THE WILLIAM AND MARY ALUMNI ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2016

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

THE WILLIAM AND MARY ALUMNI ASSOCIATION

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The William and Mary Alumni Association

Report on the Financial Statements

We have audited the accompanying financial statements of The William and Mary Alumni Association which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of The William and Mary Alumni Association as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the beginning net assets have been adjusted to correct errors in classifications. Our opinion is not modified with respect to this matter.

Report on Supplementary Information in Relation to Financial Statements as a Whole

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PB Mares, LLP

Williamsburg, Virginia
October 28, 2016

FINANCIAL STATEMENTS

THE WILLIAM AND MARY ALUMNI ASSOCIATION

STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS		
Cash and cash equivalents	$	472,605
Accounts receivable		64,135
Pledges receivable		102,096
Inventory		6,127
Prepaid expenses and deposits		16,044
Investments		6,850,454
Funds held in trust by others		4,376,686
Property and equipment		
Furnishings		425,324
Building improvements		384,914
		810,238
Less accumulated depreciation		(705,519)
		104,719
Total assets	$	11,992,866
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	34,549
Accrued expenses		25,651
Other liabilities		43,989
Advance from affinity partners		16,660
Due to College		128
Deferred income		78,079
Total liabilities		199,056
Net assets		
Unrestricted		7,593,826
Temporarily restricted		2,113,768
Permanently restricted		2,086,216
		11,793,810
Total liabilities and net assets	$	11,992,866

See Notes to Financial Statements.

THE WILLIAM AND MARY ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Changes in unrestricted net assets	
Revenues and support:	
Alumni program and event revenue	$ 622,567
Donations and contributions	809,476
Interest and dividend income	300,306
Merchandise sales	31,153
Rental income	115,251
Affinity program royalty revenue	101,800
Travel program	61,550
Other revenue	72,915
Membership dues	3,924
Net realized and unrealized losses on investments	(454,142)
Loss on disposal of property and equipment	(1,074)
	1,663,726
Net assets released from restrictions -	
Appropriation and expenditure of endowment assets	107,902
Satisfaction of program restrictions	57,850
Total unrestricted revenue and support	1,829,478
Expenses:	
Program services:	
Alumni programs and events	1,433,152
Gifts, awards and memorials	144,702
Alumni gift shop	15,696
Travel program	9,669
Management and general:	
Alumni office expenses	156,684
Management fees	19,974
Alumni house expenses	17,096
Board expenses	33,063
Fundraising	184,029
Total expenses	2,014,065
Decrease in unrestricted net assets	(184,587)

See Notes to Financial Statements.

THE WILLIAM AND MARY ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES (Continued)
Year Ended June 30, 2016

Changes in temporarily restricted net assets	
Net realized and unrealized losses on investments	$ (118,243)
Donations and contributions	104,948
Net assets released from restrictions	(57,850)
Appropriation of endowment assets for expenditure	(107,902)
Decrease in temporarily restricted net assets	(179,047)
Change in permanently restricted net assets	
Contributions	96,863
Increase in permanently restricted net assets	96,863
Decrease in net assets	(266,771)
Net assets, beginning of year	12,060,581
Net assets, end of year	$ 11,793,810

See Notes to Financial Statements.

THE WILLIAM AND MARY ALUMNI ASSOCIATION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2016

Cash Flows From Operating Activities		
Decrease in net assets	$	(266,771)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation		15,958
Net realized and unrealized losses on investments		538,603
Loss on disposal of property and equipment		1,074
Change in:		
Accounts receivable		(12,453)
Pledges receivable		(102,096)
Inventory		6,500
Prepaid expenses and deposits		7,068
Funds held in trust by others		60,012
Accounts payable and accrued expenses		(13,516)
Other liabilities		1,572
Advances from affinity groups		10,540
Due to College		(18,801)
Deferred income		24,473
Net cash provided by operating activities		252,163
Cash Flows From Investing Activities		
Purchases of investments		(817,479)
Proceeds from sale of investments		376,717
Net cash used in investing activities		(440,762)
Decrease in cash and cash equivalents		(188,599)
Cash and Cash Equivalents		
Beginning		661,204
Ending	$	472,605

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Activities

The William and Mary Alumni Association (Alumni Association) is a private, nonprofit corporation organized under the laws of the Commonwealth of Virginia. The Alumni Association was incorporated by an Act of the Virginia General Assembly approved February 21, 1923. The Alumni Association was formed to aid the College of William & Mary in Virginia (College) in its work, and to promote and strengthen the bonds of interest between and among the College, its alumni, and friends.

Pursuant to a Memorandum of Understanding (MOU) dated June 26, 2014 and amended on June 12, 2015 between the Alumni Association and the College, the parties expressed their intention to integrate the staff responsible for executing alumni engagement activities and services in a newly organized Office of University Advancement of the College (OUA). Accordingly, employees of the Alumni Association became employees of the College; staff responsible for alumni engagement activities and services continue to report to the Alumni Association Executive Director, who also serves as Associate Vice President for Alumni Engagement within the OUA. The Alumni Association retains its 501(c)(3) status, and continues to be managed by its Board of Directors in accordance with its existing Articles of Incorporation and by-laws, including Board oversight of Alumni engagement activities and signature events. The OUA is obligated under the MOU to provide staffing and other resources sufficient to execute the Alumni engagement activities and events. Substantially all financial and other tangible and intangible assets of the Alumni Association remain its property, and the Alumni Association retains the benefit from future alumni engagement activities, including income from endowments, annual gifts, revenue from affinity programs, and net revenue from signature events and activities. The Alumni Association Board, with advice from and in cooperation with the College and OUA, approves the Alumni Association's annual budget to support those alumni engagement and other programs deemed beneficial to its mission.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The accounting system is maintained and financial reports are prepared in accordance with the accrual basis of accounting. Investment income is recognized in the accounting period in which it is earned and expenses are recognized in the accounting period in which the related liability is incurred.

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

> *Unrestricted Net Assets* - Unrestricted net assets generally result from receiving unrestricted support, unrealized and realized gains and losses on investments held by the Alumni Association and held in trust by the College of William and Mary Foundation (Foundation), and revenue from programs related to Alumni Association activities.

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

Funds held in Trust by Others: Funds held in trust by others include permanent endowment funds and funds functioning as an endowment ("quasi-endowments"). These endowment funds represent resources either not in the possession or not under control of the Alumni Association; however, the Alumni Association derives income from such funds. These funds are reported as permanently restricted. Quasi-endowments are reported as unrestricted.

In accordance with ASC Topic 958, *Not-for-Profit Entities*, and the Uniform Prudent Management of Institutional Funds Act ("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 Commonwealth of Virginia adopted UPMIFA effective July 1, 2008.

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

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as unrestricted net assets in a manner consistent with the standards of prudence prescribed by UPMIFA. 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Funds held in trust by others are pooled on a fair value basis by the Foundation. Each individual fund purchases or disposes of units on the basis of the fair value per unit at the beginning of the calendar quarter within which the transaction takes place. This method approximates the net asset value (NAV) method, and is considered a practical expedient for measuring the fair value of these investments. As necessary, income (including realized net gains) 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 of the Alumni Association or according to donor restrictions.

The fair value of the Foundation's investments, private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities, and may not reflect amounts that could be realized upon immediate sale or amounts that ultimately may be realized. 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 in the near term.

Cash and Cash Equivalents: Cash and cash equivalents include highly liquid investment instruments purchased with an original maturity of three months or less.

Accounts and Pledges Receivable: Accounts and pledges receivable are stated at the amount the Alumni Association expects to collect. Based on management's assessment of the collectability of specific receivables, the aging of the receivables, historical experience, and other currently available evidence, no allowance for doubtful accounts has been reflected as of June 30, 2016. Any account deemed uncollectible is written off against earnings in the period that it is determined to be uncollectible. Although generally accepted accounting principles require that the allowance method be used to record bad debt, the effect of applying the direct write-off method to the Alumni Association's financial statements is not materially different from the results that would have been obtained had the allowance method been used. Management deems all receivables fully collectible.

Inventory: Inventory consists of gift merchandise available for sale and is valued at the lower of cost or market. Cost is determined on a first-in, first-out (FIFO) basis. Market represents the lower of replacement cost or estimated net realizable value.

Investments: Investments are reported at the estimated fair value of the securities. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Purchases and sale of securities are reflected on a trade date basis. Gains and losses on the sale of securities are based on the difference between the sale price and the average historical cost basis, where such basis represents the cost of the securities purchased, or the fair value at the date of the receipt for securities received by donation.

Note 2. Summary of Significant Accounting Policies (Continued)

Property and equipment: Property and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Alumni Association capitalizes property and equipment with a cost of over $500 and an estimated life of three years or more. Property and equipment are reported at cost or the estimated value at the date of gift, if donated. Depreciation is computed by the straight-line method using the following estimated useful lives:

Furnishings	5 - 12 years
Automobiles	5 years
Building improvements	15 - 20 years

Gains and losses arising from retirement or sale of properties are recognized in the statement of activities.

Deferred Income: Deposits collected for the rental of the Alumni house for future events are recorded as deferred rental income until such events occur. Amounts collected for future Alumni activities are recorded as deferred income until such activities occur.

Other Liabilities: Other liabilities consist of unspent chapter funds.

Credit Risk: Financial instruments that potentially subject the Alumni Association to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable and investments. The Alumni Association places its cash and cash equivalents with high credit quality financial depositories, and its accounts receivable are primarily due from a diverse group of college related departments and alumni. Occasionally during the year, the balances in a financial institution may exceed the FDIC $250,000 deposit insurance amount; that excess is uninsured. Management has placed these funds in high quality institutions in order to minimize the risk. The Alumni Association's investments are professionally managed and insured by the Securities Investor Protection Corporation (SIPC) up to $500,000.

Revenue Recognition: Alumni program revenue is recognized once the related program has occurred. Merchandise sales are recognized upon execution of the transaction and delivery of the product. Rental income and travel program revenue is recognized once the related events have occurred.

Contributions: Contributions and gifts, including unconditional promises to give, are recognized as revenues when the donor's commitment is received. Contributions to the Alumni Association are either unrestricted as to use, or carry specific restrictions imposed by donors. Unrestricted gifts are reflected as contributions in unrestricted net assets. Restricted contributions can be reflected as contributions in temporarily restricted net assets or in permanently restricted net assets based on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 2. Summary of Significant Accounting Policies (Continued)

Unconditional promises to give (pledges) that are expected to be collected in more than one year are reported at fair value initially and at net realizable value thereafter. The Alumni Association has not recorded a discount to the net present value of the pledges receivable at June 30, 2016 as they deem the amount to be insignificant.

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Alumni Association would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

The fair value of services with the College is estimated by the Alumni Association in consultation with the College. Such amounts are recorded in donations and contributions in the statement of activities, with a corresponding expense recorded by function in the statement of activities. The Alumni association recorded $325,007 of in-kind contributions from the College and corresponding expenses.

Advertising: Advertising costs are expensed as incurred and were $3,475 in 2016.

Functional Allocation of Expenses: Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Sales Tax: Certain of the Alumni Association's sales are subject to sales tax imposed by various jurisdictions. The Alumni Association collects sales tax from customers and remits it to the applicable jurisdiction. The Alumni Association's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

Income Taxes: The Alumni Association is a nonstock corporation that has been determined by the Internal Revenue Service to be exempt from taxes on income derived from activities related to its tax-exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Certain activities of the Alumni Association are subject to taxation as unrelated business income. No such taxes were due for this year.

FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Alumni Association’s management has evaluated the impact of the standard to its financial statements. The Alumni Association’s income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed. The Alumni Association’s policy is to classify income tax related interest and penalties, if any, in management fees.

Estimates: The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those amounts.

Note 2. Summary of Significant Accounting Policies (Continued)

Subsequent events: In preparing these financial statements, the Alumni Association has evaluated events and transactions for potential recognition or disclosure through October 28, 2016, the date the financial statements were available to be issued.

New Accounting Pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), which is intended to improve financial reporting for a not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statement of activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early application is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While this ASU will change the presentation of the Alumni Association's financial statements it is not expected to alter the Alumni Association's reported financial position or activities.

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). In ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. This ASU requires a modified retrospective transition approach, which includes a number of optional practical expedients, described in ASU 2016-02, which may be applied. The ASU is effective for fiscal years beginning after December 15, 2019. The impact of the new standard has not been determined, however it is expected that there will be an increase in the Foundation's assets and liabilities.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method.

In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective, for private companies, for annual reporting periods beginning after December 15, 2018. The core principle of the ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. Generally Accepted Accounting Principles, including identifying performance obligations in the contract; estimating the amount of variable consideration to include in the transaction price; and allocating the transaction price to each performance obligation.

Note 3. Pledges Receivable

At June 30, 2016, unconditional pledges receivable are as follows:

Receivable in less than one year	$	8,370
Receivable in one to five years		93,726
Total unconditional pledges receivable	$	102,096

Note 4. Fair Value Measurements

Fair value as defined under generally accepted accounting principles (GAAP) is an exit price, representing 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. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists; therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Alumni Association's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

When quoted prices are available in active markets for identical instruments, investment securities are classified within level 1of the fair value hierarchy. Level 1investments consist of mutual funds.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, although the Alumni Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the report date.

Note 4. Fair Value Measurements (Continued)

The following table summarizes, by level within the fair value hierarchy, the assets measured at fair value on a recurring basis as of June 30, 2016.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

	Level 1	Level 2	Level 3	Total
Mutual funds				
Bonds	$ 2,666,613	$ -	$ -	$ 2,666,613
Large value	625,870	-	-	625,870
Mid-cap value	495,608	-	-	495,608
Large growth	569,427	-	-	569,427
Foreign large blend	810,775	-	-	810,775
Small blend	476,217	-	-	476,217
Small value	199,647	-	-	199,647
Diversified emerging markets	542,500	-	-	542,500
Other	463,797	-	-	463,797
Total mutual funds	6,850,454	-	-	6,850,454
Funds held in trust by others	-	-	4,376,686	4,376,686
Total	$ 6,850,454	$ -	$ 4,376,686	$ 11,227,140

Net realized and unrealized losses on mutual fund investments were $2,215 and $418,145, respectively, at June 30, 2016.

The following is a summary of changes in the fair value of the Alumni Association's level 3 investment assets in Funds Held in Trust by Others for 2016:

Balance - beginning of year	$ 4,554,941
Withdrawals - Foundation support of operations	(151,305)
Additions - Contributions	125,075
Unrealized losses	(152,025)
Balance - end of year	$ 4,376,686

Note 5. Endowments and Funds Held in Trust by Others

Due to significant unobservable inputs to the Alumni Association and included in the valuation model for the Funds Held in Trust by Others, the resulting fair value of these securities is classified as level 3. All changes in fair value are recognized in the statement of activities.

These investments are made by the Foundation on the Alumni Association's behalf. The Foundation invests substantially all of the Alumni Association's Funds Held in Trust by Others in the William and Mary Investment Trust (WAMIT).

Note 5. Endowments and Funds Held in Trust by Others (Continued)

The WAMIT investments, by type, are as follows:

Common stocks	$ 59,396,217
Investment in exchange listed funds	4,213,730
Investment in private investment funds	478,878,681
Short-term investments	17,971,823
	$ 560,460,451

The Alumni Association's investment assets in Funds Held in Trust by Others represents less than a 1% pro rata interest in WAMIT.

The following table presents endowment investment composition in Funds Held in Trust by Others by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,093,760	$ 2,084,966	$ 3,178,726
Quasi-endowment	1,197,960	-	-	1,197,960
Total endowment funds	$ 1,197,960	$ 1,093,760	$ 2,084,966	$ 4,376,686

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds held by the Foundation may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2016. These deficiencies sometimes result largely from unfavorable market fluctuations that occurred after the establishment of endowments.

Spending Policy

The Foundation sets a spending rate annually for its respective investment portfolios that applies to Funds Held in Trust by Others. The rate is applied to the average market value of the portfolio as calculated over a trailing 20-quarter period using December 31 valuation dates to calculate the payout from investment pools budgeted for current operations. For fiscal year 2016, the spending rates for the Foundation's three discrete investment portfolios, Pooled Investments, Eminent Scholars, and Virginia Assistance Program, were 4.75%, 5.00% and 4.75%, respectively.

Note 5. Endowments and Funds Held in Trust by Others (Continued)

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 Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees of the Foundation, the endowment assets are invested in a manner that is intended to achieve real growth of 2% over the long term after funds are released for current use.

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 William and Mary Investment Trust, which follows an investment policy that is consistent with these objectives.

Strategies Employed in Achieving Objectives

To satisfy its long-term return objectives, WAMIT follows a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). WAMIT'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. WAMIT has established asset allocation ranges in each of its major asset classes within which policy targets are set and monitored against actual allocations.

The following table presents the change in endowment net assets in Funds Held in Trust by Others:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year, as previously reported	$ 1,117,405	$ -	$ 3,466,528	$ 4,583,933
Correction to classification of net assets	157,270	1,319,905	(1,477,175)	-
Endowment net assets - beginning of year, as restated	1,274,675	1,319,905	1,989,353	4,583,933
Net realized and unrealized losses on investments	(33,782)	(118,243)	-	(152,025)
Contributions	570	-	96,863	97,433
Expenditure of endowment assets	(43,403)	(107,902)	-	(151,305)
Endowment net assets - end of year	$ 1,198,060	$ 1,093,760	$ 2,086,216	$ 4,378,036

Management completed a detailed analysis of the Alumni Association’s net assets and determined that certain reclassifications were necessary. Certain quasi-endowments had been erroneously reported as permanently restricted and accumulated earnings on donor-restricted endowment funds not yet appropriated for expenditure had been erroneously reported as permanently restricted.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2016:

Time restricted pledges receivable	$	98,246
Investments restricted for Order of the White Jacket		921,762
Time restricted endowment earnings and pledges		1,093,760
	$	2,113,768

Net assets released from restriction during the year ended June 30, 2016 consist of $57,850 in scholarships and gifts distributed for the Order of the White Jacket.

Note 7. Leases

The Alumni Association leases office space from the College. The lease calls for monthly payments of $593 and terminates June 12, 2025. Total rent expense under this lease was $7,116 for 2016. Future annual payments under this lease are $7,116 per year. The Alumni Association leased office equipment under varying leases which expired in 2016. Total rent expense under these leases was $12,659 for 2016.

Note 8. Affinity Program Royalty Revenue

The Alumni Association entered into an affinity agreement effective July 1, 2014 through June 30, 2019. Pursuant to the terms of the agreement, the affinity partner offered certain financial services to College alumni. In return for the opportunity to provide these services, the affinity partner: (1) conditionally guaranteed the payment of $500,000 in royalties for the duration of the agreement and (2) agreed to various other contributions and sponsorships, for as long as the agreement is in effect. Royalty advances of $100,000 will be provided each year of the agreement. All royalties earned will be applied against the advances until all advances are earned. Any royalties earned in excess of advances will be paid to the Alumni Association. For any amount unearned by the end of the agreement, the Alumni Association will earn the guaranteed payment upon termination of the agreement. The initial term of the agreement will automatically extend at the end of the agreement for successive one-year periods with $100,000 guaranteed each extended year, unless terminated by either party.

As of June 30, 2016, cumulative advances and earnings for the agreement are as follows:

Royalties advanced	$	200,000
Royalties earned		(183,340)
Advances in excess of earnings	$	16,660

Other affinity program revenue totaled $10,940 for the year ended June 30, 2016.

SUPPLEMENTARY INFORMATION

THE WILLIAM AND MARY ALUMNI ASSOCIATION

STATEMENT OF FINANCIAL POSITION BY FUND
June 30, 2016

	General Capital and Escrow Funds	Order of the White Jacket	Total Alumni Association Funds	Funds Held in Trust by Others	Combined Total
Assets					
Cash and cash equivalents	$ 444,848	$ 27,757	$ 472,605	$ -	$ 472,605
Accounts receivable	62,760	25	62,785	1,350	64,135
Pledges receivable	102,096	-	102,096	-	102,096
Inventory	6,127	-	6,127	-	6,127
Prepaid expenses and deposits	16,044	-	16,044	-	16,044
Investments	5,292,527	1,557,927	6,850,454	-	6,850,454
Funds held in trust by others	-	-	-	4,376,686	4,376,686
Property and equipment					
Furnishings	425,324	-	425,324	-	425,324
Building improvements	384,914	-	384,914	-	384,914
	810,238	-	810,238	-	810,238
Less accumulated depreciation	(705,519)	-	(705,519)	-	(705,519)
	104,719	-	104,719	-	104,719
Total assets	$ 6,029,121	$ 1,585,709	$ 7,614,830	$ 4,378,036	$ 11,992,866
Liabilities and Net Assets					
Liabilities					
Accounts payable	$ 34,549	$ -	$ 34,549	$ -	$ 34,549
Accrued expenses	25,651	-	25,651	-	25,651
Other liabilities	43,989	-	43,989	-	43,989
Advances from affinity groups	16,660	-	16,660	-	16,660
Due to college	128	-	128	-	128
Deferred income	78,079	-	78,079	-	78,079
Total liabilities	199,056	-	199,056	-	199,056
Net assets					
Unrestricted	5,731,819	663,947	6,395,766	1,198,060	7,593,826
Temporarily restricted	98,246	921,762	1,020,008	1,093,760	2,113,768
Permanently restricted	-	-	-	2,086,216	2,086,216
	5,830,065	1,585,709	7,415,774	4,378,036	11,793,810
Total liabilities and net assets	$ 6,029,121	$ 1,585,709	$ 7,614,830	$ 4,378,036	$ 11,992,866

THE WILLIAM AND MARY ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES BY FUND
Year Ended June 30, 2016

	General Capital and Escrow Funds	Order of the White Jacket	Total Alumni Association Funds	Funds Held in Trust by Others	Combined Total
Changes in unrestricted net assets					
Revenue and support:					
Alumni program revenue	$ 622,567	$ -	$ 622,567	$ -	$ 622,567
Donations and contributions	808,906	-	808,906	570	809,476
Interest and dividend income	229,415	70,891	300,306	-	300,306
Merchandise sales	31,153	-	31,153	-	31,153
Rental income	115,251	-	115,251	-	115,251
Affinity program royalty revenue	101,800	-	101,800	-	101,800
Travel program	61,550	-	61,550	-	61,550
Other revenue	72,915	-	72,915	-	72,915
Membership dues	513	3,411	3,924	-	3,924
Net realized and unrealized losses on investments	(317,800)	(102,560)	(420,360)	(33,782)	(454,142)
Loss on disposal of property and equipment	(1,074)	-	(1,074)	-	(1,074)
Interfund transfers	43,403	-	43,403	(43,403)	-
	1,768,599	(28,258)	1,740,341	(76,615)	1,663,726
Net assets released from restrictions -					
Appropriation and expenditure of endowment assets	107,902	-	107,902	-	107,902
Satisfaction of program restrictions	-	57,850	57,850	-	57,850
Total unrestricted revenue and support	1,876,501	29,592	1,906,093	(76,615)	1,829,478
Expenses					
Program Services:					
Alumni programs and events	1,432,890	262	1,433,152	-	1,433,152
Gifts, awards and memorials	86,852	57,850	144,702	-	144,702
Alumni gift shop	15,696	-	15,696	-	15,696
Travel program	9,669	-	9,669	-	9,669
Management and general:					
Alumni office expenses	156,668	16	156,684	-	156,684
Management fees	15,271	4,703	19,974	-	19,974
Alumni house expenses	17,096	-	17,096	-	17,096
Board expenses	33,063	-	33,063	-	33,063
Fundraising	184,029	-	184,029	-	184,029
Total expenses	1,951,234	62,831	2,014,065	-	2,014,065
Decrease in unrestricted net assets	(74,733)	(33,239)	(107,972)	(76,615)	(184,587)

THE WILLIAM AND MARY ALUMNI ASSOCIATION

STATEMENT OF ACTIVITIES BY FUND (Continued)
Year Ended June 30, 2016

	General Capital and Escrow Funds	Order of the White Jacket	Total Alumni Association Funds	Funds Held in Trust by Others	Combined Total
Changes in temporarily restricted net assets					
Net realized and unrealized losses on investments	$ -	$ -	$ -	$ (118,243)	$ (118,243)
Donations and contributions	98,246	6,702	104,948	-	104,948
Net assets released from restrictions	-	(57,850)	(57,850)	-	(57,850)
Appropriation of endowment assets for expenditure	-	-	-	(107,902)	(107,902)
Increase (decrease) in temporarily restricted net assets	98,246	(51,148)	47,098	(226,145)	(179,047)
Change in permanently restricted net assets					
Contributions	-	-	-	96,863	96,863
Increase in permanently restricted net assets	-	-	-	96,863	96,863
Increase (decrease) in net assets	23,513	(84,387)	(60,874)	(205,897)	(266,771)
Net assets - beginning of year	5,806,552	1,670,096	7,476,648	4,583,933	12,060,581
Net assets - end of year	$ 5,830,065	$ 1,585,709	$ 7,415,774	$ 4,378,036	$ 11,793,810