2021 and 2020, respectively. Total return in excess of, or less than, the amount appropriated is reported as nonoperating gains or losses.

The College establishes a spending rate expressed as a percentage of the trailing twelve quarter fair value of the investment pool. The spending rate is allocated to pool participants, with the difference between the spending rate and current yield (which typically is lower than the spending rate) recorded as realized gains utilized in operating

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

revenue. The Board of Trustees has interpreted the Massachusetts “Uniform Prudent Management of Institutional Funds Act” statute, which was effective June 2009 (“UPMIFA”), as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The College considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the College and the donor restricted endowment 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 policies of the College.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Net endowment assets, June 30, 2020	\$ 223,057,234	\$ 2,490,230,622	\$ 2,713,287,856
Gifts and transfers			
Gifts received and pledge activity	-	25,098,149	25,098,149
Transfers and gifts further designated	395,595	4,929,750	5,325,345
Investment return			
Net gains (losses)	105,062,118	1,183,628,841	1,288,690,959
Accumulated gains spent for operations	(11,646,956)	(130,027,649)	(141,674,605)
Income earned returned to principal	108,657	3,024,885	3,133,542
Net endowment assets, June 30, 2021	\$ 316,976,648	\$ 3,576,884,598	\$ 3,893,861,246

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Net endowment assets, June 30, 2019	\$ 226,335,810	\$ 2,503,560,383	\$ 2,729,896,193
Gifts and transfers			
Gifts received and pledge activity	-	31,790,239	31,790,239
Transfers and gifts further designated	1,198,727	2,773,767	3,972,494
Investment return			
Net gains (losses)	6,587,403	73,326,526	79,913,929
Accumulated gains spent for operations	(11,164,334)	(123,491,657)	(134,655,991)
Income earned returned to principal	99,628	2,271,364	2,370,992
Net endowment assets, June 30, 2020	\$ 223,057,234	\$ 2,490,230,622	\$ 2,713,287,856

Endowment Funds with Deficits (Underwater Endowment)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. There are no underwater endowment funds at June 30, 2021 or 2020.

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% real, that is 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.

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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 5.5% of the twelve-quarter trailing average of the end of year investment pool over the long run. This policy is based on the expectation that the endowment will grow by 5.0% real, that is after adjusting for inflation, and operating expenditures will increase by 4-5% annually, allowing part of the annual growth to support operations, and part for reinvestment to sustain the permanent nature of the endowment. The Trustees' Budget and Financial Planning Committee approves the asset use rate each year.

14. Net Assets

Following is the composition of the College's net assets without donor restrictions and net assets with donor restriction at June 30, 2021 and 2020:

	2021	2020
Net assets without donor restriction		
College unrestricted	\$ 346,431,474	\$ 176,348,529
Board designated endowment funds	316,976,647	223,057,234
Deferred taxes	(1,387,191)	-
Non-controlling interest	1,423,189	1,370,281
Total net assets without donor restrictions	<u>\$ 663,444,119</u>	<u>\$ 400,776,044</u>
Net assets with donor restriction		
Spendable gifts for restricted purposes	\$ 90,317,325	\$ 190,878,336
Contributions receivable	33,123,602	46,225,484
Split-interest agreements, including outside managed trusts	146,030,381	122,720,145
Student loan funds	8,622	8,622
Endowment funds - unspent appreciation	2,819,949,195	1,766,348,003
Endowment funds - original principal	707,423,669	659,311,886
Deferred taxes	(15,653,587)	-
Total net assets with donor restrictions	<u>\$ 3,781,199,207</u>	<u>\$ 2,785,492,476</u>

15. 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, 2021 and 2020, respectively.

	2021					
	Instruction and Departmental Research	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Total
Operating expenses						
Salaries and wages	\$53,489,279	\$8,992,674	\$21,911,162	\$18,916,833	\$10,939,019	\$114,248,967
Benefits	17,643,629	3,175,178	6,712,336	5,633,068	4,426,323	37,590,534
Operating expenses	11,381,973	6,644,292	23,781,933	10,058,374	14,625,052	66,491,624
Interest	2,785,182	1,133,385	4,469,496	1,549,219	852,566	10,789,848
Depreciation	16,318,144	4,095,296	1,962,911	3,277,385	12,141,087	37,794,823
Total operating expenses	<u>\$101,618,207</u>	<u>\$24,040,825</u>	<u>\$58,837,838</u>	<u>\$39,434,879</u>	<u>\$42,984,047</u>	<u>\$266,915,796</u>
Nonoperating expenses						
Adjustments for post-employment benefit liabilities				\$1,036,621		\$1,036,621

Williams College
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

	2020					
	Instruction and Departmental Research	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Total
Operating expenses						
Salaries and wages	\$53,967,096	\$9,656,846	\$18,792,570	\$17,930,440	\$11,044,364	\$111,391,316
Benefits	18,996,399	3,281,955	6,505,531	7,471,653	4,759,970	41,015,508
Operating expenses	14,638,185	7,264,950	19,746,500	10,016,404	15,199,087	66,865,126
Interest	3,435,177	4,487,701	1,672,798	753,360	912,084	11,261,120
Depreciation	16,012,968	4,183,969	2,035,241	4,355,632	11,994,237	38,582,047
Total operating expenses	<u>\$107,049,825</u>	<u>\$28,875,421</u>	<u>\$48,752,640</u>	<u>\$40,527,489</u>	<u>\$43,909,742</u>	<u>\$269,115,117</u>
Nonoperating expenses						
Adjustments for post-employment benefit liabilities				\$1,355,285		\$1,355,285

16. Credit Loss Disclosures

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers and the value of collateral. The College's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations, the Federal portion of the loan balance is guaranteed.

The College prepares an analysis of all outstanding receivables which includes a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years.

A reserve is established for all delinquent student loans. Delinquent loans over 360 days are fully reserved while loans under 360 days delinquent are reserved at 50%. The College's policy is to write off a student loan when the loan is more than 360 days delinquent and all efforts to collect the loan have been exhausted.

Changes in the allowance for credit losses for the years ended June 30, 2021 and 2020 were as follows:

	June 30, 2021		June 30, 2020	
	Receivable Balance	Related Allowance	Receivable Balance	Related Allowance
Federal student loans	\$ 938,863	\$ -	\$ 1,194,538	\$ -
Other student loans	628,449	(124,749)	654,398	(128,800)
Faculty and staff mortgages	9,755,958	-	9,409,599	-
Pine Cobble land notes	2,551,000	-	2,452,000	-
Other notes receivable	1,222,761	(37,141)	1,287,308	(37,141)
	<u>\$ 15,097,031</u>	<u>\$ (161,890)</u>	<u>\$ 14,997,843</u>	<u>\$ (165,941)</u>

17. Subsequent Events

The College has performed an evaluation of subsequent events through October 8, 2021, the date the consolidated financial statements were issued, and determined that there have been no subsequent events that would require recognition in the consolidated financial statements or additional disclosure in the notes to the consolidated financial statements.