

William & Mary Foundation

Consolidated Financial Statements as of and for the
Years Ended June 30, 2021 and 2020, and
Independent Auditors' Report

WILLIAM & MARY FOUNDATION

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WILLIAM & MARY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the William & Mary Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of the William & Mary Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the William & Mary Foundation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

September 16, 2021

WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 16,237,063	\$ 21,899,098
Accounts receivable	3,248,884	2,290,223
Prepaid expenses	511,752	302,144
Notes receivable	499,855	907,667
Pledges receivable—net	33,747,408	40,434,031
Property and equipment—net	8,804,667	8,414,981
Collections	6,119,744	6,119,744
Investments	1,003,963,153	650,380,691
Receivable from remainder trusts	6,522,750	5,591,643
Assets held in charitable remainder trusts	532,553	459,518
Cash surrender value of life insurance policies	1,473,148	1,515,679
Funds held in trust by others	<u>187,173,786</u>	<u>149,682,432</u>
TOTAL	<u>\$ 1,268,834,763</u>	<u>\$ 887,997,851</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 583,640	\$ 557,293
Accrued expenses	548,860	456,583
Accrued interest payable	81,548	74,920
Deferred compensation liability	422,508	452,528
Deferred income	40,105	37,839
Life estates retained by donors	1,126,976	1,144,817
Obligations under split-interest agreements	1,977,733	1,653,277
Notes and bonds payable (net of unamortized issuance costs)	10,169,831	8,402,180
Interest in New Town Associates, LLC	451,576	400,280
Funds held for others	<u>145,920,238</u>	<u>16,599,405</u>
Total liabilities	<u>161,323,015</u>	<u>29,779,122</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	15,947,397	13,758,108
Designated for operating reserve	800,000	700,000
Designated for endowment	27,601,274	21,102,607
Invested in property and equipment—net of related debt	<u>(3,649,684)</u>	<u>(1,985,151)</u>
Total without donor restrictions	<u>40,698,987</u>	<u>33,575,564</u>
With donor restrictions:		
Restricted in perpetuity	566,465,030	507,107,585
Restricted for specified purpose or to the passage of time	192,628,823	162,231,915
Restricted subject to the Foundation's spending policy and appropriation	305,434,387	152,980,710
Invested in property and equipment—net of related debt	<u>2,284,521</u>	<u>2,322,955</u>
Total with donor restrictions	<u>1,066,812,761</u>	<u>824,643,165</u>
Total net assets	<u>1,107,511,748</u>	<u>858,218,729</u>
TOTAL	<u>\$ 1,268,834,763</u>	<u>\$ 887,997,851</u>

See notes to consolidated financial statements.

WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING ACTIVITY:				
Revenue and support:				
Contributions	\$ 266,183	\$ 28,105,933	\$ 28,372,116	\$ 64,599,825
Income on funds held by others	5,250,725	192,800	5,443,525	5,318,675
Investment return for current operations	3,966,958	23,789,763	27,756,721	26,269,915
Other	<u>1,180,035</u>	<u>74,779</u>	<u>1,254,814</u>	<u>1,745,720</u>
	<u>10,663,901</u>	<u>52,163,275</u>	<u>62,827,176</u>	<u>97,934,135</u>
Net assets released from restrictions	<u>29,858,949</u>	<u>(29,858,949)</u>	-	-
Total revenue and support	<u>40,522,850</u>	<u>22,304,326</u>	<u>62,827,176</u>	<u>97,934,135</u>
Expenses:				
Program services:				
Instruction	5,374,177	-	5,374,177	5,814,027
Research	986,314	-	986,314	718,432
Public service	32,852	-	32,852	36,734
Academic support	2,784,603	-	2,784,603	2,868,527
Institutional support	1,042,736	-	1,042,736	1,531,402
Athletic programs	1,238,860	-	1,238,860	1,215,138
Student life and other	128,643	-	128,643	295,016
Plant and facilities	6,968,694	-	6,968,694	18,732,957
Scholarships and fellowships	11,533,994	-	11,533,994	10,614,105
Technology—CEI	184,804	-	184,804	1,113,825
Investment management	<u>1,313,586</u>	<u>-</u>	<u>1,313,586</u>	<u>-</u>
Total program services	<u>31,589,263</u>	<u>-</u>	<u>31,589,263</u>	<u>42,940,163</u>
Supporting services—fundraising	<u>5,929,161</u>	<u>-</u>	<u>5,929,161</u>	<u>6,238,871</u>
Administrative and general:				
Board expenses	15,848	-	15,848	48,626
Office of Investment Administration	1,163,343	-	1,163,343	932,447
Expenses of the Real Estate Foundation, Inc.	50,442	-	50,442	59,410
Expenses of Reliance Holdings, LLC	5,742	-	5,742	2,048
Other	<u>901,384</u>	<u>-</u>	<u>901,384</u>	<u>825,174</u>
Total administrative and general	<u>2,136,759</u>	<u>-</u>	<u>2,136,759</u>	<u>1,867,705</u>
Total supporting services	<u>8,065,920</u>	<u>-</u>	<u>8,065,920</u>	<u>8,106,576</u>
Total expenses	<u>39,655,183</u>	<u>-</u>	<u>39,655,183</u>	<u>51,046,739</u>

(Continued)

WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
CHANGE IN NET ASSETS FROM OPERATIONS	<u>\$ 867,667</u>	<u>\$ 22,304,326</u>	<u>\$ 23,171,993</u>	<u>\$ 46,887,396</u>
NONOPERATING ACTIVITY:				
Investment return	6,307,053	181,197,159	187,504,212	(27,855,209)
Net unrealized gain (loss) on funds held in trust by others	-	37,491,354	37,491,354	(18,586,482)
Change in value of split-interest agreements	-	1,176,757	1,176,757	(106,906)
Change in value of interest in New Town Associates, LLC	<u>(51,297)</u>	<u>-</u>	<u>(51,297)</u>	<u>(53,643)</u>
Total nonoperating activity	<u>6,255,756</u>	<u>219,865,270</u>	<u>226,121,026</u>	<u>(46,602,240)</u>
CHANGE IN NET ASSETS	7,123,423	242,169,596	249,293,019	285,156
NET ASSETS—Beginning of year	<u>33,575,564</u>	<u>824,643,165</u>	<u>858,218,729</u>	<u>857,933,573</u>
NET ASSETS—End of year	<u>\$ 40,698,987</u>	<u>\$ 1,066,812,761</u>	<u>\$ 1,107,511,748</u>	<u>\$ 858,218,729</u>

See notes to consolidated financial statements.

(Concluded)

WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 249,293,019	\$ 285,156
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	364,267	458,307
Noncash gifts	(6,593,540)	(5,323,833)
Proceeds from sale of donated securities	3,047,909	1,420,177
Net unrealized (gain) loss on funds held in trust by others	(37,491,354)	18,586,482
Net realized and unrealized (gain) loss on investments	(219,537,893)	2,832,501
Contributions and investment return restricted for long-term investment	(17,118,982)	(17,251,549)
(Increase) decrease in assets:		
Accounts receivable	(958,661)	(828,748)
Pledges receivable	6,686,623	(24,996,071)
Receivable from remainder trusts	(931,107)	862,007
Other assets, net	167,700	34,760
Increase (decrease) in liabilities:		
Funds held for others	5,034,850	(769,826)
Other liabilities, net	<u>302,480</u>	<u>(819,614)</u>
Net cash used in operating activities	<u>(17,734,689)</u>	<u>(25,448,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment and collections	(753,953)	(26,500)
Purchase of investments	(105,523,016)	(89,003,163)
Proceeds from investments sold	<u>95,806,973</u>	<u>94,763,499</u>
Net cash (used in) provided by investing activities	<u>(10,469,996)</u>	<u>5,733,836</u>

(Continued)

WILLIAM & MARY FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term investment	14,215,066	14,714,635
Investment return designated for long-term investment	2,903,916	2,536,914
Proceeds from sale of donated securities	3,503,087	3,857,348
Net receipts funding split-interest obligations	163,245	267,071
Proceeds from issuance of notes payable	2,082,339	-
Payments on notes	<u>(325,003)</u>	<u>(309,557)</u>
Net cash provided by financing activities	<u>22,542,650</u>	<u>21,066,411</u>
NET (DECREASE) INCREASE IN CASH	(5,662,035)	1,352,188
CASH AND CASH EQUIVALENTS—Beginning of year	<u>21,899,098</u>	<u>20,546,910</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 16,237,063</u>	<u>\$ 21,899,098</u>

SUPPLEMENTAL DATA—Noncash investing and financing activities:

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

Cash paid for interest on bonds and notes for the years ended June 30, 2021 and 2020, was \$395,229 and \$322,890, respectively.

Cash (refunded) paid for taxes for the years ended June 30, 2021 and 2020 was \$(29,311) and \$411, respectively. Taxes resulted from unrelated business income in limited partnerships.

Assets acquired through the assumption of a liability for the year ended June 30, 2021 was \$50,873.

Transfer of non-cash assets from The William and Mary Investment Trust to the 1693 Partners Fund during the year ended June 30, 2021 was \$853,469,494.

See notes to consolidated financial statements.

(Concluded)

WILLIAM & MARY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. ORGANIZATION AND PURPOSE

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

The Foundation has nine affiliated entities that are consolidated for financial reporting purposes:

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

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

COLLEGE ENTERPRISES, INC.

In March 1996, the Board of Trustees (the "Board") approved funding support by the Foundation for the installation of a campus-wide communications system. The Foundation and the University created an entity under the name of College Enterprises, Inc. ("CEI") for this purpose. In accordance with accounting guidance for reporting of related entities by not-for-profit organizations, the financial statements of the Foundation include the accounts of CEI because control of and economic interest in CEI rests with the Foundation. CEI received student technology fees, billed to the students by the University, through June 30, 2019, and from this revenue paid for network maintenance, improvements and personnel costs related to operating the system. The University now retains the fees and has the functional and financial responsibility for operating the system. The University also paid CEI for its costs of various construction projects relating to the telecommunications network under contract as of June 30, 2019. The CEI Board of Directors approved the dissolution of the entity, which was effective February 9, 2021. In accordance with CEI's articles of incorporation, CEI's remaining assets were distributed to the Foundation. The Foundation's Board designated the assets to support the University's information technology network and infrastructure operations or other technology priorities.

RELIANCE HOLDINGS, LLC

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

Real estate held for investment owned by the REF and C.C. Casey, Limited Company ("Casey") was sold to New Town Associates in June 2000 in exchange for a \$26,789,834 note receivable, including accrued interest (the "Note"). Effective July 1, 2003, the note was restructured to decrease the aggregate balance due to the REF and Casey to \$12,000,000. Based on revised cash flow projections, the face amount of the note due to

the REF and Casey was increased to \$13,600,000, including interest, during the year ended June 30, 2009, with an effective date of June 30, 2007.

Effective December 31, 2012, the due date of the note was extended to December 31, 2013, with automatic one year extensions unless the REF or Casey provide written notice by September 30 of any year stating that the note shall not be extended. All other terms of the note continued in full force and effect. Under the terms of the automatic extension, the current due date is December 31, 2021.

In accordance with the Intercreditor Agreement between the REF and Casey, the REF is entitled to receive 75% of the first \$12,000,000 of Note payments and 25% of Note payments in excess of \$12,000,000. During the year ended June 30, 2015, management determined that the realization of further interest was not probable. Therefore, no additional interest has been recorded. Based on analysis of financial results and cash flow projections of New Town Associates, the recorded value of the note was increased during the year ended June 30, 2015 to reflect the estimated amount to be received. Additional interest will be recognized as note payments are received in excess of the recorded value, or as new information indicates collection is likely. The REF's interest in the Note is recorded at a value of \$750,000 at June 30, 2021 and 2020, and is included in investments on the consolidated statements of financial position.

CWMF VENTURES, LLC

During the year ended June 30, 2007, the Foundation established CWMF Ventures, LLC ("CWMF Ventures"), a limited liability company, in which the Foundation is the sole member. The purpose of CWMF Ventures is to own the Discovery I Building, an office building which was completed and placed in service during the year ended June 30, 2008, and which is leased to the University. Together with the Foundation, CWMF Ventures is also a party to agreements relating to the issuance of certain revenue bonds issued to finance the Discovery I Building (see Note 12).

MURRAY 1693 SCHOLARS FOUNDATION

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

FOUNDATION SERVICES, LLC

During the year ended June 30, 2020, the Foundation established Foundation Services, LLC ("Foundation Services"), a limited liability company, in which the Foundation is the sole member. Foundation Services was organized and will be operated for charitable and educational purposes benefiting, performing functions of, or carrying out the exempt purpose of the Foundation.

1693 PARTNERS FUND

1693 Partners Fund (the "Fund") is a nonstock corporation organized on October 25, 2019, under the laws of the Commonwealth of Virginia. The fund is classified as a public charity exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Fund's purpose is to invest and hold the deposited assets of the University and the foundations and other non-profit organizations that primarily benefit or support the University and its constituent departments, programs and schools, on a commingled, long-term investment basis, for their mutual benefit. The Foundation appoints the majority

of the board of the Fund, and as a result of this control, the accounts of the Fund are included in the consolidated financial statements of the Foundation. The Fund commenced investment activities effective January 1, 2021. The Northern Trust Company acts as custodian for the Fund.

The Fund has entered into Member Deposit Agreements (the "Agreements") with the Foundation, the Marshall-Wythe School of Law Foundation ("MWSLF"), the William & Mary Business School Foundation ("WMBSF"), and the 1693 Foundation, (each a "Member" and collectively the "Members") which detail the terms and conditions for deposits to, withdrawals from, and operations of the Fund. Each Member is entitled in contract to its pro rata share of the value of the undivided net assets of the Fund, taking into account the aggregate investment returns (positive and negative) on the assets held in the Fund, net of expenses of and any taxes payable by the Fund, and adjusting for deposits and withdrawals of the Members.

The William and Mary Investment Trust ("the Trust"), a group grantor trust under Virginia law, was established July 1, 2004 and provided a platform for tax-exempt organizations affiliated with the University (each a "Grantor" and collectively the "Grantors") to invest their endowment assets prior to the organization of the Fund. Each Grantor to the Trust owned an interest proportional to the value of the assets transferred to the Trust, which was increased or decreased with subsequent contributions or distributions. Effective December 31, 2020, the Foundation, trustee of the Trust, adopted the Plan of Dissolution, Grantor Account Termination and Complete Liquidation (the "Plan"). The Plan undertook the request of the Grantors to terminate their grantor accounts by contributing the net assets of the Trust to the Fund. Pursuant to the terms of the Agreements and the Assignment and Contribution Agreement between the Fund and the Trust, the Members agreed to deposit, without limitation, their interests in the assets of the Trust to the Fund. The Trust has ceased business and investment activities except to the extent necessary to wind up its business affairs and distribute its net assets to the Fund. In accordance with transfer agreements between the Trust, the Fund and certain investment funds, the Trust's unfunded commitments in those funds were transferred and assumed by the Fund. Net assets of the Fund attributable to MWSLF and WMBSF totaled \$124,285,983 at June 30, 2021, and are included in investments and funds held for others in the consolidated statement of financial position.

1693 MANAGEMENT COMPANY, LLC

During the year ended June 30, 2020, the Foundation established 1693 Management Company, LLC ("1693 Management"), a limited liability company, in which the Foundation is the sole member. The purpose of 1693 Management is to provide investment management and related services with respect to investment funds and assets held by or for the benefit of the Foundation, the University and other tax-exempt organizations supporting the University.

BROWN HALL, LLC

During the year ended June 30, 2021, the Foundation established Brown Hall, LLC, a limited liability company, in which the Foundation is the sole member. Brown Hall, LLC was organized to own the property known as Brown Hall located in Williamsburg, Virginia.

2. SUMMARY OF SIGNIFICANT OPERATIONS AND ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements of the Foundation include the accounts of its affiliates (see Note 1). Inter-company accounts and transactions have been eliminated in consolidation.

Basis of Accounting—The accompanying consolidated financial statements are prepared under accounting principles generally accepted in the United States of America ("GAAP").

Revenue and support are recognized in the accounting period in which it is realized or realizable and earned and expenses are recognized in the accounting period in which the related liability is incurred. Nonoperating activity is recognized in accordance with these same principles.

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

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

Investments (see Note 4) and funds held in trust by others (see Note 10) are generally carried at fair value. Securities traded on U.S. or foreign exchanges are valued at the last reported sales price or, if there are no sales, at the latest bid quotation. Mutual funds and exchange traded funds traded on U.S. or foreign exchanges are valued at the closing net asset value; mutual funds not traded on national exchanges are valued in good faith at the pro-rata interest in the net assets of these entities. Government and agency bonds and notes are valued based on market driven observations and securities characteristics including ratings, coupons and redemptions. The values of limited partnerships, commingled investment funds and investment trusts are determined in good faith at the pro-rata interest in the net assets of these entities. Investments held by these entities are valued at amounts which approximate fair value. The estimated fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors or third party administrators of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. These investments are valued using valuation techniques included in Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, including the market approach, income approach, and cost approach. The estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material.

Investment transactions are accounted for on a trade date basis. Dividends are recognized on the ex-dividend date and interest income is recognized on the accrual basis. Net realized and unrealized gains and losses are reflected in the consolidated statements of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions in accordance with the donor’s stipulations concerning the purposes for which income may be used.

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

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

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

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

As a practical expedient, ASC Topic 820 permits an entity holding investments in certain entities that have the attributes described in ASC Topic 946, *Financial Services—Investment Companies*, or have attributes similar to such entities, and which calculate Net Asset Value (“NAV”) per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. The Foundation uses the practical expedient to value its investments in certain mutual funds, limited partnerships, limited liability companies, commingled investment funds, notes, and investment trusts. Investments valued using the practical expedient are not categorized within the fair value hierarchy, and are presented as other in the tables in Note 5 for purposes of reconciling to the consolidated statements of financial position.

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

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

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

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

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

Pledges Receivable—ASC Topic 958, *Not-for-Profit Entities*, requires that unconditional promises to give (pledges) be recorded as receivables and revenue and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The pledges receivable reflects management’s estimate of the funds to be received after an allowance for uncollectible pledges discounted to the net present value using an assumed risk free interest rate. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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

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

Gains and losses arising from retirement or sale of property and equipment are recognized in the consolidated statements of activities.

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

Collections—Collections presented in the consolidated statements of financial position represent non-depreciable works of art and historical items reported at cost or fair market value at the time of donation. There were no purchases during the year ended June 30, 2021. Purchases of collections were \$26,500 for the year ended June 30, 2020.

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

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

Split-Interest Agreements—Through planned giving agreements, donors have contributed assets to the Foundation or to trusts for which the Foundation serves as trustee. In exchange, the donor or other beneficiaries will receive a fixed amount or percentage of assets over their lifetime. The present values of these commitments are liabilities and are classified as obligations under split interest agreements in the consolidated statements of financial position. Discount rates of 0.6% to 9.6% were used in determining the actuarial liability for fiscal years 2021 and 2020. The related assets are classified in investments and assets held in charitable remainder trusts on the consolidated statements of financial position.

Funds Held for Others—The Foundation holds certain assets for the benefit of organizations. In accordance with ASC Topic 958, contributions received by the Foundation which have been designated for the benefit of other organizations are recorded as liabilities unless the organization is financially interrelated with the Foundation or the Foundation has been granted variance power.

The Omohundro Institute of Early American History and Culture (the “Institute”) is not financially interrelated with the Foundation. Since assets held by the Foundation to benefit the Institute were either contributed by third parties without granting variance power or were transferred from the Institute, these funds are recorded as liabilities under funds held for others. The value of the liability, which is measured at the fair value of the assets, the majority of which are invested in the Fund, was \$21,634,255 and \$16,599,405 at June 30, 2021 and 2020, respectively.

The William & Mary Alumni Association (the “Association”) and the Foundation were established primarily to support the University. As such, the Association is considered a financially interrelated organization of the Foundation, and therefore, activities of assets held by the Foundation in support of its operations are included in the accompanying consolidated statements of activities and are reflected in the net assets of the Foundation. Funds held for the benefit of the Association, included in net assets, were valued at \$6,449,521 and \$7,745,353 at June 30, 2021 and 2020, respectively.

Note 1 provides information on net assets of the Fund attributable to MWSLF and WMBSF included in funds held for others in the consolidated statement of financial position.

Net Assets—ASC Topic 958 establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into categories as follows:

Net Assets Without Donor Restrictions—Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions generally result from receiving unrestricted contributions, unrealized and realized gains and losses on board designated funds functioning as endowments with no donor-imposed or legal restrictions on income, income from funds held in trust by others with no restrictions as to use, and revenue from investing non-endowment funds in income-producing assets. The Board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowments.

Net Assets With Donor Restrictions—Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions—Contributions, including unconditional promises to give, are recognized as revenue when the donor’s commitment is received. Gifts received by bequests are recognized as revenue when the will is declared valid by the respective probate court and when all conditions are substantially met. Contributions to the Foundation are either unrestricted as to use or carry specific restrictions imposed by the donors. Unrestricted gifts are reflected as contributions in net assets without donor restrictions. Restricted

contributions are reflected as contributions in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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

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

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. The spread of COVID-19 has caused significant volatility in financial markets and the overall global economy. The resolution and impact of these ongoing events is highly uncertain. The Foundation has implemented precautionary measures to continue its operations consistent with the guidance of local and national governmental leaders. The operational and financial performance of the Foundation depends on future developments, including the duration and spread of the outbreak, and such uncertainty may in turn impact the Foundation's operations and the valuation of its investments. Accordingly, the Foundation is unable to predict to what extent the pandemic response may impact the subsequent financial results and operations of the Foundation.

Summarized Comparative Information—The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassifications—Certain reclassifications have been made for the year ended June 30, 2020 to conform to the classifications adopted for the year ended June 30, 2021. Amounts reported as short-term investments and notes payable on the consolidated statement of financial position for the year ended June 30, 2020 have been reclassified to investments and notes and bonds payable, respectively, for consistency with the presentation for the year-ended June 30, 2021. Additionally, certain amounts reported on the consolidated statement of cash flows for the year ended June 30, 2020 have been summarized for consistency with the presentation for the year-ended June 30, 2021

Recent Accounting Pronouncements—In February 2016, the Financial Accounting Standards Board ("FASB") adopted Accounting Standards Update ("ASU") 2016-02 which amends the ASC by creating Topic 842, *Leases*. The ASU requires that a lessee should recognize the assets and liabilities that arise from leases. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for the Foundation's year ending June 30, 2023. Management is evaluating the impact this ASU will have on the financial statements.

In March 2019, the FASB adopted ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. The ASU improves the definition of *collections* by realigning it with the definition in the American Alliance of Museums' *Code of Ethics for Museums*. The ASU is effective for the Foundation's year ending June 30, 2021. There is no impact to the consolidated financial statements from implementation of the ASU.

In September 2020, the FASB adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities, with additional quantitative and qualitative disclosure by category of contributed nonfinancial assets. The ASU is effective for the Foundation's year ending June 30, 2022. Management is evaluating the impact this ASU will have on the financial statements.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 11,869,832	\$ 6,910,711
Accounts receivable	54,072	481,421
Investments	1,556,841	1,832,122
Distributions from funds held in trust by others	5,247,000	5,094,000
Endowment distributions and appropriations	<u>5,188,710</u>	<u>5,113,368</u>
	<u>\$ 23,916,455</u>	<u>\$ 19,431,622</u>

The Foundation is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, those financial assets may not be available for general expenditure within one year.

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Board designated a portion of its unrestricted resources for endowment (see Note 13). The Board-designated endowments are subject to an annual spending rate (see Note 6).

Although the Foundation does not intend to spend from the Board-designated endowments (other than amounts appropriated for expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. However, the funds are subject to the withdrawal provisions of the Fund (see Note 4).

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As part of its liquidity management plan, the Foundation invests cash in excess of its daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$800,000 and \$700,000 as of June 30, 2021 and 2020, respectively.

4. INVESTMENTS

Investments, which are generally carried at fair value, at June 30, 2021 and 2020, were comprised of the following:

	2021	2020
Investments:		
1693 Partners Fund:		
Money market funds	\$ 31,929,978	\$ -
Common stock	163,368,293	-
Exchange traded funds	85,215,176	-
Mutual funds	23,894,399	-
Investment funds	635,789,154	-
Other assets, net	<u>403,330</u>	<u>-</u>
Total 1693 Partners Fund	940,600,330	-
Cash pending investment	319,360	655,383
Common stock	520,405	138,632
Mutual funds and commingled funds—equity	3,605,087	3,989,742
Mutual funds and commingled funds—fixed income	1,513,613	462,524
Government and agency bonds and notes	55,189,353	36,320,366
Investment in The William and Mary Investment Trust	86,743	606,741,533
Notes receivable (Note 1)	750,000	750,000
Real estate	987,982	987,982
Private equity and other	<u>390,280</u>	<u>334,529</u>
 Total investments	 <u>\$ 1,003,963,153</u>	 <u>\$ 650,380,691</u>

The following schedules summarize the investment return and its classification in the consolidated statements of activities:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment return from pooled investments budgeted for current operations	\$ 3,602,697	\$ 23,793,294	\$ 27,395,991
Other investment return designated for current operations	<u>364,261</u>	<u>(3,531)</u>	<u>360,730</u>
 Total investment return for current operations	 3,966,958	 23,789,763	 27,756,721
 Investment return greater than amounts for current operations	 <u>6,307,053</u>	 <u>181,197,159</u>	 <u>187,504,212</u>
 Total investment return	 <u>\$ 10,274,011</u>	 <u>\$ 204,986,922</u>	 <u>\$ 215,260,933</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment return from pooled investments budgeted for current operations	\$3,479,130	\$21,656,381	\$25,135,511
Other investment return designated for current operations	<u>978,563</u>	<u>155,841</u>	<u>1,134,404</u>
Total investment return for current operations	4,457,693	21,812,222	26,269,915
Investment return less than amounts for current operations	<u>(837,914)</u>	<u>(27,017,295)</u>	<u>(27,855,209)</u>
Total investment return	<u>\$3,619,779</u>	<u>\$ (5,205,073)</u>	<u>\$ (1,585,294)</u>

The majority of the Foundation's financial assets are invested in the Fund as of June 30, 2021. Members may generally make contributions to the Fund on any business day with written notice to the Fund three (3) business days prior to the requested deposit date or twenty (20) business days for deposits of \$20 million or more. Such contributions are effective on the day received by the custodian.

Program withdrawals to provide funding for annual or other budgeted cash requirements are generally made on a quarterly basis pursuant to an annual funding notification delivered to the Fund within twenty (20) business days prior to the beginning of the fiscal year. The annual program withdrawal limit is equal to 15% of the value of the Member's depository interest as of the first business day of the fiscal year.

Special circumstances withdrawals will generally be honored on the first business day of the quarter at least forty-five (45) days following written notification to the Fund. Special circumstances withdrawals may not exceed the greater of (a) the difference between the Member's annual program withdrawal limit for the fiscal year and the aggregate dollar amount of program withdrawals for the fiscal year or (b) 5% of the Member's depository interest as of the withdrawal date.

Permanent withdrawal requests will generally be honored commencing in the first fiscal year that begins at least sixty (60) business days after written notification to the Fund. Permanent withdrawals are accomplished in a series of four consecutive annual scheduled withdrawals on the first business day of the fiscal year equal to 25% of the amount requested. The pending portion of the requested withdrawal will remain fully invested in the Fund and subject to change in value based on the Fund's investment returns.

The Board of Trustees of the Fund may defer any portion of permanent withdrawal requests if the total of aggregate withdrawal requests made and pending withdrawal requests expected to be honored during the fiscal year exceed twenty percent (20%) of the aggregate value of the depository interests of all Members as of the first business day of the fiscal year (calculated prior to deduction of any permanent withdrawal requests but after deducting any program withdrawal requests for the fiscal year).

The following table summarizes the liquidity provisions related to the Fund's investments in investment funds by investment strategy as of June 30, 2021:

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Estimated Remaining Holding Period
Diversifying Strategies ^(A)					
Redeemable ≤ 1 year ⁽¹⁾	\$ 28,297,711	\$ -	Monthly, Quarterly, Annually	19–60 days	1 day - 8 months
Redeemable > 1 year ⁽¹⁾	9,109,437	-	Every 3 years	60 days	32 months
Illiquid ⁽²⁾	57,783,916	20,408,453	Illiquid	NA	Termination of fund
Domestic Equity ^(B)					
Redeemable ≤ 1 year ⁽¹⁾	109,370,570	-	Quarterly	60 days	3 months
Fixed Income ^(C)					
Redeemable ≤ 1 year ⁽¹⁾	35,767,890	-	Daily	1 day	1 day
Foreign Equity (Developed) ^(D)					
Redeemable ≤ 1 year ⁽¹⁾	80,992,980	-	Monthly, Quarterly, Every 3 years	5–90 days	1 day–8 months
Redeemable > 1 year ⁽¹⁾	12,474,013	-	Every 3 years	90 days	13–32 months
Foreign Equity (Emerging Markets) ^(E)					
Redeemable ≤ 1 year ⁽¹⁾	24,993,168	-	Daily	28 days	1 day
Private Equity ^(F)					
Illiquid ⁽²⁾	204,109,960	46,063,408	Illiquid	NA	Termination of fund
Real Assets ^(G)					
Illiquid ⁽²⁾	72,078,212	48,653,507	Illiquid	NA	Termination of fund
Transitional Trading ^(H)					
Illiquid ⁽²⁾	811,297	-	Illiquid	NA	Termination of fund
	<u>\$ 635,789,154</u>	<u>\$ 115,125,368</u>			

The following table summarizes the liquidity provisions related to the Trust's investments in investment funds by investment strategy as of June 30, 2020:

Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Estimated Remaining Holding Period
Absolute Return ^(A)					
Redeemable ≤ 1 year ⁽¹⁾	\$ 38,160,210	\$ -	Monthly, Quarterly, Annually, Every 2 years	19–90 days	1 day–6 months
Illiquid ⁽²⁾	8,900,147	-	Illiquid	NA	Termination of fund
Domestic Equity ^(B)					
Redeemable ≤ 1 year ⁽¹⁾	91,979,861	-	Quarterly, Annually, Every 3 years	30–90 days	1 day–8 months
Fixed Income ^(C)					
Redeemable ≤ 1 year ⁽¹⁾	30,392,743	-	Daily	1 day	1 day
Foreign Equity (Developed) ^(D)					
Redeemable ≤ 1 year ⁽¹⁾	63,603,728	-	Monthly, Quarterly, Every 3 years	5–90 days	1 day–8 months
Redeemable > 1 year ⁽¹⁾	11,043,054	-	Every 3 years	90 days	13–44 months
Foreign Equity (Emerging Markets) ^(E)					
Redeemable ≤ 1 year ⁽¹⁾	26,801,625	-	Daily, Monthly	12–28 days	1 day–1 month
Private Equity ^(F)					
Illiquid ⁽²⁾	129,945,940	43,737,131	Illiquid	NA	Termination of fund
Real Assets ^(G)					
Illiquid ⁽²⁾	63,961,248	55,665,941	Illiquid	NA	Termination of fund
Special Situations ^(I)					
Illiquid ⁽²⁾	42,735,708	22,689,075	Illiquid	NA	Termination of fund
Transitional Trading ^(H)					
Illiquid ⁽²⁾	1,254,157	-	Illiquid	NA	Termination of fund
	<u>\$ 508,778,421</u>	<u>\$ 122,092,147</u>			

⁽¹⁾ Redeemable investments may be redeemed at the discretion of the Fund or Trust in accordance with the terms of the governing agreement, which may include restrictions that do not allow redemption for a specified period of time following an investment. Investments held at June 30, 2021 and 2020 that are

available for redemption during the next fiscal year totaled \$279,422,319 and \$250,938,167, respectively. Investments held at June 30, 2021 and 2020 that are available for redemption in more than one year totaled \$21,583,450 and \$11,043,054, respectively. Estimated remaining holding period reflects the period until the next available redemption date subsequent to June 30, including expiration of lockup periods.

- (2) Illiquid investments are not subject to redemption rights unless the fund manager offers its investors the opportunity to redeem early from the contractual agreement. This category includes investments from which distributions will be received as the underlying investments are liquidated, and may include investments on which redemption restrictions of unknown duration have been imposed. If allowed under the terms of the fund agreement, illiquid investments can be sold to other eligible investors through private placements arranged through the general partner. Illiquid investments at June 30, 2021 and 2020 totaled \$334,783,385 and \$246,797,200, respectively.
- (A) Diversifying Strategies represents equity and equity-like structures as well as fixed income securities held by managers that operate under broadly defined investment guidelines, indicative of the hedge fund industry. This category is populated by multi-strategy, quantitative, event arbitrage strategies, distressed debt situations, specialized credit opportunities, non-correlated investment strategies (including life settlements and music royalties), and aviation assets. Securities can be of all types, public and private, foreign and domestic, of all capitalization sizes, industry concentrations, including exposures to various long/short and option strategies, managed futures, global tactical asset allocation, currency, and various forms of real estate or other hard assets.
- (B) Domestic Equity represents equity securities held by managers who primarily invest in securities listed on United States exchanges. This category comprises all capitalization sizes, industry sectors, and includes both long and long-short strategies.
- (C) Fixed Income represents investments in funds consisting of various bond and bond-like securities that have an income stream as a component part of the security's total rate of return. These securities are designed to be liquid and traded through established bond markets, both foreign and domestic. In cases where there is no bid or established market, pricing can be determined through modeling and other means of comparative analysis.
- (D) Foreign Equity (Developed) represents equity securities held by managers who primarily invest in securities listed on non-U.S. exchanges in those countries captured within the MSCI EAFE index. This category comprises all capitalization sizes, industry sectors, and includes both long and long-short strategies.
- (E) Foreign Equity (Emerging Markets) represents equity securities held by managers who primarily invest in securities listed on non-U.S. exchanges in those countries captured within the MSCI Emerging Markets index. This category comprises all capitalization sizes, industry sectors, and includes both long and long-short strategies.
- (F) Private Equity represents equity interests held primarily through various limited partnerships in asset categories of venture capital and buyouts, both foreign and domestic.
- (G) Real Assets include manager investments in miscellaneous foreign and domestic partnership interests and separately managed accounts in various asset classes of real estate (including REITs), natural resources (energy and timber), and energy infrastructure (MLPs).
- (H) Transitional Trading includes a variety of assets that have been distributed or redeemed from a manager's holdings in the portfolio. These assets include specific securities traded on major exchanges, mutual fund shares, and specific illiquid investments that are in the process of being liquidated during the wind down of a fund investment.
- (I) Absolute Return represents miscellaneous types of equity and equity-like structures as well as fixed income securities held by managers that operate under broadly defined investment guidelines, indicative of the hedge fund industry. This category is populated by multi-strategy, credit-driven, event arbitrage and fund-of-fund hedge funds. Securities can be of all types, public and private, foreign and domestic, of all capitalization sizes, industry concentrations, including exposures to various long/short and option strategies, managed futures, global tactical asset allocation, currency, and various forms of real estate or other hard assets.
- (J) Special Situations includes miscellaneous types of foreign and domestic equity and equity-like structures as well as fixed income securities held by managers who were hired to pursue specific opportunistic strategies. This category is populated by managers who were investing in distressed debt situations, specialized credit opportunities, privately negotiated lending facilities with public or private companies, event-driven arbitrage, life settlements and aviation assets.

The Fund may directly invest in exchange traded funds and certain specific securities in any of the above strategies in situations of investment manager transitions, portfolio

rebalancing, or portfolio completion consistent with the Fund's Investment Policy Statement.

5. FAIR VALUE MEASUREMENTS

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

At June 30, 2021, the Foundation's assets and liabilities carried at fair value were classified as follows:

	Level 1	Level 2	Level 3	Other	Total
Assets:					
Investments:					
1693 Partners Fund					
Common stock	163,368,293	-	-	-	163,368,293
Exchange traded funds	85,215,176	-	-	-	85,215,176
Mutual funds	23,894,399	-	-	-	23,894,399
Investment funds:					
Diversifying strategies	-	-	-	95,191,064	95,191,064
Domestic equity	-	-	-	109,370,570	109,370,570
Fixed income	-	-	-	35,767,890	35,767,890
Foreign equity (developed)	-	-	-	93,466,993	93,466,993
Foreign equity (emerging markets)	-	-	-	24,993,168	24,993,168
Private equity	-	-	-	204,109,960	204,109,960
Real assets	-	-	-	72,078,212	72,078,212
Transitional trading	-	-	-	811,297	811,297
Money market funds and other	32,333,308	-	-	-	32,333,308
Total 1693 Partners Fund	304,811,176	-	-	635,789,154	940,600,330
Cash pending investment	-	-	-	319,360	319,360
Common stock	520,405	-	-	-	520,405
Mutual and commingled funds	5,118,700	-	-	-	5,118,700
Government and agency bonds and notes	-	55,189,353	-	-	55,189,353
The William and Mary Investment Trust	86,743	-	-	-	86,743
Notes receivable	-	-	750,000	-	750,000
Real estate	-	-	987,982	-	987,982
Private equity and other	-	-	18,000	372,280	390,280
Total investments	310,537,024	55,189,353	1,755,982	636,480,794	1,003,963,153
Assets held in charitable remainder trusts	525,183	-	-	7,370	532,553
Funds held in trust by others:					
Equity securities	183,404,957	-	-	-	183,404,957
Mutual funds and other	3,768,829	-	-	-	3,768,829
Total funds held in trust by others	187,173,786	-	-	-	187,173,786
Fair value of assets	<u>\$498,235,993</u>	<u>\$55,189,353</u>	<u>\$1,755,982</u>	<u>\$636,488,164</u>	<u>\$ 1,191,669,492</u>
Liabilities—funds held for others	<u>\$ 40,735,895</u>	<u>-</u>	<u>21,499</u>	<u>\$105,162,844</u>	<u>\$ 145,920,238</u>
Fair value of liabilities	<u>\$ 40,735,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$105,162,844</u>	<u>\$ 145,920,238</u>

At June 30, 2020, the Foundation's assets and liabilities carried at fair value were classified as follows:

	Level 1	Level 2	Level 3	Other	Total
Assets:					
Investments:					
Investments—Foundation investment in					
William and Mary Investment Trust:					
Common stock	88,295,372	-	-	-	88,295,372
Exchange traded funds	58,026,381	-	-	-	58,026,381
Investment funds:					
Absolute return	-	-	-	39,846,282	39,846,282
Domestic equity	-	-	-	77,879,891	77,879,891
Fixed income	-	-	-	25,733,715	25,733,715
Foreign equity (developed)	-	-	-	63,203,871	63,203,871
Foreign equity (emerging markets)	-	-	-	22,693,094	22,693,094
Private equity	-	-	-	110,025,994	110,025,994
Real assets	-	-	-	54,156,366	54,156,366
Special situations	-	-	-	36,184,576	36,184,576
Transitional trading	-	-	-	1,061,911	1,061,911
Money market funds and other	<u>29,634,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,634,080</u>
Total Foundation investment in					
William and Mary Investment					
Trust					
	175,955,833	-	-	430,785,700	606,741,533
Cash pending investment					
Common stock	-	-	-	655,383	655,383
Mutual and commingled funds	138,632	-	-	-	138,632
Government and agency bonds	4,452,266	-	-	-	4,452,266
and notes	-	36,320,366	-	-	36,320,366
Notes receivable	-	-	750,000	-	334,529
Real estate	-	-	987,982	-	987,982
Private equity and other	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>316,529</u>	<u>750,000</u>
Total investments					
	<u>180,546,731</u>	<u>36,320,366</u>	<u>1,755,982</u>	<u>431,757,612</u>	<u>650,380,691</u>
Assets held in charitable remainder					
trusts					
	<u>459,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>459,518</u>
Funds held in trust by others:					
Equity securities	146,730,915	-	-	-	146,730,915
Mutual funds and other	<u>2,951,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,951,517</u>
Total funds held in trust by others					
	<u>149,682,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,682,432</u>
Fair value of assets					
	<u>\$330,688,681</u>	<u>\$36,320,366</u>	<u>\$1,755,982</u>	<u>\$431,757,612</u>	<u>\$800,522,641</u>
Liabilities—funds held for others					
	<u>\$ 5,000,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,598,769</u>	<u>\$ 16,599,405</u>
Fair value of liabilities					
	<u>\$ 5,000,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,598,769</u>	<u>\$ 16,599,405</u>

There were no additions or transfers in or out related to Level 3 investments for the years ended June 30, 2021 and 2020. The Foundation determines the fair value of transfers between levels using the most recent valuation.

6. ENDOWMENT

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

The following table presents endowment net asset composition by type of fund as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$27,095,105	\$ 91,788,203	\$118,883,308
Donor-restricted funds:			
Funds that allow distribution of principal Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	506,169	9,926,687	10,432,856
Accumulated investment gains	-	364,042,061	364,042,061
	<u>-</u>	<u>305,434,387</u>	<u>305,434,387</u>
Total endowment funds	<u>\$27,601,274</u>	<u>\$771,191,338</u>	<u>\$798,792,612</u>

The following table presents endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$20,715,610	\$ 67,922,397	\$ 88,638,007
Donor-restricted funds:			
Funds that allow distribution of principal Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	386,997	7,609,392	7,996,389
Accumulated investment gains	-	342,628,916	342,628,916
	<u>-</u>	<u>152,980,710</u>	<u>152,980,710</u>
Total endowment funds	<u>\$21,102,607</u>	<u>\$571,141,415</u>	<u>\$592,244,022</u>

The following table presents the change in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	<u>\$ 21,102,607</u>	<u>\$ 571,141,415</u>	<u>\$ 592,244,022</u>
Investment return—net	10,003,664	202,953,086	212,956,750
Contributions received	-	17,613,079	17,613,079
Appropriation of endowment assets for expenditure	(3,570,153)	(22,778,491)	(26,348,644)
Transfers to board-designated endowment funds	<u>65,156</u>	<u>2,262,249</u>	<u>2,327,405</u>
Endowment net assets—end of year	<u>\$ 27,601,274</u>	<u>\$ 771,191,338</u>	<u>\$ 798,792,612</u>

The following table presents the change in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	<u>\$ 22,078,810</u>	<u>\$ 576,822,636</u>	<u>\$ 598,901,446</u>
Investment return—net	2,460,167	(5,241,099)	(2,780,932)
Contributions received	-	19,559,109	19,559,109
Appropriation of endowment assets for expenditure	(3,479,130)	(21,682,958)	(25,162,088)
Transfers to board-designated endowment funds	<u>42,760</u>	<u>1,683,727</u>	<u>1,726,487</u>
Endowment net assets—end of year	<u>\$ 21,102,607</u>	<u>\$ 571,141,415</u>	<u>\$ 592,244,022</u>

The above amounts exclude \$21,371,099 and \$16,336,324 of investments in funds held for others as of June 30, 2021 and 2020, respectively.

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies result largely from unfavorable market fluctuations that occurred after the establishment of endowments. There were no deficiencies as of June 30, 2021.

At June 30, 2020, the following funds with deficiencies were reported in net assets with donor restrictions:

Fair value of underwater endowment funds	\$ 39,405,820
Original endowment gift amount	<u>40,464,625</u>
Deficiencies of underwater endowment funds	<u>\$ (1,058,805)</u>

Return Objectives and Risk Parameters—The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to enhance the inflation-adjusted purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested with an objective to achieve real growth of 1% over the long term (i.e., real total return less that of annual spending and management fees). The measure of inflation used in adjusting for real purchasing power is the Higher Education Price Index, a measure of college and university costs. The majority of the Foundation’s endowment funds are invested in the Fund, which follows an investment policy that is consistent with these objectives.

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

Spending Policy—The Foundation sets a spending rate annually for its respective investment portfolios. For the years ended June 30, 2021 and 2020, the rate was applied to a trailing 20-quarter average market value through December 31 of the previous fiscal year to calculate the payout from investment pools available for current operations. The spending rate for the Foundation’s three discrete investment portfolios, Pooled Investments, Eminent Scholars, and Virginia Graduate and Undergraduate Assistance Program, is 4.75% for both the years ended June 30, 2021 and 2020. Other investment returns for current operations include income on funds without donor restrictions and funds restricted to the passage of time or for a specified purpose by the donor.

7. NOTES RECEIVABLE

In July 2009, the Foundation agreed to advance a total of \$250,000 as a loan to support legal costs associated with the defense of certain claims made against two estates by one plaintiff. The Foundation is a potential beneficiary of the estates. The Foundation is joined by other parties in the loan. The agreement provides that the loan will be repaid, with interest at 5% per year, with first priority from assets received from the estates in the same proportion as amounts loaned by each party. During fiscal years 2010–2013, additional loans were extended on similar terms committing total additional amounts of \$814,490 to support legal costs and to fund costs associated with maintenance of real estate constituting the primary asset of one of the estates. Interest was accrued on the notes receivable through June 30, 2015. The loans are recorded in notes receivable and had a carrying value of \$499,855 and \$907,667 at June 30, 2021 and 2020, respectively, including interest.

8. PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables at their net present value in the year promised and are recognized as support with donor restrictions. Pledges receivable include amounts due from trustees and officers of the Foundation, which are considered related party transactions. Pledges receivable at June 30, 2021, have been discounted using discount rates ranging from 0.24% to 3.07%. Pledges receivable at June 30, 2020,

have been discounted using discount rates ranging from 0.29% to 3.07%. Pledges receivable to be collected within one year have not been discounted.

At June 30, 2021 and 2020, the net present value of pledges receivable was as follows:

	2021	2020
Less than one year	\$ 11,391,736	\$ 11,107,744
One to five years	24,689,588	32,256,777
More than five years	<u>252,183</u>	<u>435,207</u>
Total pledges receivable—gross	36,333,507	43,799,728
Less allowance for uncollectible amounts	<u>(1,623,381)</u>	<u>(1,788,343)</u>
Total pledges receivable—net of allowance	34,710,126	42,011,385
Discount to reduce pledges to present value	<u>(962,718)</u>	<u>(1,577,354)</u>
Pledges receivable—net	<u>\$ 33,747,408</u>	<u>\$ 40,434,031</u>

At June 30, 2021 and 2020, conditional promises to give of \$7,500,000 and \$1,500,000, respectively were not recognized in the consolidated statement of financial position and statement of activities because the conditions on which they depend had not yet been met. The contributions will be recognized as phases of construction are completed for the Athletics Complex and upon certification that the building construction is substantially complete and ready for occupancy for the Alumni House expansion.

9. PROPERTY AND EQUIPMENT

The summary of property and equipment at June 30, 2021 and 2020, is as follows:

	2021	2020
Land and nondepreciable assets	\$ 2,280,527	\$ 2,280,527
Land improvements	338,138	338,138
Buildings and improvements	8,516,815	8,516,815
Equipment	927,781	927,781
Furniture and fixtures	429,170	429,170
Telecommunications system	5,863,133	5,982,625
Other	<u>809,745</u>	<u>55,792</u>
Total	19,165,309	18,530,848
Less accumulated depreciation	<u>(10,360,642)</u>	<u>(10,115,867)</u>
Property and equipment—net	<u>\$ 8,804,667</u>	<u>\$ 8,414,981</u>

10. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others represent resources neither in the possession nor under the control of the Foundation but held and administered by outside fiscal agents, with the Foundation deriving income from such funds. The balance is comprised of three trusts, the most significant of which is derived from the bequest of Lettie Pate Evans, which provides a distribution of 5% of the annual net income of the Lettie Pate Evans Foundation, Inc. At

June 30, 2021 and 2020, the fair value of the Foundation's interest was reported as \$181,825,850 and \$145,317,683, respectively. The Lettie Pate Evans Foundation, Inc. has specified that the annual income distributed to the Foundation may be used for the benefit of the University in such manner as the governing board of the Foundation may determine.

11. DEFERRED COMPENSATION PLAN

During the year ended June 30, 2009, the Foundation entered into a deferred compensation agreement with then President of the University. The arrangement is unfunded and intended to comply with ERISA and Internal Revenue Code Sections 409A and 457(f). As of June 30, 2021 and 2020, a liability of \$422,508 and \$452,528, respectively, has been recorded.

12. LINE OF CREDIT, NOTES AND BONDS PAYABLE

On July 1, 2020, the Foundation executed an open-end revolving line of credit with Truist Bank (formerly SunTrust Bank) in the amount of \$5,000,000. The line of credit is unsecured. Interest accrues at a floating rate per annum equal to the Secured Overnight Financing Rate ("SOFR") plus 1.37% and is payable monthly. The line of credit is also subject to an unused commitment fee equal to 0.20% per annum. There were no advances from the line of credit during the year ended June 30, 2021. Unused commitment fees paid during the year ended June 30, 2021 totaled \$10,000.

During the year ended June 30, 2009, the Foundation entered into a borrowing arrangement with Truist Bank in the amount of \$2,636,140 for renovation of the University's Admissions Office. The terms of the loan were revised during the year ended June 30, 2011. Under the revised terms, interest accrued at a rate of 4.99% and was payable monthly. Principal was payable annually over a ten year term, with the final amount paid on February 1, 2021. Truist Bank was granted a security interest in all deposits and investments maintained with Truist and any of its affiliates. There was no balance outstanding at June 30, 2021. The balance outstanding at June 30, 2020, was \$325,003. Interest paid on the loan during the years ended June 30, 2021 and 2020, was \$11,037 and \$25,713, respectively.

On July 1, 2020, the Foundation executed a note payable to Truist Bank in the amount of \$2,100,000. The proceeds will be used to fund a new client relationship management system implementation project. The note is unsecured and accrues interest at a rate of 4.56% per annum payable monthly. Beginning on July 1, 2021, the note shall be paid on a fixed payment schedule consisting of equal monthly installments of principal and interest. The final payment is due on July 1, 2030. The balance outstanding at June 30, 2021 was \$2,100,000. Interest paid on the loan during the year ended June 30, 2021 was \$98,856.

The following represents principal amounts due for the notes payable for the years ending:

2022	\$ 176,168
2023	201,004
2024	210,294
2025	220,428
2026	230,838
Thereafter	1,061,268
Unamortized issuance costs	<u>(15,895)</u>
Notes payable	<u>\$ 2,084,105</u>

The carrying value of the above debt approximates fair value.

In December 2011, the Economic Development Authority of James City County, Virginia ("Authority") issued a revenue refunding bond in the amount of \$8,090,000 ("Series 2011 Bond"), and loaned the proceeds to the Foundation and CWMF Ventures ("Obligors"). The Series 2011 Bond was acquired by Truist Bank, as Series 2011 Bondholder. Proceeds from the sale of the Series 2011 Bond were used to redeem bonds issued in December 2006 by the Authority to finance the cost of property acquisition, construction and equipping of a three-story building in New Town in James City County, Virginia, for use by the Foundation, CWMF Ventures or the University. The Series 2011 Bond bore interest at a fixed rate of 2.96% per annum through December 31, 2017. As of January 1, 2018, the Series 2011 Bond bears interest at a fixed rate of 3.59752% per annum, subject to the put rights of the Series 2011 Bondholder as described below, and interest payments are due quarterly on each January 1, April 1, July 1 and October 1. On October 1, 2020, the bond agreement was amended to change the definition of the optional put date. Per the amendment, the Series 2011 Bondholder has the option to tender the Series 2011 Bond for payment on December 1, 2026, the first optional put date, unless extended under the terms of the loan agreement to not earlier than December 1, 2031. The final maturity date is December 1, 2036.

The following represents the face value of bonds and unamortized issuance costs as of June 30, 2021 and 2020:

	2021	2020
Face amount of bonds	\$ 8,090,000	\$ 8,090,000
Unamortized issuance costs	<u>(4,274)</u>	<u>(12,823)</u>
 Bonds payable	 <u>\$ 8,085,726</u>	 <u>\$ 8,077,177</u>

Interest expense, including amortization of bond issuance costs, on the Series 2011 Bond during the years ended June 30, 2021 and 2020, was \$303,630 and \$304,439, respectively.

The terms of the line of credit, notes and bonds payable require the Foundation to maintain at all times net assets without donor restrictions and net assets restricted by the donor due to the passage of time or for a specified purpose and subject to the Foundation's spending policy and appropriation in excess of 200% of the Foundation's total funded debt. Additionally, the line of credit requires that the Foundation maintain substantially all of its depository accounts and treasury management business with Truist Bank. The Foundation is in compliance with all debt covenants.

13. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were designated for endowment for the following purposes:

	2021	2020
Institutional support	\$ 17,305,733	\$ 13,231,290
Student life and other	779,630	595,821
Scholarships and fellowships	<u>9,515,911</u>	<u>7,275,496</u>
 Total	 <u>\$ 27,601,274</u>	 <u>\$ 21,102,607</u>

14. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions are restricted for the following purposes:

	2021	2020
Restricted in perpetuity:		
For endowment:		
Instruction	\$ 76,989,196	\$ 75,312,748
Research	11,661,493	10,521,464
Public service	772,645	772,645
Academic support	36,971,269	35,023,500
Student life and other	19,908,722	18,649,115
Institutional support	5,218,578	4,209,986
Plant and facilities	3,693,296	3,636,564
Scholarships and fellowships	157,063,277	146,833,341
General operations	37,083,528	36,788,535
Requiring reinvestment of income until year 2076	<u>14,680,057</u>	<u>10,881,018</u>
Total restricted in perpetuity for endowment	364,042,061	342,628,916
Deferred gifts	7,686,997	6,253,383
Pledges receivable and other	7,562,186	8,542,854
Funds held in trust by others	<u>187,173,786</u>	<u>149,682,432</u>
Total restricted in perpetuity	\$ 566,465,030	\$ 507,107,585

(Continued)

	2021	2020
Restricted for specified purpose or passage of time:		
Designated for endowment:		
Instruction	\$ 35,865,096	\$ 26,436,484
Research	3,872,722	2,785,202
Public service	331,623	224,753
Academic support	15,299,861	11,548,706
Student life and other	8,011,119	5,974,229
Institutional support	2,980,862	2,209,469
Plant and facilities	2,012,041	1,475,030
Scholarships and fellowships	30,810,721	22,942,931
General operations	<u>2,530,845</u>	<u>1,934,985</u>
Total designated for endowment	101,714,890	75,531,789
Subject to expenditure for specified purpose or to the passage of time:		
Instruction	8,391,963	7,355,813
Research	7,385,432	3,374,168
General	134,400	7,000
Public service	137,124	123,393
Academic support	12,882,209	11,900,221
Student life and other	6,349,868	1,152,037
Institutional support	1,313,105	1,335,417
Plant and facilities	44,652,244	53,261,803
Scholarships and fellowships	<u>5,575,192</u>	<u>4,499,472</u>
Total subject to expenditure for specified purpose or to the passage of time	86,821,537	83,009,324
Deferred gifts	<u>4,092,396</u>	<u>3,690,802</u>
Total restricted for specified purpose or to passage of time	\$ 192,628,823	\$ 162,231,915
Restricted subject to the Foundation's spending policy and appropriation:		
Instruction	\$ 83,206,358	\$ 45,551,015
Research	5,236,187	1,606,684
Public service	1,188,131	726,488
Academic support	22,831,193	8,920,794
Student life and other	14,623,004	6,398,171
Institutional support	6,225,674	3,653,259
Plant and facilities	2,588,458	1,170,831
Scholarships and fellowships	139,062,752	70,374,298
General	<u>30,472,630</u>	<u>14,579,170</u>
Total restricted subject to the Foundation's spending policy and appropriation	\$ 305,434,387	\$ 152,980,710

(Continued)

	2021	2020
Invested in property and equipment—net of related debt, used for:		
Instruction	\$ 3,865	\$ 4,008
Research	830,657	867,575
Academic support	1,353,500	1,353,500
General	<u>96,499</u>	<u>97,872</u>
 Total invested in property and equipment—net of related debt	 <u>\$ 2,284,521</u>	 <u>\$ 2,322,955</u>
 Total net assets with donor restrictions	 <u><u>\$ 1,066,812,761</u></u>	 <u><u>\$ 824,643,165</u></u>

(Concluded)

15. NET ASSETS RELEASED FROM RESTRICTIONS

The following table presents net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors:

	2021	2020
Purpose restriction accomplished or time restriction expired	\$ 9,481,461	\$21,273,300
Appropriation of endowment amounts and subsequent satisfaction of donor-related restrictions	<u>20,377,488</u>	<u>19,088,565</u>
 Total net assets released from restrictions	 <u><u>\$29,858,949</u></u>	 <u><u>\$40,361,865</u></u>

16. OTHER MATTERS

Concentration of Risk—Financial instruments, which potentially subject the Foundation to concentration of risk, consist primarily of an equity investment in a large U.S. company. This investment comprised 69.88% and 76.64% of total funds held in trust by others as of June 30, 2021 and 2020, respectively. The trustees of the Foundation have no control over this investment.

The following table summarizes information on the Fund’s investments that exceed 5% of the Fund’s net assets as of June 30, 2021.

	<u>Fair Value</u>	<u>Percentage of Net Assets</u>	<u>Redemption Provisions</u>	<u>Strategy</u>
Adage Capital Partners, LP	\$109,370,570	11.6%	Quarterly	Domestic Equity

Amounts on deposit with one federally insured financial institution in excess of the \$250,000 insurance limit as of June 30, 2021 and 2020, for each entity are as follows:

	2021	2020
William & Mary Foundation	\$ 3,418,889	\$ 2,932,162
CEI	-	978,676
CWMF Ventures	231,492	-
1693 Foundation	97,696	-
1693 Management	1,825,413	-

17. EXPENSE CLASSIFICATION MATRIX

The composition of the Foundation's operating expenses by natural and functional classification for the year ended June 30, 2021, is as follows:

	Compensation and Benefits	Conferences, Travel, Training and Development	Equipment, Supplies and Services	Occupancy and Utilities	Interest, Insurance and Taxes	Depreciation	Provided to Related Organizations	Provided / Conveyed to the University	Total Expenses
Expenses:									
Program services:									
Instruction	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ 5,372,677	\$ 5,374,177
Research	-	-	8,653	-	-	-	-	977,661	986,314
Public service	-	-	-	-	-	-	-	32,852	32,852
Academic support	-	28,150	51,095	195,445	-	-	5,069	2,504,844	2,784,603
Institutional support	-	63,189	133,344	-	98,615	-	137,654	609,934	1,042,736
Athletic programs	-	-	-	-	-	-	-	1,238,860	1,238,860
Student life and other	-	-	-	-	-	-	-	128,643	128,643
Plant and facilities	-	22,469	70,297	97,038	336,398	194,486	-	6,248,006	6,968,694
Scholarships and fellowships	-	-	-	-	-	-	2,500	11,531,494	11,533,994
Technology—CEI	-	-	54,401	-	133	130,270	-	-	184,804
Investment management	995,148	24,968	168,690	-	124,780	-	-	-	1,313,586
Total program services	995,148	138,776	487,980	292,483	559,926	324,756	145,223	28,644,971	31,589,263
Supporting services—fundraising	1,814,359	5,190	1,544,015	238,936	6,833	2,209	3,837	2,313,782	5,929,161
Administrative and general:									
Board expenses	-	4,500	11,348	-	-	-	-	-	15,848
Office of Investment Administration	752,461	6,605	382,649	226	21,402	-	-	-	1,163,343
Expenses of the Real Estate Foundation, Inc.	-	-	8,487	855	3,798	37,302	-	-	50,442
Expenses of Reliance Holdings, LLC	-	-	5,742	-	-	-	-	-	5,742
Other	147,806	-	641,282	-	112,296	-	-	-	901,384
Total administrative and general	900,267	11,105	1,049,508	1,081	137,496	37,302	-	-	2,136,759
Total supporting services	2,714,626	16,295	2,593,523	240,017	144,329	39,511	3,837	2,313,782	8,065,920
Total expenses	\$ 3,709,774	\$ 155,071	\$ 3,081,503	\$ 532,500	\$ 704,255	\$ 364,267	\$ 149,060	\$ 30,958,753	\$ 39,655,183

The composition of the Foundation’s operating expenses by natural and functional classification for the year ended June 30, 2020, is as follows:

	Compensation and Benefits	Conferences, Travel, Training and Development	Equipment, Supplies and Services	Occupancy and Utilities	Interest, Insurance and Taxes	Depreciation	Provided to Related Organizations	Provided / Conveyed to the University	Total Expenses
Expenses:									
Program services:									
Instruction	\$ -	\$ 1,726	\$ -	\$ -	\$ -	\$ -	\$ 12,932	\$ 5,799,369	\$ 5,814,027
Research	-	-	3,449	-	-	-	1,062	713,921	718,432
Public service	-	-	-	-	-	-	-	36,734	36,734
Academic support	-	44,372	4,928	204,752	-	-	11,340	2,603,135	2,868,527
Institutional support	-	159,126	142,660	-	49,647	-	178,268	1,001,701	1,531,402
Athletic programs	-	-	-	-	-	-	-	1,215,138	1,215,138
Student life and other	-	-	-	-	-	-	-	295,016	295,016
Plant and facilities	-	22,472	64,459	103,435	348,909	196,941	18,736	17,978,005	18,732,957
Scholarships and fellowships	-	-	-	-	-	-	6,500	10,607,605	10,614,105
Technology—CEI	-	19,550	687,191	185,230	-	221,854	-	-	1,113,825
Total program services	-	247,246	902,687	493,417	398,556	418,795	228,838	40,250,624	42,940,163
Supporting services—fundraising	226,983	161,554	458,649	191,091	5,762	2,209	93,738	5,098,885	6,238,871
Administrative and general:									
Board expenses	-	24,753	19,452	838	-	-	530	3,053	48,626
Office of Investment Administration	667,598	3,734	167,541	66	80,578	-	-	12,930	932,447
Expenses of the Real Estate Foundation, Inc.	-	-	8,887	6,857	3,249	37,302	-	3,115	59,410
Expenses of Reliance Holdings, LLC	-	-	2,035	-	13	-	-	-	2,048
Other	-	-	686,372	-	138,802	-	-	-	825,174
Total administrative and general	667,598	28,487	884,287	7,761	222,642	37,302	530	19,098	1,867,705
Total supporting services	894,581	190,041	1,342,936	198,852	228,404	39,511	94,268	5,117,983	8,106,576
Total expenses	\$ 894,581	\$ 437,287	\$ 2,245,623	\$ 692,269	\$ 626,960	\$ 458,306	\$ 323,106	\$ 45,368,607	\$ 51,046,739

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Compensation and benefits, including amounts provided/conveyed to the University or related organizations to support compensation and benefits, are allocated on the basis of estimates of time and effort. Insurance is allocated on the basis of estimates of the values of the properties covered.

18. LEASE AND RENT EXPENSE

The Foundation leases office space in Washington, DC, New York, NY, and Arlington, VA, under non-cancelable agreements. Future minimum lease payments under these agreements are:

2022	\$ 202,323
2023	114,156
2024	117,580
2025	<u>29,611</u>
Total	<u>\$ 463,670</u>

Total rent expense for all operating leases for the years ended June 30, 2021 and 2020, was \$416,018 and \$379,050, respectively.

19. INCOME TAXES

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

ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in financial statements. ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing tax returns of the Foundation and its affiliated entities to determine whether the tax positions will "more-likely-than-not" be sustained by the applicable tax authority. As a result, tax positions not meeting the more-likely-than-not threshold would result in a current year expense or the absence of a benefit, as appropriate for the tax position. The Foundation has concluded that no provision for income tax is required in the Foundation's financial statements for the years ended June 30, 2021 and 2020.

As of June 30, 2020, the Foundation had federal net operating losses available for carryforward in the amount of \$3,456,855 as a result of unrelated business taxable income ("UBTI") resulting from investments in the Trust. UBTI is taxed at the prevailing corporate tax rate. Reliance had a net operating loss carryforward of \$171,102 as of June 30, 2020. The loss carryforwards begin to expire in 2027. Due to the uncertainty about whether these losses will result in a tax asset, no tax asset is recorded in the financial statements. Net operating losses arising in tax years ending after December 31, 2017 have an indefinite carryforward period. Losses arising in earlier tax years have a carryforward period of twenty years. Losses arising in tax years beginning after December 31, 2017 are limited to 80% of taxable income in the year deducted. The filing deadline for the June 30, 2021 return is May 16, 2022. In addition to the fiscal year ended June 30, 2021, the years ended June 30, 2020, 2019, and 2018 are open for inspection by the taxing authorities.

20. RELATED PARTY TRANSACTIONS

Pledges receivable from trustees and officers of the Foundation at June 30, 2021 and 2020, totaled \$13,182,935 and \$18,609,500, respectively, and are considered related party transactions. Gift receipts from trustees and officers, including payments on pledges, totaled \$8,785,600 and \$2,049,346 for the years ended June 30, 2021 and 2020, respectively.

The Foundation leases certain property to the University for dormitories and office space. Total rent income during the years ended June 30, 2021 and 2020, was \$912,772 and \$901,501, respectively.

The Foundation entered into a Master Services Agreement with the University effective July 1, 2020, related to the use of personnel, services, space or equipment owned, leased, or otherwise controlled by the University. Amounts paid to the University related to personnel are shown as compensation and benefits in Note 17. Amounts paid to the University related to services, space and equipment totaled \$1,013,460 for the year ended June 30, 2021, and is included in equipment, supplies and services in Note 17.

21. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 16, 2021, the date the consolidated financial statements were available to be issued.

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