Oberlin College Financial Report

YEAR ENDED JUNE 30, 2019

OBERLIN
COLLEGE & CONSERVATORY

Table of Contents

Oberlin College
Financial Report
Year ended June 30, 2019

We are pleased to present Oberlin College's Annual Financial Report for the year ended June 30, 2019. This report includes our audit report, audited consolidated financial statements and related footnotes to the statements.

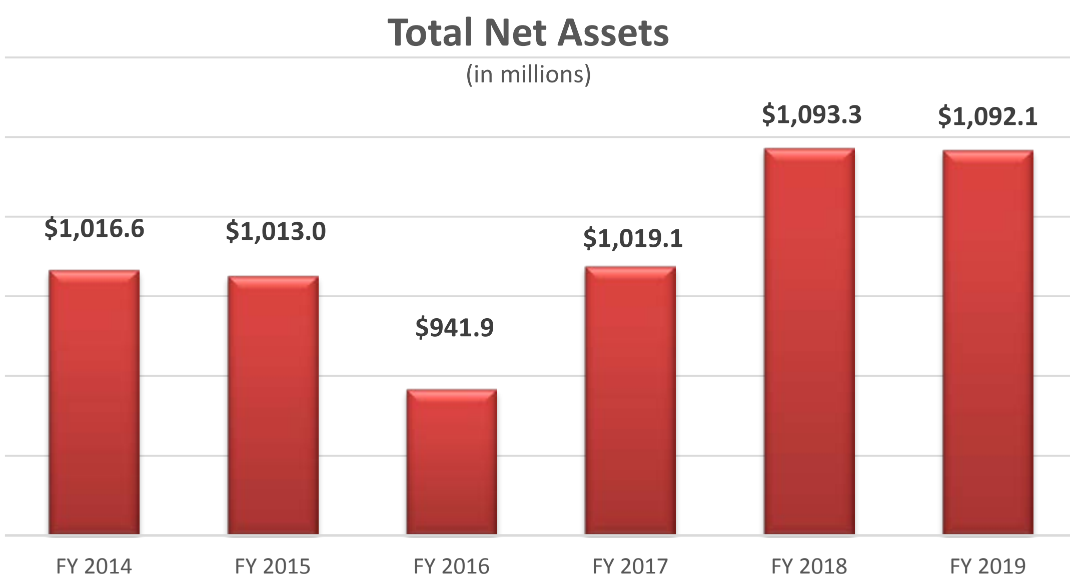
To provide the users of these financial statements with a better understanding of the College's financial position and operations, we include an overview of the institution's financial condition and operating results for the year. We also look ahead to 2020 and note items of significance that have occurred in the first part of the new fiscal year.

These statements include the consolidation of our Apollo Theater Project and the Gateway Complex Project. For both projects the costs and operations are being accounted for in subsidiaries as required for tax credit purposes. A discussion of these projects and entities in greater detail can be found in the related footnotes to our audited consolidated financial statements. Beginning in fiscal year 2020, the Apollo Theater will be reported as an auxiliary operation of the College and no longer as a stand-alone subsidiary due to the unwinding of the Federal New Market Tax Credit.

FINANCIAL CONDITION

Total Assets and Total Net Assets

Oberlin's total assets at June 30, 2019 were $1,420.2 million, an increase of $19.1 million, or 1.4%, from the previous fiscal year's $1,401.1 million. Total liabilities as of June 30, 2019 were $328.1 million, an increase of $20.3 million from the prior year's $307.8 million, primarily as a result of a legal contingency recorded in the current fiscal year. Total net assets for the College were $1,092.1 million, compared to $1,093.3 million as of June 30, 2018. Net assets remained nearly identical despite the increase in liabilities. The following chart reflects the total net assets of Oberlin College at June 30, 2019 and for the previous five fiscal years.



The majority of the College's net assets are within its endowed funds and plant funds. The increases and decreases in the College's total assets, as well as total net assets, are primarily the result of investment returns and the spending of cumulative earnings of the College's endowed funds.

Endowed Funds

Total endowed funds as of June 30, 2019 were $925.0 million, as compared to $887.4 million the previous year, an increase of $37.6 million. In comparison, total endowed funds increased by $67.1 million in the fiscal year ended June 30, 2018, from $820.3 million at June 30, 2017.

Like most private liberal arts schools, the endowment is the financial cornerstone of the College. Nearly all of Oberlin's 1,700 endowed funds are invested within the General Investment Pool. The College's General Investment Pool was $924.6 million at June 30, 2019, versus $887.0 million at June 30, 2018, a $37.6 million increase. The change in the total value from year to year is the result of changes in the market values of our pooled investments and the many donor-designated and board-designated gifts received from generous alumni and friends during the fiscal year, offset by the distribution of cumulative investment earnings. Such distributions of investment earnings from our endowment provide long-term funding for student financial aid, support faculty compensation and fund academic programs, and totaled $40.2 million for operations. Capital and deferred gifts totaled $22.0 million this fiscal year, of which $13.1 million were donor-restricted endowed gifts. In fiscal year 2018, capital and deferred gifts were $12.5 million, with $7.3 million of donor-restricted endowed gifts. In fiscal year 2019, the College's net total investment return for the General Investment Pool was 8.0% as compared to a total net return in fiscal year 2018 of 12.4%, resulting in a top quartile ranking across the College's peer group.

Over the past 20 years, the General Investment Pool has grown from $501.6 million to $924.6 million. Oberlin College's spending and investment policies have provided substantial levels of financial support to the operating budget. The annual distributions are critical in supporting our academic mission while preserving endowment purchasing power for future generations.

Oberlin College's endowment has a highly diversified portfolio with allocations to hedge funds, private equity and real assets, which include venture capital, private real estate, private energy and other alternative investments. Our allocations to alternative investments have been higher than many other endowments our size. Historically, our relatively higher allocations have both increased investment returns and decreased volatility.

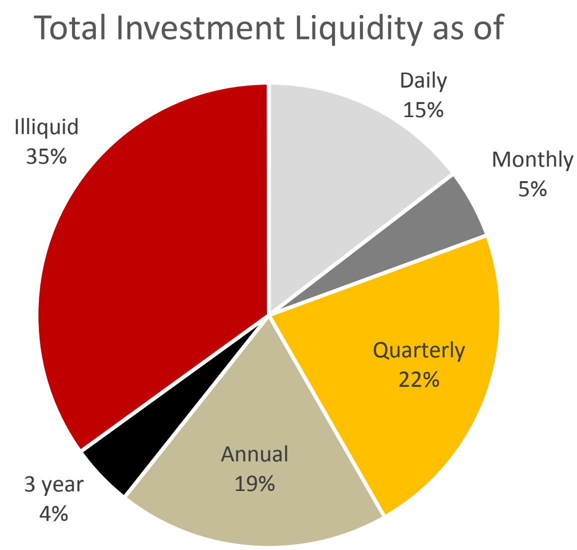
The following is the College's long-term strategic target and actual endowment portfolio allocation for the year ending June 30, 2019. The College's Investment Office staff adjusts our actual portfolio allocations in response to market conditions as directed by our Board's Investment Committee.

Asset Allocation	**Strategic Target**	**Actual**
Cash and cash equivalents	**5.0%**	**4.4%**
U.S. equity	11.0%	10.4%
International equity	12.0%	10.9%
Emerging markets equity	7.0%	6.4%
Total equity	**30.0%**	**27.7%**
Hedge funds	30.0%	30.6%
Private credit	5.0%	5.2%
Private equity	24.0%	26.9%
Real assets	6.0%	5.2%
Total alternatives	**65.0%**	**67.9%**
Total	**100.0%**	**100.0%**

Actual investment balances at June 30, 2019 and 2018 are reflected in Footnote 2 to the financial statements. It should be noted that the College's Investment Office often rebalances endowment portfolio allocations at quarter end, which can result in higher than targeted levels of cash and larger investment proceeds receivable balances.

Liquidity

The Investment Committee has increased liquidity in the endowment in recent years to avoid the risk of being forced to sell securities in highly distressed markets. The following chart depicts the total investment liquidity of the $924.6 million General Investment Pool and $12.5 million invested within our cash equivalents at June 30, 2019. The endowment has ample monthly and quarterly liquidity to meet projected cash needs for the next three years.



Plant Funds

The second largest component of the College's total net assets is net assets related to plant facilities totaling $167.5 million at June 30, 2019, as compared to $154.8 million at June 30, 2018. Plant related funds are reflected in net assets without donor restrictions and net assets with donor restrictions, including cumulative gifts received over the years in support of investment in plant. Gifts designated by donors were $5.3 million for the year ended June 30, 2019. Plant related funds consist primarily of the College's property, plant and equipment assets, at cost, net of accumulated depreciation and capital-related debt.

The College capitalized $49.3 million to its land, buildings and equipment assets in the year ended June 30, 2019. The Patricia '63 & Merrill '61 Shanks Health and Wellness Center with capitalized costs of $15.9 million and The Irene and Alan Wurtzel Theater with capitalized costs of $13.1 million were major additions to building operations during fiscal year 2019. The College also completed renovations to Langston Hall (Phase 1) and Hall Annex, totaling $6.1 million and $3.4 million respectively, as well as numerous other building improvements, equipment purchases and library acquisitions.

Debt

The College had $175.0 million of outstanding bonded debt at June 30, 2019. Subsequent to year end, the College issued $82.1 million of taxable refunding bonds to refinance the Series 2009 Bonds, the Series 2014A Bonds and the Series 2014B Bonds.

Effective and responsible debt portfolio management enables Oberlin to execute major strategic initiatives while preserving working capital. The Oberlin College Board of Trustees' Budget and Finance Committee and finance staff oversee the management of our long-term debt, utilizing both revenue bonds and derivative transactions to optimize our debt portfolio.

Oberlin's prudent debt portfolio management is designed to achieve the following objectives:

- Ensure that an appropriate mix of funding sources is used;
- Limit the overall debt to a level that, when combined with the College's strategic initiatives, will help preserve strong credit ratings over the long term;
- Achieve a low risk-adjusted cost of capital while balancing that effort appropriately with the College's exposure to market shifts; and
- Manage working capital, short-term investments and debt service requirements in a coordinated manner to optimize overall funding and investment return strategies.

The College's derivative transactions are described within Footnote 8 to the financial statements. In summary, the College used derivative transactions, including variable-to-fixed interest rate swaps and a basis swap involving taxable and tax exempt variable interest rates, to limit the debt portfolio's exposure to long-term interest rate fluctuations as well as to lower the College's cost of capital at fixed rates well below historical levels. Subsequent to year end, the College terminated the basis swap agreement.

OPERATING RESULTS – FISCAL YEAR 2019

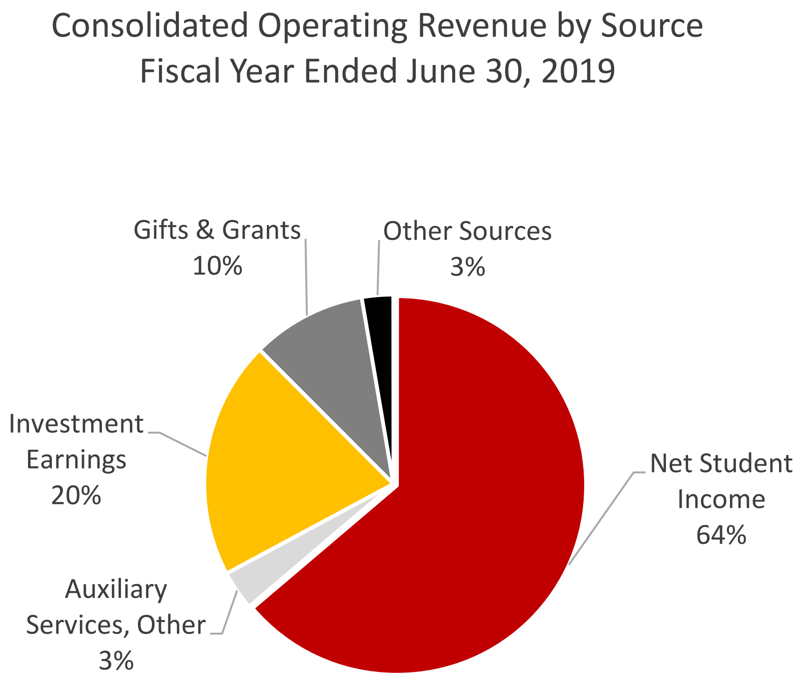
Oberlin College's Consolidated Statements of Activities present the results of operations of the College and the net income or loss of its "tax credit" subsidiaries. Oberlin experienced an unrestricted deficit of $1.0 million from College operations before consolidation in fiscal year 2019, as compared to $3.9 million operating surplus last fiscal year. The College took a restructuring charge of $1.9 million in 2018 for its voluntary separation incentive program, similar to a program offered in 2016. The College's Apollo subsidiaries reflected an accounting loss of $0.4 million in fiscal year 2019 primarily resulting from depreciation expense. The College's Gateway subsidiary had an accounting loss of $1.6 million also primarily from depreciation and interest expense. In summary, the College's consolidated Statement of Activities reflects an unrestricted operating net deficit of $3.0 million and an overall negative change in net assets of $1.2 million.

Results of Unconsolidated Operating Surplus

As noted above, Oberlin College had an unconsolidated unrestricted operating deficit of $1.0 million for fiscal year 2019. For the ten-year period ended June 30, 2019 Oberlin has generated a cumulative unconsolidated operating surplus of $4.8 million, excluding restructuring charges of $1.9 million and $8.4 million recorded in 2018 and 2016, respectively. It should also be noted that Oberlin has accomplished these surpluses while fully-funding its depreciation each year, using the funded depreciation as a source for capital maintenance, equipment replacement and other capital investments.

Operating Revenues

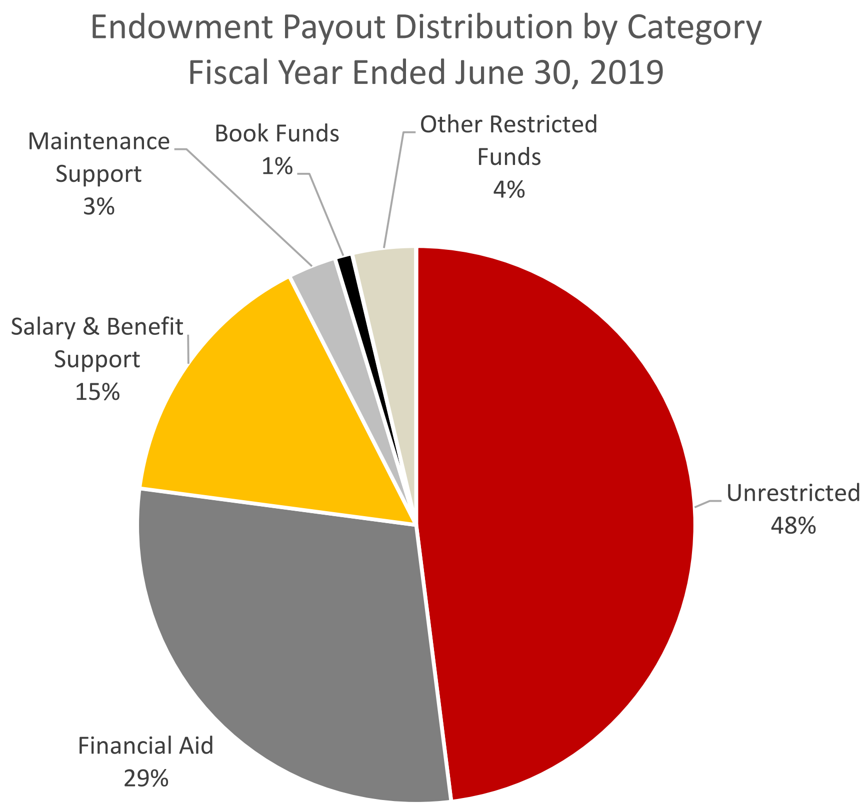
Oberlin's consolidated total operating revenues were $189.5 million for the year ended June 30, 2019 as compared to last year's $189.7 million. The following chart depicts the various sources of operating revenue for the College and the relative percentages of each source to total operating revenues.



Net student income, comprised of tuition and fees, room and board, net of student financial aid, is the largest component of Oberlin's operating revenues, totaling $120.9 million in the current year versus $122.0 million the previous year, a decrease of $1.1 million. In fiscal year 2019, the first year class was slightly smaller than the prior year's and Fall Headcount of 2,785 was down from 2,827 in fiscal year 2018. Also our discount rate increased from 42.8% last year (restated) to 45.4% this year (calculated as the percentage of total student aid to total tuition and fees). Tuition rates increased 3.0% in 2019, compared to an increase of 2.8% in 2018. Total student financial aid increased by $5.2 million in fiscal 2019, rising from $66.0 million in fiscal year 2018 to $71.2 million this year.

Earnings from endowment used in support of unrestricted operations are the second largest component of the College's unrestricted operating revenues. In fiscal year 2019, $14.0 million of unrestricted operating support was provided in accordance with the College's endowment spending policy. This level of support compares to $12.3 million in fiscal year 2018 plus an additional $3.8 million of endowment earnings that was approved by the Board of Trustees to support the operating budget. Oberlin's endowment spending policy strives to increase the real value of the endowment, provide a dependable stream of support to the College's annual operating budget, and achieve earnings at a sustainable rate over the long-term while seeking to provide predictability and stability of endowment spending essential for long-range planning, and the College continues to pursue its long-term objective of gradually reducing the payout rate of pooled endowment investments.

For fiscal year 2019, the College also distributed $24.0 million in earnings from endowments that have a spending restriction. As depicted in the chart below, the majority of this restricted distribution was used to offset the cost of financial aid scholarships and to contribute toward the salaries and benefits of faculty and staff.



The total operating distribution of $38.0 million equates to a spending rate of 4.8% of the 36-month weighted average of our general investment pool and 4.3% of the beginning market value. This compares to $41.6 million distributed in fiscal year 2018, which equated to a spending rate of 5.4% of the 36-month weighted average, and 5.1% of the beginning market value of our general investment pool. Footnotes 1 and 2 to our financial statements further discuss the College's endowment investment and endowment spending policies.

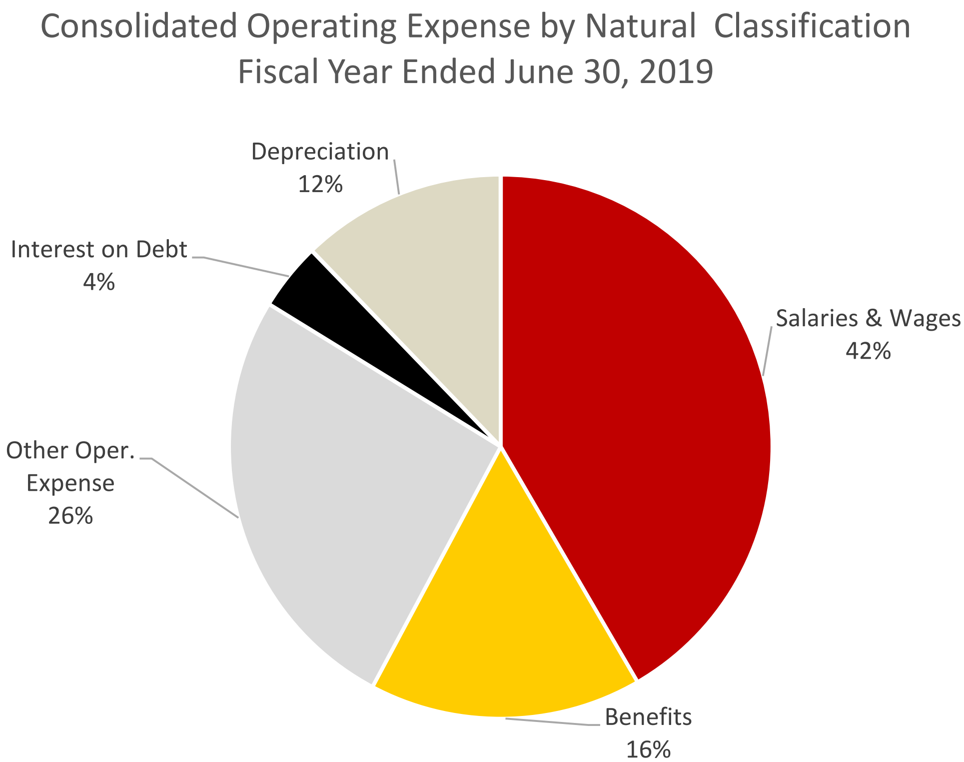
Oberlin's third largest component of unrestricted operating revenues is support from unrestricted Private Gifts and Grants. The timing of the receipt of gifts, especially bequests, is unpredictable, and the varying size of such contributions can cause fluctuations in giving from year to year, as depicted in this chart (dollars in thousands).

	2015	2016	2017	2018	2019
Undesignated Bequests	$4,850	$1,430	$2,538	$1,760	$1,274
Unrestricted Giving	3,365	3,233	3,369	3,640	3,528
Total	$8,215	$4,663	$5,907	$5,400	$4,802

Operating Expenses

Oberlin's consolidated operating expenses totaled $188.0 million for the year ended June 30, 2019, an increase of $3.3 million from the prior year's operating expenses of $184.7 million (before restructuring), or 1.8%. The increase in operating expenses can primarily be attributed to unplanned facilities maintenance and utilities, legal and professional service expense and increases in the study away program.

While the audited financial statements present operating expenses by program, as required by the current accounting and reporting standards, the following chart reflects the fiscal year 2019 operating expenses by natural classification, or function, to enable greater analysis of expenses and spending trends.



Salaries and wages are by far our largest component of operating expense, totaling approximately $78.1 million in fiscal year 2019. This represents a decrease from the fiscal year 2018 total of $79.6 million. This decrease in salaries and wages from the prior year reflects savings attributed to the implementation of the voluntary separation incentive program in prior fiscal years as well as a limited wage pool for faculty and Administrative and Professional staff. Bargaining unit employees received wage increases in fiscal year 2019 in accordance with contracts.

Other operating expense, which includes utilities expense and food costs among others, is our second largest spending component, totaling approximately $49.7 million in fiscal year 2019. This represents an increase of 9.2% from the fiscal year 2018 total of $45.5 million, and can primarily be attributed to increased building maintenance expenditures and legal services in fiscal year 2019.

Employee benefits expense is our third largest component of operating expense. This expense classification, which includes expenses associated with the College's 403(b) employee defined contribution plan and the College's health plans for active employees and retirees, in addition to other employee benefit expenses, totaled $30.4 million in fiscal year 2019, which was the same as 2018.

LOOKING AHEAD – FISCAL YEAR 2020

Enrollment

First-year enrollment statistics are reflected in the chart below and shows another strong class with solid academic indicators and the addition of impressive talent to the Conservatory.

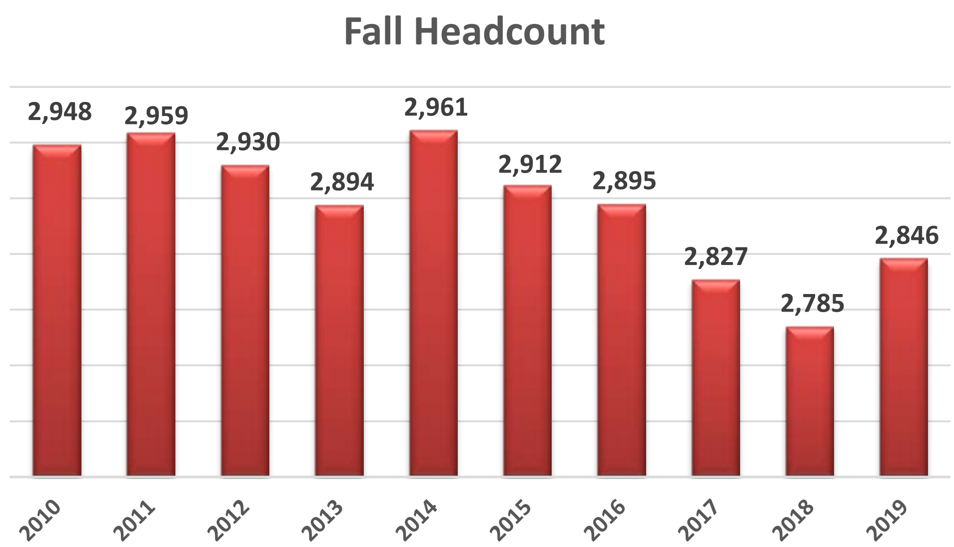
COLLEGE OF ARTS AND SCIENCES

		Admitted			Enrolled					
Fall Year	Applications	No.	% of Applications		No.	% of Admitted	Double Degree	Average SAT Score Verbal	Math	Writing
2010	6,014	1,996	33%		703	35%	38	699	675	694
2011	6,117	1,942	32%		647	33%	33	699	678	696
2012	5,842	1,978	34%		664	34%	45	692	674	685
2013	6,167	2,023	33%		683	34%	38	696	673	689
2014	6,038	2,094	35%		713	34%	34	690	671	683
2015	6,589	1,982	30%		690	35%	37	694	669	686
2016	7,257	2,093	29%		658	31%	35	688	676	678
2017	6,366	2,344	37%		644	27%	36	687	682	
2018	6,269	2,473	39%		713	29%	46	693	690	
2019	6,265	2,518	40%		697	28%	47	695	695	

CONSERVATORY OF MUSIC

		Admitted			Enrolled					
Fall Year	Applications	No.	% of Applications		No.	% of Admitted	Double Degree	Average SAT Score Verbal	Math	Writing
2010	1208	301	25%		119	40%	38	662	641	652
2011	1277	340	27%		137	40%	33	647	628	652
2012	1330	377	28%		145	38%	45	664	649	649
2013	1271	341	27%		136	40%	38	643	641	644
2014	1189	377	32%		118	31%	34	650	630	642
2015	1195	359	30%		125	35%	37	652	626	639
2016	1261	399	32%		139	35%	35	639	622	632
2017	1396	388	28%		120	31%	36	667	642	
2018	1256	412	33%		138	33%	46	679	657	
2019	1444	420	29%		148	35%	47	658	637	

Retention for our returning students exceeded expectations and prior year levels. The first year class enrollment was strong again this year. These factors have led to an increase in overall enrollment compared to the prior year.



Endowment

Overall, our General Investment Pool has recovered nicely from the market decline we experienced in fiscal year 2016, with our $924.6 million market value setting a new record. Subsequent to June 30, 2019, the investment performance of our endowed investment pool has continued to have favorable results, increasing to $932.3 million in October 2019.

Bond Agency Ratings

Oberlin College has long maintained strong ratings with Standard & Poor's (S&P) and Moody's, allowing Oberlin to issue bonds and refinance debt at optimal interest rates (see Footnote 6). These ratings reflect our ongoing efforts to manage the College's finances in a challenging higher education market sector. In June 2018, S&P affirmed our AA rating and changed the outlook to negative from stable. In October 2017, Moody's assigned Oberlin a rating of Aa3 with a negative outlook. In 2019, the College maintained its ratings of Aa3/AA from Moody's and S&P.

SUMMARY

While the overall financial health of Oberlin College is strong, threats to long term financial sustainability exist in the higher education marketplace, especially among private liberal arts colleges. In acknowledgement of those concerns, during fiscal year 2019, an Academic and Administrative Program Review committee issued the One Oberlin report that provides a framework for addressing future challenges the College faces. The report makes recommendations that further align institutional resources to the College's mission and builds upon Oberlin College's academic excellence. The multi-year implementation plan will create a sustainable path forward for the College, presenting new opportunities for current and future students.

Independent Auditor's Report

Board of Trustees
Oberlin College

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Oberlin College, which comprise the statement of consolidated financial position as of June 30, 2019, 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 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.

Auditor's 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 entity'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 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 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 consolidated financial position of Oberlin College as of June 30, 2019, 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 Matters
As part of our audit of the June 30, 2019 financial statements, we also audited the adjustments described in Note 1 that were applied to restate the June 30, 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2018 financial statements of the College other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the June 30, 2018 financial statements as a whole. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the consolidated financial statements, the College adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* during the current year. Our opinion is not modified with respect to this matter.

Other Matter
Other Auditors
The consolidated financial statements of Oberlin College, as of and for the year ended June 30, 2018, before they were restated for the matter discussed in Note 1 to the financial statements, were audited by other auditors, whose report, dated December 20, 2018, expressed an unmodified opinion on those statements.

Accompanying Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, consisting of management's discussion and analysis on pages 1-9 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

RSM US LLP

Cleveland, Ohio
February 24, 2020

Oberlin College
Consolidated Statements of Financial Position
As of June 30, 2019 and 2018
(dollars in thousands)

		2019		2018
ASSETS				
Current Assets				
Cash and cash equivalents	$	22,974	$	16,908
Accounts receivable, net		5,006		4,066
Pledges		3,125		4,491
Other current assets		2,162		3,064
Total current assets	$	33,267	$	28,529
Other Assets				
Pledges, net	$	6,702	$	17,704
Student loans, net		9,774		11,675
Other long-term receivables		9,781		14,221
Other non-current assets		4,268		4,461
Total other assets	$	30,525	$	48,061
Long-Term Investments				
Assets restricted to investment in land, buildings and equipment	$	10,831	$	19,293
Endowment funds		925,043		887,392
Annuity and life income funds		41,206		41,200
Funds held in trust by others		18,427		18,555
Total long-term investments	$	995,507	$	966,440
Property, Plant and Equipment				
Land, buildings and equipment	$	772,336	$	722,994
Construction in progress		4,656		28,519
Less: accumulated depreciation		(416,078)		(393,437)
Total property, plant and equipment	$	360,914	$	358,076
TOTAL ASSETS	$	1,420,213	$	1,401,106

The Notes to Financial Statements are an integral part of these statements.

Oberlin College

Consolidated Statements of Financial Position

As of June 30, 2019 and 2018

(dollars in thousands)

LIABILITIES and NET ASSETS	2019	2018
Current Liabilities		
Accounts payable	$ 11,685	$ 14,807
Bonds payable	2,460	3,070
Deposits and agency funds	6,186	5,170
Other current liabilities	9,706	5,844
Total current liabilities	$ 30,037	$ 28,891
Other Liabilities		
Accrued postretirement benefit obligation	21,394	20,848
Annuity obligations	14,875	15,141
Federal student loan funds	5,202	5,202
Loans payable	30,013	38,267
Other non-current liabilities	54,022	18,589
Bonds payable, net	172,573	180,883
Total liabilities	$ 328,116	$ 307,821
Net Assets		
Without donor restrictions -		
Current operations	$ (44,811)	$ (36,006)
Non-operating	(12,904)	(8,889)
Legal contingency	(31,615)	-
Designated for specific purposes	9,057	8,608
Plant and facility funds	60,425	46,907
Amortized contributions for long-lived assets	83,756	63,499
Endowment funds	155,756	155,900
Total without donor restrictions	$ 219,664	$ 230,019
With donor restrictions -		
Donor designated for specific purposes	$ 35,168	$ 37,009
Annuity and life income funds	17,302	17,461
Student loan funds	5,710	5,954
Unexpended plant and facility funds	23,339	44,418
Funds held in trust by others	18,427	18,555
Endowment funds	772,487	739,869
Total with donor restrictions	$ 872,433	$ 863,266
Total net assets	$ 1,092,097	$ 1,093,285
TOTAL LIABILITIES and NET ASSETS	$ 1,420,213	$ 1,401,106

The Notes to Financial Statements are an integral part of these statements.

Oberlin College

Consolidated Statement of Activities

For the year ended June 30, 2019
(dollars in thousands)

	2019		
	Without donor restrictions	With donor restrictions	Total
Operating Revenues			
Tuition and fees	$ 156,976		$ 156,976
Room and board	35,170		35,170
Student aid	(71,224)		(71,224)
Net student income	120,922		120,922
Auxiliary services, other	6,393		6,393
Government grants and contributions		$ 1,975	1,975
Private gifts and grants	4,802	6,406	11,208
Investment earnings	14,015	24,563	38,578
Other sources	4,273	814	5,087
Net assets released from restrictions	34,592	(29,206)	5,386
Total operating revenues	$ 184,997	$ 4,552	$ 189,549
Operating Expenses			
Instruction and research	$ 87,829		$ 87,829
Academic support	24,874		24,874
Student services	16,715		16,715
Institutional support	24,842		24,842
Auxiliary services, student and other	33,710		33,710
Total operating expenses	$ 187,970		$ 187,970
Change in net assets from operating activities	$ (2,973)	$ 4,552	$ 1,579
Non-operating Activities			
Investment earnings	$ 14,949	$ 9,662	$ 24,611
Unrealized gains	(9,330)	17,074	7,744
Contributions, net	766	8,867	9,633
Change in annuity obligations	(187)	453	266
Payments to beneficiaries	(1,252)	(687)	(1,939)
Post-retirement benefit obligation adjustment	(412)		(412)
Change in fair value of swap contracts	(4,015)		(4,015)
Legal contingency	(31,615)		(31,615)
Redesignated funds and other	3,457	(5,111)	(1,654)
Net assets released from restrictions	20,257	(25,643)	(5,386)
Change in net assets from non-operating activities	$ (7,382)	$ 4,615	$ (2,767)
Change in net assets	(10,355)	9,167	(1,188)
Net assets at beginning of year	$ 230,019	$ 863,266	$ 1,093,285
Net assets at end of year	$ 219,664	$ 872,433	$ 1,092,097

The Notes to Financial Statements are an integral part of these statements.

Oberlin College
Consolidated Statement of Activities
For the year ended June 30, 2018
(dollars in thousands)

	2018		
	Without donor restrictions	With donor restrictions	Total
Operating Revenues			
Tuition and fees	$ 154,067		$ 154,067
Room and board	33,957		33,957
Student aid	(65,981)		(65,981)
Net student income	122,043		122,043
Auxiliary services, other	6,166		6,166
Government grants and contributions		$ 2,476	2,476
Private gifts and grants	5,400	6,745	12,145
Investment earnings	16,146	23,192	39,338
Other sources	2,996	430	3,426
Net assets released from restrictions	33,847	(29,696)	4,151
Total operating revenues	$ 186,598	$ 3,147	$ 189,745
Operating Expenses			
Instruction and research	$ 87,229		$ 87,229
Academic support	24,200		24,200
Student services	15,754		15,754
Institutional support	24,202		24,202
Auxiliary services, student and other	33,265		33,265
Total operating expenses before restructuring costs	$ 184,650		$ 184,650
Restructuring costs	1,900		1,900
Total operating expenses	$ 186,550		$ 186,550
Change in net assets from operating activities	$ 48	$ 3,147	$ 3,195
Non-operating Activities			
Investment earnings	$ 6,199	$ 6,224	$ 12,423
Unrealized gains	6,371	44,437	50,808
Contributions, net	221	8,260	8,481
Change in annuity obligations	120	528	648
Payments to beneficiaries	(1,250)	(730)	(1,980)
Post-retirement benefit obligation adjustment	507		507
Change in fair value of swap contracts	3,970		3,970
Redesignated funds and other	3,058	(2,809)	249
Net assets released from restrictions	(1,799)	(2,352)	(4,151)
Change in net assets from non-operating activities	$ 17,397	$ 53,558	$ 70,955
Change in net assets	17,445	56,705	74,150
Net assets at beginning of year, as previously reported	$ 283,587	$ 735,548	$ 1,019,135
Restatement of net assets (Note 1)	(136,311)	136,311	
Reclassification of net assets due to adoption of ASU 2016-14 (Note 1)	65,298	(65,298)	
Net assets at beginning of year, restated	$ 212,574	$ 806,561	$ 1,019,135
Net assets at end of year	$ 230,019	$ 863,266	$ 1,093,285

The Notes to Financial Statements are an integral part of these statements.

Oberlin College

Consolidated Statements of Cash Flows

For the years ended June 30, 2019 and 2018
(dollars in thousands)

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	$ (1,188)	$ 74,150
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	22,641	21,939
Net amortization of deferred financing costs	105	107
Contributions restricted for long-term investments	(19,541)	(12,430)
Earnings restricted for long-term investment	(1,607)	(4,459)
Net realized and unrealized gains on long-term investments	(66,081)	(106,933)
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	(940)	549
Other current and non-current assets	1,095	(152)
Pledges receivable	12,368	4,016
Accounts payable, accrued expenses and other liabilities	31,171	(4,297)
Deposits and agency funds	1,016	(170)
Accrued postretirement benefit obligation	546	(339)
Net adjustment of annuity obligations	(266)	(650)
Net cash used for operating activities	$ (20,681)	$ (28,669)
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	$ (25,479)	$ (35,062)
Proceeds from student loans collected	1,656	1,419
Student loans received (issued)	245	(995)
Decrease in other long-term receivables	4,440	-
Purchases of investments	(253,098)	(180,485)
Proceeds from sales and maturities of investments	290,114	231,120
Net cash provided by investing activities	$ 17,878	$ 15,997
Cash Flows From Financing Activities		
Proceeds from contributions for:		
Investment in endowment	$ 13,127	$ 7,279
Investment in long-lived assets	5,315	4,401
Investment in life income agreements	1,099	750
Earnings restricted for long-term investment	1,607	4,459
Payments on bonds and loans payable	(17,279)	(4,253)
Proceeds from (payments on) short-term debt	5,000	(5,000)
Net cash provided by financing activities	$ 8,869	$ 7,636
Net increase (decrease) in cash and cash equivalents	$ 6,066	$ (5,036)
Cash and cash equivalents, beginning of year	16,908	21,944
Cash and cash equivalents, end of year	$ 22,974	$ 16,908

The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Oberlin College is an independent, coeducational institution consisting of two major divisions. The College of Arts and Sciences offers a balanced curriculum in the humanities, social sciences and natural sciences. The Conservatory of Music offers pre-professional training in music performance, composition, education, technology, theory and history.

Basis of Presentation and Accounting

The consolidated financial statements are presented on the accrual basis of accounting, focusing on the institution as a whole. These statements also reflect the assets, liabilities and operating activities of the College's wholly-owned entities, Apollo Theater, LLC and Apollo Theater Holdings, Inc. (collectively known as the Apollo Theater Project) and College Properties of Northern Ohio, Inc. (Gateway Complex Project), with the elimination of inter-company transactions and balances. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified as follows:

> Net assets without donor restrictions are net assets that are free of donor imposed restrictions as well as net assets designated by the governing board.
>
> Net assets with donor restrictions include net assets from gifts subject to donor-imposed stipulations and cumulative earnings and gains, both realized and unrealized, that may or will be met by Board appropriation, the College satisfying the purpose restriction and/or the passage of time. These net assets are used to support general instruction, scholarships, professorships, research, library operations and capital acquisitions.

Also included in net assets with donor restrictions are net assets subject to donor-imposed restrictions that the corpus be maintained permanently by the College. The Board of Trustees has specifically resolved that in the absence of explicit donor stipulations to the contrary, an amount equal to the aggregate fair value of (a) each permanent endowment fund of the College at the time it became an endowment fund, (b) each subsequent donation to the fund at the time it is made, and (c) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund is deemed to be the amount that must be retained permanently consistent with applicable law. In general, the donors of these assets permit the use of all or part of the cumulative earnings and gain, both realized and unrealized, on related investments for general or specific purposes. These net assets consist primarily of amounts whose income supports general instruction, scholarships, professorships and library funds.

Revenues are reported as increases in net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Investment return is distributed for operations on a unit share basis as authorized by the Board of Trustees, and is reflected in investment earnings and gains and net assets released from restrictions in the consolidated statement of activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair market value. Contributions to be received after one year are stated at their net present value using an annual discount rate commensurate with the risks involved (7.0% for those intentions established prior to June 30, 2014 and 5.0% post July 1, 2014). Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectable contributions receivable is provided based upon management's judgment, considering such factors as prior collection history, type of contribution and nature of fund-raising activity. Based on prior history, no allowance is recorded at June 30, 2019 and 2018. Fundraising expenses of approximately $5,721 and $5,814 are reflected within institutional support in the statement of activities for the years ended June 30, 2019 and 2018, respectively.

Income and realized net gains on long-term investments are reported as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund or as funds held in trust by others; or, if the terms of the gift or state law impose restrictions on the use of the income. In all other cases, they are reported as increases in net assets without donor restrictions.

Accounts Receivable, net

The College uses the allowance method for accounts receivable. Management estimates the allowance and reserve based upon its assessment of historical collections and outstanding receivables. The allowance for doubtful accounts at June 30, 2019 and 2018 was $2,737 and $2,618, respectively.

Long-Term Investments

The College classifies its investments into the following categories:

Cash and Cash Equivalents - The College invests in cash and cash equivalents, short-term investments and other securities with quoted prices in active markets. Typical liquidity for these investments is daily.

Collateral Cash - Cash overlay pools are used to provide the margin necessary to support the futures contracts. The size of the margin pool varies depending on the notional value of the future contracts. Futures contracts are used in the fixed income and equity categories to maintain investment policy allocation and/or gain investment exposure to specific markets. Typical liquidity for these investments is daily.

Fixed Income - Fixed income investments include investments in government securities and corporate bonds via separate accounts, limited partnerships, commingled vehicles, and futures contracts. Typical liquidity for these investments is daily and monthly.

Funds Held in Trust by Others - These investments represent resources neither in the possession nor under the control of the College, but rather held and administered by outside trustees, with the College paid income or a residual interest from the assets of such funds. The fair value of these funds is based on the College’s proportionate interest in the fair market value of the trusts as determined by the trustee.

Gift Annuities and Trusts and Investments Restricted for Plant Facilities - These investments consist of annuity and life income funds and assets restricted to investment in land, buildings and equipment. The College invests in equities and fixed income securities with quoted prices in active markets.

Hedge Funds - Hedge funds seek to generate high long-term real returns and reduce volatility by exploiting market inefficiencies. Returns are achieved using various strategies including market neutral, long/short equity, credit, event driven, and global macro strategies. Typical liquidity for these investments is quarterly, annually, or greater than one year, with over 50% of the net asset value being accessible within one quarter.

Private Credit – These investments include private equity-style draw-down vehicles that make loans to corporations and provide steady returns above comparable-duration public bonds. The vehicles are expected to generate and distribute interest cash flows throughout the vehicle’s life. These investments are not redeemable but would be fully liquidated within four to six years.

Private Equity - Private equity investments include buyouts, distressed debt, and venture capital. The College diversifies these investments by geography and sectors. These investments are not redeemable. As these funds age in duration, distributions are received as the underlying portfolio companies are sold in the market. On average the underlying investments within the funds would be fully liquidated over the next five to 12 years.

Real Assets - Real assets include commodities, energy, natural resource equities, real estate, Treasury Inflation-Protected Securities (TIPS) and Real Estate Investment Trusts (REITs). Real asset investments are made both via liquid public markets (commodities, natural resource equities, REITs and TIPS) and via illiquid private equity structured funds (private real estate and private energy). The private real estate and private energy funds are not redeemable. As these funds age in duration, distributions are received as the underlying portfolio companies are sold in the market. The underlying companies within the private funds would be fully liquidated over the next eight to 12 years.

U.S. Equity, International Equity, and Emerging Markets Equity - The College invests in public equity securities in various geographical areas including U.S., developed markets (international equity) and emerging markets. Public equity securities are owned either directly by the College or indirectly through investments in limited partnerships, limited liability companies, commingled vehicles and futures contracts. Fund liquidity is daily, monthly, quarterly and annually, with approximately 80% of the net asset value being accessible within one quarter or less.

Interest Rate Swaps

The fair value of the interest rate swaps is based on projected London InterBank Offered Rate (LIBOR) for the duration of the swap, values that, while observable in the market, are subject to adjustment due to pricing considerations for the specific instrument and the resulting fair values.

The fair market value of interest swap arrangements is the estimated amount that the College would receive (or would be required to pay) to terminate these contracts as of the fiscal year end. The swap arrangements currently carry no collateral requirement. The accounting for these agreements follows accounting principles generally accepted in the United States. The estimated cumulative fair value gain is included in long-term investments in the consolidated statements of financial position. The estimated cumulative fair value (loss) is included within other non-current liabilities in the consolidated statements of financial position. Changes in the fair value of these contracts are recorded as other non-operating items in the consolidated statement of activities. These agreements were entered into in order to manage interest rate exposures and qualify as fair value hedges.

Capital Commitments and Endowment Liquidity

Investment funds in the private equity and real assets classes are typically organized as limited partnerships. A unique characteristic of these funds is that the investment manager requests (or 'calls') capital commitments from the investors as investment opportunities arise and distributes capital as investments are liquidated. Capital calls are typically made by the investment manager during years 1-5 of a fund's life while the majority of capital distributions do not occur until years 8-10 of a fund's life.

Due to the nature of alternative investments and the use of some limited partnerships and commingled vehicles in traditional asset classes (public equities and fixed income), the College contractually agrees to liquidity restrictions. The College, in response to this risk, closely monitors the liquidity of the portfolio. As of June 30, 2019, the following liquidity characteristics applied to the College's pooled endowment and board- designated endowment funds:

Liquid within	% of Endowment
1 year	60%
3 years	4%
Illiquid	36%

Illiquid investments represent those invested in real assets and private equity limited partnerships. There is a very limited secondary market for these interests and selling them would require considerable time. The College is not actively trying to sell any of its illiquid investments at this time.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation

Depreciation of the property, plant and equipment owned by the College and its subsidiaries has been computed using the mid-year convention under the following depreciation guidelines:

Buildings and additions	40 years
Building improvements and renovations	20 years
Library books and materials	15 years
Furniture and equipment	10 years

Using these guidelines, depreciation expense for years ended June 30, 2019 and 2018 was:

	2019	2018
Educational and general properties	$ 13,839	$ 13,388
Library books and materials	2,368	2,326
Auxiliary properties	6,434	6,225
	$ 22,641	$ 21,939

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment

Capital gifts to acquire or construct a long-lived asset are recorded as a donor restricted gift until the related asset is placed in service, at which time, the capital gift is released from net assets with donor restrictions to net assets without donor restrictions and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset. This amortization, which amounted to $5,386 in fiscal year 2019 and $4,151 in fiscal year 2018, is recorded as a transfer between the non-operating and operating sections of the change in net assets without donor restrictions on the consolidated statement of activities.

Collections and Works of Art

The College has elected not to capitalize contributed collections. All works of art and collections are held for public exhibition, education or research; are protected, kept unencumbered, cared for, and preserved; and are subject to policies governing their use. Recognizing works of art as an asset of the institution would result in a material increase in property, plant and equipment and a corresponding increase in net assets in the consolidated statements of financial position.

Bequests

The College follows the policy of designating bequests without donor restrictions as additions to board-designated funds or plant and facility funds.

Split Interest Agreements

The College is party to various split interest agreements, including perpetual trusts held by third parties, irrevocable charitable remainder trusts, charitable gift annuities, and pooled life income funds. Assets are invested by the College or by third-party trustees. Payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenues for split-interest agreements are recognized at the dates the agreements are established. Revenues are recorded at fair value, net of the present value of the estimated future payments to be made to donors and/or other beneficiaries. The present value of payments to beneficiaries under split-interest agreements has been calculated using an annual discount rate of 7.0% for those agreements entered into prior to June 30, 2014 and 5.0% post July 1, 2014.

Revenue Recognition

Revenue from student tuition and fees primarily relates to undergraduate and graduate program offered at the College and is recognized ratably over each academic term. Tuition and fees collected that are applicable to a future academic term are reported as deposits and agency funds. Payment for each semester’s tuition and fees must be made prior to enrollment, unless other payment arrangements are made. The College does, in certain instances, provide financing to students that allow for payments in excess of one year; however, the financing component is not deemed to be significant.

Scholarships represent tuition reductions awarded to students to reduce the overall cost for tuition and fees. Scholarships are given to students in the course of providing educational services and the amounts, as well as the individual recipients, are determined by the College. Scholarships are reported as a reduction to tuition revenues, as the College does not receive any goods or services in exchange for the discount.

Revenue from auxiliary enterprises is recognized when goods or services are provided.

The College utilized the portfolio approach to apply the new standard to tuition and fees revenue and auxiliary enterprise revenue. The College has elected the practical expedient with respect to performance obligations under its contracts with students as all such contracts have original terms of less than one year.

Cash Flow Information

For financial statement purposes, the College considers all investments (not held for long-term investment) with original maturities of three months or less as cash equivalents. Cash payments for interest amounted to $7,938 in 2019 and $7,842 in 2018. Included in these amounts is $527 and $967 of capitalized interest, respectively. Interest expense was $7,655 and $7,769 for years ended June 30, 2019 and 2018, respectively. In addition, the College includes debt issuance costs as additional interest expense and amortizes those costs using the straight-line method over the term of the loan.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 income, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The College is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). The College generates minor amounts of unrelated business income, annually files Form 990T and pays taxes on such income. The College recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the College, the continued tax-exempt status of bonds issued by the College and various positions related to potential sources of unrelated taxable income. The College believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. As of June 30, 2019, the College's income tax years from 2015 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

Change in Accounting Principles

The College adopted the following Accounting Standards Updates (ASU) for the year ended June 30, 2019:

ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities was intended to improve net asset classification requirements and the information presented in the financial statements and notes about the College’s liquidity, financial performance and cash flows. As a result of this adoption, the financial statements include the presentation of two classes of net assets versus the previously required three, expenses presented by both their natural and functional classification, underwater donor restricted endowment funds shown within the donor restricted net asset class, recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is place in service and disclosure about the liquidity and availability of resources in the footnotes. All applicable changes to the reporting model have been retrospectively incorporated into the presentation, except for the functional expense and liquidity and availability of resources disclosures, as allowed by the standard. The College previously recorded capital gifts to acquire or construct long lived assets as with donor restrictions and released the donor restriction over the life of the asset. As a result of adoption of this standard, the College is required to release the donor restriction when the asset is placed in service. As a result of the adoption of the standard, the College’s net assets with donor restrictions of $65,298 were reclassified to without donor restrictions as of July 1, 2017.

ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made was intended to assist entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance and determining whether a contribution is conditional. The adoption of this standard did not have a significant impact on the College's operations. The method used for reporting unconditional and conditional contributions is as reported in the accounting policies disclosure.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customer. The College adopted Topic 606 effective July 1, 2018, electing the modified retrospective transitions method. The adoption of the standard resulted in additional disclosures for revenue recognition in Note 1, but did not otherwise have a significant impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the College for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This statement requires that an employer disaggregate the service cost component from the other components of net benefit cost and provides guidance on how to present the service cost component and the other components of net benefit cost in the consolidated statement of activities. This standard is effective for the College for annual periods beginning after December 15, 2018. Early adoption is permitted. The amendments in this Update should be applied retrospectively for the presentation of the service cost components and the other components of net periodic pension and postretirement benefit cost in the consolidated statement of activities.

In August 2018, the FASB issued ASU 2018-13, Changes to Disclosure Requirements for Fair Value Measurement. The objective of this statement is to modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The statement is effective for all entities for fiscal years beginning after December 15, 2019. Early adoption is permitted.

The College is currently evaluating the impact of the adoption of these new standards on their consolidated financial statements.

Restatement

Through a review and study of historical contributions and accumulated endowment earnings, the College determined that two adjustments to restate net assets at July 1, 2017 was required. The College had previously recorded contributions that were not restricted by donors as with donor restrictions in the amount of $88,625. In addition, the College had recorded $224,936 of endowment earnings which were subject to the Uniform Prudent Management Institutional Funds Act (UPMIFA) as without donor restrictions that should have been recorded as with donor restrictions (time restricted) until appropriated for expenditure. The impact of these two reclassifications resulted in a net reclassification to increase net assets with donor restrictions and to decrease net assets without donor restrictions in the amount of $136,311 as of July 1, 2017. In addition, investment earnings, unrealized gains and redesignated funds and other were reclassified in the amount of $8,845 from without donor restrictions to with donor restrictions for the year ended June 30, 2018.

Reclassification

Certain June 30, 2018 data have been reclassified to conform to the June 30, 2019 presentation.

Subsequent Events

The College has evaluated subsequent events for potential recognition and/or disclosure through February 24, 2020, the date the financial statements were available to be issued.

2. ENDOWMENT AND OTHER LONG-TERM INVESTMENTS

Uniform Prudent Management of Institutional Funds Act

The College has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Pooled endowment assets are comprised of Board-designated and donor restricted endowment funds. The following table reflects the College's change in pooled endowment assets for the year ended:

	June 30, 2019		
	Without donor restrictions	With donor restrictions	Total
Endowment assets, July 1, 2018	$ 155,900	$ 731,067	$ 886,967
Realized gains	27,630	32,243	59,873
Unrealized gains	(8,755)	18,084	9,329
Investment return	$ 18,875	$ 50,327	$ 69,202
Contributions and transfers, net	(5,004)	13,664	8,660
Endowment distributions	(14,015)	(26,209)	(40,224)
Endowment assets, June 30, 2019	$ 155,756	$ 768,849	$ 924,605

	June 30, 2018		
	Without donor restrictions	With donor restrictions	Total
Endowment assets, July 1, 2017, as previously reported	$ 278,869	$ 541,076	$ 819,945
Reclassification of net assets	(136,311)	136,311	-
Endowment assets, July 1, 2017	$ 142,558	$ 677,387	$ 819,945
Realized gains	19,688	30,502	50,190
Unrealized gains	6,395	43,653	50,048
Investment return	$ 26,083	$ 74,155	$ 100,238
Contributions and transfers, net	3,405	7,506	10,911
Endowment distributions	(16,146)	(27,981)	(44,127)
Endowment assets, June 30, 2018	$ 155,900	$ 731,067	$ 886,967

Endowment Investment and Spending Policy

The College's investment policies are designed to ensure the achievement of a rate of return that adequately supports the College's mission while minimizing risk to the greatest extent possible. The College seeks to minimize downside volatility and other risks while maximizing returns. The objective is to achieve a total return that exceeds a weighted average of individual asset class benchmarks as defined. Oberlin College's Endowment Spending Policy is set by the College's Board of Trustees. The Board of Trustees takes great care in developing the broad objectives and specific spending methodology, giving consideration to a number of factors, including preservation of the College's endowment for perpetuity, economic conditions and the possible impact of inflation and deflation, the College's historical total return on endowment, the expected total returns and the related investment policies and targeted allocations to achieve the expected returns, and the other financial resources of the College. The broad objectives of the Endowment Spending Policy are to increase the real value of the endowment, to provide a dependable stream of current earnings distribution from the endowment pool to the College, to release earnings at a rate sustainable over the long term, and to seek to provide predictability and stability of endowment spending essential for long range planning. These broad objectives, and the Board's frequent evaluation of the factors noted above, allow the College to establish its specific spending methodology. The College's specific spending methodology involves applying a targeted long-term spending rate applied to the 36-month weighted average as adjusted by board-imposed spending collars and also by a maximum spending rate applied to current market value. The actual payout rate for each fiscal year is approved annually by the Board of Trustees.

On occasion, unfavorable market fluctuations cause the fair value of assets associated with individual donor restricted endowment funds to fall below the level that the donor or the UPMIFA law requires the College to retain as a fund of perpetual duration. For the year ended June 30, 2019, deficiencies of this nature exist in 6 donor-restricted endowment funds, which together have an original gift value of $545, a current fair value of $525 and a deficiency of $20. For the year ended June 30, 2018, deficiencies of this nature exist in 12 donor-restricted endowment funds, which together have an original gift value of $1,025, a current fair value of $982 and a deficiency of and $43. These deficiencies are reported in net assets with donor restrictions and resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain purposes that was deemed prudent by the Board of Trustees.

Investments in marketable equity and debt securities with readily determinable fair values are stated at the quoted market value based on the last trade price. The College has a substantial allocation to alternative investments, including hedge funds, private equity or real assets depending on the legal structure and investment strategy of the underlying manager. Nearly all of the valuations reported by alternative investment managers rely upon third-party administrators to objectively value positions and calculate net asset value. Asset managers in private equity structured funds internally calculate values according to agreed upon procedures and provide audited financial statements at calendar year end. Alternative investments are not readily marketable; therefore, the estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. The investment managers for these investments report their audited financial information as of December 31st of each calendar year. These investments are valued by the College as of June 30th at their estimated fair value based on the most recent unaudited quarterly financial reports provided by investment managers.

Investments are exposed to various risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment account balances and the amounts reported in the consolidated statements of financial position.

The College utilizes derivative financial instruments in pursuing its endowment investment objectives. Futures contracts are used to maintain asset class exposures in accordance with the College's asset allocation policy, as well as to obtain exposure to movements in equity prices. Futures contracts provide reduced counterparty risk to the endowment since futures are exchange-traded, and the exchange's clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default. The College uses a third-party advisor and has established policies and procedures to actively monitor and manage the market, credit and counter-party risks associated with these contracts. These financial instruments are valued at their notional exposure, net of leverage, as reflected in the following table (summarized by long-term investment asset class):

	2019	2018
Equity futures	$ 6,766	
International equity futures	2,693	
Emerging market equity futures	21,551	$ 7,709
Total Notional	$ 31,010	$ 7,709
Collateral Cash	$ 31,010	$ 7,709
Net Leverage	$ -	$ -

Net realized and unrealized gains (losses) in market value of investments are reflected in the consolidated statement of activities.

The College has committed to make $139,659 and $137,217 of additional investments at June 30, 2019 and 2018, respectively. These commitments will be satisfied over a five-year period from the maturities and redemptions of existing investments of a similar nature.

Long-term investments as reflected in the consolidated statements of financial position are detailed as follows:

	June 30, 2019 Fair Value	June 30, 2018 Fair Value
GENERAL INVESTMENT POOL		
Cash and cash equivalents	$ 39,775	$ 52,328
Emerging markets	35,182	33,519
Fixed income		3,784
Hedge funds	296,038	285,944
International equity	111,834	97,908
Private credit	48,210	31,927
Private equity	249,660	241,931
Real assets	47,448	53,253
U.S. equity	96,458	86,373
Total General Investment Pool	$ 924,605	$ 886,967
Non Pooled Endowment		
Cash and cash equivalents	$ 54	$ 56
Fixed income	39	36
International equity	28	60
U.S. equity	317	273
Total Separately Invested Funds	$ 438	$ 425
TOTAL ENDOWMENT	**$ 925,043**	**$ 887,392**
ANNUITY AND LIFE INCOME FUNDS		
Pooled Income Fund Trusts		
Cash and cash equivalents	$ 78	$ 71
Fixed income	1,267	1,230
International equity	155	146
Real assets	312	286
U.S. equity	376	398
Total Pooled Income Fund Trusts	$ 2,188	$ 2,131
Gift Annuity Pool		
Cash and cash equivalents	$ 189	$ 423
Emerging markets	949	794
Fixed income	4,587	4,353
International equity	2,806	2,506
Real assets	2,440	2,171
U.S. equity	5,739	5,892
Total Gift Annuity Pool	$ 16,710	$ 16,139
Annuity Trusts And Unitrusts		
Cash and cash equivalents	$ 759	$ 576
Emerging markets	1,266	1,152
Fixed income	5,494	5,782
International equity	3,742	3,781
Real assets	3,248	3,156
U.S. equity	7,799	8,483
Total Separately Invested Funds	$ 22,308	$ 22,930
TOTAL ANNUITY &TRUSTS	**$ 41,206**	**$ 41,200**
RESTRICTED FOR PLANT FACILITIES		
Cash and cash equivalents		$ 171
Fixed income	$ 5,925	14,204
Real assets	4,906	4,918
TOTAL RESTRICTED FOR PLANT FACILITIES	**$ 10,831**	**$ 19,293**
FUNDS HELD IN TRUST BY OTHERS	**$ 18,427**	**$ 18,555**
TOTAL ASSETS FOR LONG-TERM INVESTMENT	**$ 995,507**	**$ 966,440**

An analysis of investment earnings is as follows for the year ended June 30:

	2019	2018
Investment earnings allocated to operations	$ 38,578	$ 39,338
Investment earnings in non-operating	24,611	12,423
Unrealized gains	7,744	50,808
Total	$ 70,933	$ 51,761
Realized gains (losses) on sale of investments	$ 56,635	$ (1,907)
Unrealized gain on investments	9,419	50,099
Interest and dividends	4,879	3,569
Total	$ 70,933	$ 51,761

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The College follows Financial Accounting Standards Board (FASB) Topic 820, Fair Value Measurements, for its financial instruments measured at fair value on a recurring basis. Topic 820 provides a framework for measuring fair value, expands disclosure about fair value measurements, and establishes a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 - Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Uses inputs other than Level l that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active.

Level 3 - Uses inputs that are unobservable and are supported by little or no market activity, and reflects the use of significant management judgment. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions.

The College has adopted Accounting Standards Update No. 2015-07 (ASU 2015-07), Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value (NAV) per Share (or Its Equivalent). ASU 2015-07 removes the requirement to include investments in private investment companies in the fair value hierarchy for which fair value is measured using the NAV per share practical expedient under ASC 820.

The following table sets forth by level the College's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2019 and 2018. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The College'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 their placement within the three levels.

ASSETS	Level 1	Level 2	June 30, 2019 Level 3	NAV	Total
Long-Term Investments					
Cash and cash equivalents	$ 39,829				$ 39,829
Emerging markets equity	21,551			$ 13,631	35,182
Fixed income	39				39
Hedge funds				296,038	296,038
International equity	3,057			108,805	111,862
Private credit	23,647			24,563	48,210
Private equity	698			248,962	249,660
Real assets				47,448	47,448
U.S. equity	36,549			60,226	96,775
Interests in gift annuities and trusts	16,710		$ 24,496		41,206
Investments restricted for plant facilities	10,831				10,831
Interests in funds held in trust by others			18,427		18,427
TOTAL	**$ 152,911**	**$ -**	**$ 42,923**	**$ 799,673**	**$ 995,507**
LIABILITIES					
Interest rate swaps		$ 12,904			$ 12,904
TOTAL	**$**	**$ 12,904**	**$**	**$**	**$ 12,904**

ASSETS	Level 1	Level 2	June 30, 2018 Level 3	NAV	Total
Long-Term Investments					
Cash and cash equivalents	$ 52,384				$ 52,384
Emerging markets equity	19,642			$ 13,877	33,519
Fixed income	3,820				3,820
Hedge funds	54			285,890	285,944
International equity	382			97,586	97,968
Private credit	24,919			7,008	31,927
Private equity	3,998			237,933	241,931
Real assets				53,253	53,253
U.S. equity	31,948			54,698	86,646
Interests in gift annuities and trusts	16,139		$ 25,061		41,200
Investments restricted for plant facilities	19,293				19,293
Interests in funds held in trust by others			18,555		18,555
TOTAL	**$ 172,579**	**$ -**	**$ 43,616**	**$ 750,245**	**$ 966,440**
LIABILITIES					
Interest rate swaps		$ 8,889			$ 8,889
TOTAL	**$**	**$ 8,889**	**$**	**$**	**$ 8,889**

The nature and risk of these investments as of June 30, 2019 and 2018 are as follows:

	Fair Value at 6/30/19	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Emerging markets equity	$ 13,631		Annually	90 - 180 days
Hedge funds	296,038		Quarterly, Annually, >1 Year	45 - 366 days
International equity	108,805		Monthly, Quarterly, Annually	5 - 45 days
Private credit	24,563	$ 22,732	Illiquid	Not applicable
Private equity	248,962	94,194	Illiquid	Not applicable
Real assets	47,448	22,733	Illiquid	Not applicable
U.S. equity	60,226		Quarterly	30 - 60 days
	$ 799,673	**$ 139,659**		

	Fair Value at 6/30/18	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Emerging markets equity	$ 13,877		Annually	180 days
Hedge funds	285,890		Quarterly, Annually, >1 Year	45 - 366 days
International equity	97,586		Monthly, Quarterly, Annually	5 - 60 days
Private credit	7,008	$ 23,050	Illiquid	Not applicable
Private equity	237,933	97,298	Illiquid	Not applicable
Real assets	53,253	16,869	Illiquid	Not applicable
U.S. equity	54,698		Quarterly	30 - 60 days
	$ 750,245	**$ 137,217**		

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	Balance at 6/30/18	Contributions	Withdrawals	Change in MV	Balance at 6/30/19
Interests in Gift Annuities and Trusts	$ 25,061	$ 263	$ (1,685)	$ 857	$ 24,496
Interests in Funds Held in Trust by Others	18,555	(204)		76	18,427
TOTAL	**$ 43,616**	**$ 59**	**$ (1,685)**	**$ 933**	**$ 42,923**

	Balance at 6/30/17	Contributions	Withdrawals	Change in MV	Balance at 6/30/18
Interests in Gift Annuities and Trusts	$ 24,721	$ 59	$ (1,299)	$ 1,580	$ 25,061
Interests in Funds Held in Trust by Others	17,866	59		630	18,555
TOTAL	**$ 42,587**	**$ 118**	**$ (1,299)**	**$ 2,210**	**$ 43,616**

4. PLEDGES RECEIVABLE

Unconditional promises to give and bequests in probate are included in the financial statements as pledges receivable, and as revenue within the appropriate net asset category. Promises to give that are to be received after one year are recorded after discounting to the present value of the future cash flows. Pledges of $2,343 and $12,123, due within one year, that are restricted for long-term purposes have been classified as non-current pledges on the consolidated statements of financial position at June 30, 2019 and 2018, respectively.

Unconditional promises to give are expected to be realized in the following periods:

	2019	2018
In one year or less	$ 5,468	$ 16,614
Between one year and five years	2,001	3,800
Greater than five years	6,376	5,876
Less discount	(4,018)	(4,095)
	$ 9,827	$ 22,195

5. STUDENT LOANS, NET

Student loans receivable are carried at face value, less an allowance for doubtful accounts of $1,383 at June 30, 2019 and 2018. The interest rate on federal student financial aid was 5.0% for the years ended June 30, 2019 and 2018. Maturity dates range up to 10 years.

The College participates with the U.S. Department of Education in the Federal Perkins Loan Program for the purpose of granting low interest loans to students demonstrating financial need. After a student's graduation or withdrawal, Perkins loans are to be repaid over a maximum of ten years.

The Federal Perkins Loan Program expired on September 30, 2017 and the College did not disburse Perkins loans to any new student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. For the near future, the College plans to administer the Perkins

Loan Program and continue normal collections on the outstanding loan balance. Ultimately, the Perkins Loan funds are refundable to the U.S. Government to the extent funds are available from the program. Upon ultimate shut down of the program, the College would be required to return most of its loan program assets to the U.S. Government. The College, accordingly, has a liability of $5,202 to the U.S. Government at June 30, 2019 and 2018.

6. BONDS PAYABLE

Bonds payable, net of bond premium, bond discount and deferred financing costs, at June 30, 2019 and 2018 consisted of the following:

Ohio Higher Educational Facility Commission	2019	2018
Revenue Bonds dated October 1, 2009, maturing on October 1, 2019 in the amount of $36,600, with an interest rate of 5.000%, plus net bond premium of $291 and $872 and less deferred financing cost of $17 and $51 at June 30, 2019 and 2018, respectively.	$ 36,874	$ 37,421
Revenue Bonds dated September 12, 2013, maturing annually October 1, 2017 through 2038 in amounts ranging from $910 to $5,610 with an interest rate of 3.000% to 5.000%, plus bond premium of $2,060 and $2,270 and less deferred financing cost of $360 and $397 at June 30, 2019 and 2018, respectively.	47,725	50,318
Series 2014A, Bank Private Placement Variable Rate Bond, dated September 16, 2014, maturing annually October 1, 2023 through 2048 in amounts ranging from $965 to $2,295, with an interest rate that is reset monthly at 68% of 3-month LIBOR plus 40bps, less deferred financing cost of $120 and $126 at June 30, 2019 and 2018, respectively.	34,880	39,874
Series 2014B, Bank Private Placement Fixed Rate Bond, dated September 16, 2014, maturing on October 1, 2024 with an interest rate of 1.780% through September 1, 2019 and an assumed rate of 3.000% thereafter through maturity, less deferred financing cost of $28 and $33 at June 30, 2019 and 2018, respectively.	13,832	13,827
Revenue Bonds dated April 12, 2017, maturing annually October 1, 2018 through 2047 in amounts ranging from $650 to $10,955 with an interest rate of 2.000% to 5.000%, plus bond premium of $3,041 and $3,206 and less deferred financing cost of $434 and $458 at June 30, 2019 and 2018, respectively.	41,722	42,513
Total Bonds Payable, Net of Bond Premium, Bond Discount and Deferred Financing	$ 175,033	$ 183,953

In April 2017, the Ohio Higher Educational Facility Commission (the Commission) issued Higher Educational Facility Revenue Bonds on behalf of the College in the original principal amount of $39,765 plus a bond premium of $3,455. A portion of these bonds (par value $15,725) was used for an advance refunding of the outstanding principal of the October 2009 Revenue Bonds. The remaining funds are being utilized to support campus capital improvement projects. The College has entered into a lease agreement with the Commission on the properties financed with proceeds of the bonds. Payments due under the lease agreement represent the principal and interest due on the bonds.

In September 2014, Wells Fargo Municipal Capital Strategies, LLC facilitated a direct purchase refinancing of the College’s outstanding Ohio Higher Educational Facility Variable Rate Revenue Bond, Project 2008 in the amount of $40,000, and converted the interest rate mode of the Bonds to a Bank Private Placement Variable Rate Bond, Series 2014A. The College’s original lease agreement with the Commission on the properties financed with proceeds of the bonds remains in effect. Payments due under the lease agreement represent the principal and interest due on the bonds. The College refinanced these bonds with the proceeds of the August 2019 bond offering.

In September 2014, Wells Fargo Municipal Capital Strategies, LLC facilitated a direct purchase refinancing of the College's outstanding Ohio Higher Educational Facility Revenue Bond, 2014 maturity of the 2009 Project in the amount of $13,860, as a Bank Private Placement Fixed Rate Bond, Series 2014B. The College's original lease agreement with the Commission on the properties financed with proceeds of the bonds remains in effect. Payments due under the lease agreement represent the principal and interest due on the bonds. The College refinanced these bonds with the proceeds of the August 2019 bond offering.

In September 2013, the Ohio Higher Educational Facility Commission (the Commission) issued Higher Educational Facility Revenue Bonds on behalf of the College in the original principal amount of $52,395 plus a bond premium of $3,298. A portion of these bonds was used for a current refunding of the outstanding principal of the September 2003 Revenue Bonds. The remaining funds were utilized to support construction of the new Austin E. Knowlton Athletics Complex and improvements to the Central Heating Plant. The College has entered into a lease agreement with the Commission on the properties financed with proceeds of the bonds. Payments due under the lease agreement represent the principal and interest due on the bonds.

In October 2009, the Ohio Higher Educational Facility Commission (the Commission) issued $67,260 in Higher Educational Facility Revenue Bonds to refinance the 2005 Bonds (par value $49,770), the 2006 Bonds (par value $25,170) and to refinance $3,010 of the 1999 Bonds. The Higher Educational Facility bonds were issued at a premium of $11,456. The College has entered into a lease agreement with the Commission on the properties financed with proceeds of these bonds. Payments due under the lease agreement represent the principal and interest due on the bonds. Bonds with a par value of $16,000 were legally defeased with the April 2017 bond offering. The College refinanced these bonds with the proceeds of the August 2019 bond offering.

Future principal payments on the College's outstanding bonds at June 30, 2019 are as follows:

2020	$	2,460
2021		3,310
2022		3,465
2023		3,635
2024		4,644
Thereafter		153,086
	$	170,600

7. NOTES PAYABLE

The College has two $10,000 unsecured bank lines of credit with two banks. Both lines of credit have interest accruing at 30-day LIBOR plus 90 basis points (0.90%). One line of credit has interest accruing at 20 basis points (0.20%) on that portion of the line that is not encumbered. One line is a demand line of credit without a stated maturity and the other line expires on July 23, 2020. The balance outstanding on these lines of credit at June 30, 2019 and 2018 was $5,000 and $-0-, respectively, and is reflected in other current liabilities on the consolidated statements of financial position.

During fiscal year 2014, the College secured a maximum commitment unsecured term note in the amount of $18,000 from a local bank for construction purposes as part of the Gateway Complex Project, effective July 1, 2014 and terminating July 1, 2024. Interest shall accrue at 3-month LIBOR plus 70 basis points (0.70%). According to the terms of the note, the College made interest only payments between the closing date and July 1, 2017. Effective October 1, 2017, the notional amount of the term note will amortize by $180 per quarter with a final balloon payment due on the termination date. The balance outstanding on this term note at June 30, 2019 and 2018 and was $16,740 and $17,460, respectively. At June 30, 2019 and 2018, $720 and $720, respectively, is reflected within other current liabilities and the remainder is reflected within loans payable on the consolidated statements of financial position.

Future principal payments on the College's maximum commitment term note at June 30, 2019 are as follows:

2020	$	720
2021		720
2022		720
2023		720
2024		720
Thereafter		13,140
	$	16,740

8. INTEREST RATE SWAP ARRANGEMENTS

The College entered into a basis swap arrangement with an initial notional amount of $71,885, effective December 1, 2005, and terminating October 1, 2033. Under the terms of this basis swap arrangement, the College receives semi-annual interest payments based on 68% of the 3-month LIBOR plus 45.2 basis points (0.452%) and makes semi-annual interest payments based on 100% of the variable Securities Industry and Financial Markets Association Municipal Swap Index interest rate. The notional amount of the swap arrangement, which amortizes to zero concurrent with the original amortization of the 1999 and 2003 bonds, was $37,840 and $39,650 at June 30, 2019 and 2018, respectively. The net settlement amount earned under this swap arrangement was $253 and $215 for the years ended June 30, 2019 and 2018, respectively, and is included in operating income in the consolidated statement of activities. The College terminated this basis swap arrangement in September 2019.

The College entered into an interest rate swap arrangement in October 2007 with an initial notional amount of $77,870, terminating October 1, 2048. This interest rate swap arrangement was amended and restated and fixed the notional amount at $40,000, matching the 2008 bond issuance, effective April 18, 2008. Under the terms of this amended swap arrangement, the College receives monthly interest payments based on 68% of 3-month LIBOR and makes monthly interest payments at a fixed interest rate of 3.565%. The net settlement amount expensed was $735 and $950 for the year ended June 30, 2019 and 2018, respectively.

The College entered into an interest rate swap arrangement in June 2014 with an initial notional amount of $18,000, effective July 1, 2016 and terminating June 27, 2024. During the draw period, which ended June 30, 2016, the College accrued interest at 3-month LIBOR plus 70 basis points (0.70%). Under the terms of this swap arrangement, the College will make monthly interest payments at a fixed interest rate of 3.99%. The net settlement amount expensed was $132 and $294 for the year ended June 30, 2019 and 2018, respectively. The notional amount of the swap arrangement will amortize by $180 per quarter beginning fiscal year 2018 with a final balloon payment due on the termination date.

The fair market value of these arrangements, which is included in other non-current liabilities on the consolidated statements of financial position and is classified as Level 2 of the fair value hierarchy at June 30, is as follows:

	2019	2018
Interest rate swap arrangement effective December 1, 2005	$ 1,177	$ 805
Interest rate swap arrangement effective April 18, 2008	(12,927)	(9,262)
Interest rate swap arrangement effective July 1, 2016	(1,154)	(432)
Total Fair Market Value of Interest Rate Swap Arrangements	$ (12,904)	$ (8,889)

9. LONG-TERM RECEIVABLES AND LOANS PAYABLE

Gateway Complex Project

During fiscal year 2014, the College began development of the Gateway Complex Project. The project involves the acquisition, rehabilitation, and redevelopment of the Oberlin Inn to be known as the Gateway Complex. The property is held in College Properties of Northern Ohio, Inc., a wholly owned subsidiary and supporting nonprofit organization of the College. The project includes the construction of a new hotel with a conference center, retail space, and a wing for the College's Admissions operations and additional academic space at a cost of approximately $40,000. The project contains a fundraising component, utilizes Federal New Market Tax Credit funding as well as funds to be advanced by the College. The College secured a maximum commitment term note in the amount of $18,000 from a local bank (Note 7) and finalized three tax credit issues in connection with the project. The Hotel at Oberlin opened in 2016 and the remainder of the project was completed in the spring of 2017.

To facilitate the first Federal New Market Tax Credit structure, on December 31, 2013, the College loaned a total of $2,076 in the form of a note to DVCI XVIII QEI, LLC, an unrelated entity. The note bears interest at the rate of 1.0524% per annum and is payable quarterly. The note matures December 31, 2038 with interest only payments to be paid quarterly until December 31, 2020 at which time principal and interest payments will be due in the amount of $32 per quarter. The related notes receivable balance is included in other long-term receivables on the consolidated statements of financial position.

College Properties of Northern Ohio, Inc. received two loans totaling $2,910 from DVCI CDE XVIII, LLC, an unrelated entity. The proceeds of the loans were used to purchase the Oberlin Inn property from the College. The loans bear interest at the rate of 1.0% per annum and are payable quarterly. The loans mature December 31, 2038 with interest only payments to be paid quarterly until December 31, 2020 at which time principal and interest payments will be due in the amount of $44 per quarter. These loans are included in loans payable on the consolidated statements of financial position.

To facilitate the second Federal New Market Tax Credit structure, on September 23, 2014, the College loaned a total of $4,175 in the form of a note to Chase NMTC Oberlin Gateway Investment Fund, LLC, an unrelated entity. The note bears interest at the rate of 1.0000% per annum and is payable quarterly. The note matures September 23, 2044 with interest only payments to be paid quarterly until December 15, 2021 at which time principal and interest payments will be due in the amount of $51 per quarter. The related notes receivable balance is included in other long-term receivables on the consolidated statements of financial position.

College Properties of Northern Ohio, Inc. received two loans totaling $2,700 from CNMC SUB-CDE 48, LLC, an unrelated entity, and two loans totaling $3,395 from DVCI CDE XVI, LLC, an unrelated entity. The proceeds of the loans were used for the Gateway Complex Project. The loans bear interest at the rate of 0.8183% per annum and are payable quarterly. The loans mature September 23, 2044 with interest only payments to be paid quarterly until December 5, 2021 at which time principal and interest payments will be due in the amount of $32 and $41 per quarter, respectively. These loans are included in loans payable on the consolidated statements of financial position.

To facilitate the third Federal New Market Tax Credit structure, on March 3, 2016, the College loaned a total of $3,530 in the form of a note to Chase NMTC Oberlin Gateway 2 Investment Fund, LLC, an unrelated entity. The note bears interest at the rate of 1.0000% per annum and is payable quarterly. The note matures March 3, 2046 with interest only payments to be paid quarterly until June 15, 2023 at which time principal and interest payments will be due in the amount of $43 per quarter. The related notes receivable balance is included in other long-term receivables on the consolidated statements of financial position.

College Properties of Northern Ohio, Inc. received two loans totaling $4,988 from Western Reserve DF Affiliate IX, LLC, an unrelated entity. The proceeds of the loans will be used for the Gateway Complex Project. The loans bear interest at the rate of 1.2342% per annum and are payable quarterly. The loans mature March 3, 2046 with interest only payments to be paid quarterly until June 5, 2023 at which time principal and interest payments will be due in the amount of $44 and $18 per quarter, respectively. These loans are included in loans payable on the consolidated statements of financial position.

Future principal payments on loans held by College Properties of Northern Ohio, Inc. at June 30, 2019 are as follows:

2020	$ -
2021	208
2022	392
2023	537
2024	589
Thereafter	12,267
	$ 13,993

Apollo Theater Project

During fiscal year 2012, the College finalized a tax credit funded project in connection with the rehabilitation and redevelopment of the Apollo Theater. The property is held in Apollo Theater LLC, a subsidiary of the College. The project utilized Federal and State Historic Tax credits as well as Federal New Market Tax Credit funding. This $10,300 project was substantially completed in September 2012.

To facilitate the Federal New Market Tax Credit (NMTC) structure, on October 14, 2011 the College loaned a total of $5,754 in the form of two notes to the Apollo Theater Investment Fund LLC, an unrelated entity. The notes bear interest at the rate of 1.0% per annum, and are payable quarterly. The notes mature October 14, 2041 with interest only payments to be paid quarterly until December 2018 and can be prepaid at any time without penalty. The related notes receivable balance of $4,440 at June 30, 2018 is included in other long-term receivables on the consolidated statements of financial position. In December 2018, the Federal NMTC structure was unwound.

The Apollo Theater LLC received two loans totaling $7,760 from a community development entity, an unrelated entity. The proceeds of the loans were used to renovate the Apollo Theater. The loans bear interest at 0.6366% per annum, payable quarterly. The loans mature October 14, 2041 with interest only payments to be paid in equal quarterly installments until December 2018 at which time principal and interest payments will be due in the amount of $52 per quarter. At June 30, 2018, $225 is reflected within other current liabilities and the remainder is reflected within loans payable on the consolidated statements of financial position. In December 2018, the loans were forgiven as part of the unwinding process.

10. POSTRETIREMENT BENEFITS

The College sponsors an unfunded defined benefit postretirement health care plan that covers substantially all regular status employees. The plan pays stated percentages of most necessary medical expenses incurred by retirees, after subtracting payments by Medicare or other providers and after a stated deductible has been met. Employees hired after June 30, 1996 become eligible to participate in the plan if they retire from the College after reaching age 52, with 10 years of service. The plan is contributory, with retiree contributions adjusted annually. In 2017, the College supplemented this existing plan with a non-contributory stipend plan, whereby retirees instead receive a retiree health stipend that is intended to be equivalent to the College's expected annual contribution to the existing plan, allowing our retirees to utilize the stipend to pay premiums toward another retiree healthcare insurance plan providing either more or less coverage. Effective January 2020, the College is moving to an Employer Group Waiver Plan (EGWP) design for Medicare eligible retirees.

The accounting for these postretirement healthcare benefits at June 30, 2019 anticipated future cost-sharing changes to the existing plan consistent with the College's policy stating that annual minimum retiree contributions will be set at an amount equal to 44% of the College's estimated cost before considering the contribution.

The weighted average assumptions used to determine net benefit obligation for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Discount Rate	7.00%	7.00%
Health Care Trend Rates – (Pre-65)		
Trend for Next Year	7.60%	8.00%
Ultimate Trend	4.50%	4.50%
Year Ultimate Trend Reached	2026	2026
Health Care Trend Rates – (Post-65)		
Trend for Next Year	8.40%	8.90%
Ultimate Trend	4.50%	4.50%
Year Ultimate Trend Reached	2026	2026
Measurement Date	June 30, 2019	June 30, 2018

The effects of a one percent change in the assumed health care cost trend rate in each year are summarized in the following table. With the change in design effective January 1, 2020, changes in health care cost trend rates have an opposite effect on benefit obligation change than the prior design. The change will have a delayed effect on the change in service cost and interest cost, since they are measured at the beginning of the year and benefit obligation is measured at the end of the year.

	2019	2018
Effect of an increase:		
On Benefit Obligation, End of Year	$ 339	$ (153)
On Service Cost and Interest Cost for Year	$ (9)	$ (11)
Effect of a decrease:		
On Benefit Obligation, End of Year	$ (487)	$ 147
On Service Cost and Interest Cost for Year	$ 9	$ 11

The following table reflects the change in accrued postretirement health care cost liability for the years ended June 30, 2019 and 2018:

Change in Benefit Obligation	2019	2018
Benefit obligation at beginning of year	$ 20,848	$ 21,187
Service cost	640	628
Interest cost	1,371	1,393
Plan amendments	747	-
Actuarial loss	(60)	(316)
Benefits paid	(2,152)	(2,044)
Benefit obligation at end of year	$ 21,394	$ 20,848

Net periodic postretirement health care cost for the years ended June 30, 2019 and 2018 included the following components:

Net periodic postretirement benefit cost	2019	2018
Service cost – benefits attributed to service during the period	$ 640	$ 628
Interest cost on accumulated postretirement benefit obligation	1,371	1,393
Net amortization and deferral	(196)	(196)
Net loss	241	296
Net periodic postretirement benefit cost	$ 2,056	$ 2,121

The estimated future benefit claims expected to be paid in each of the next ten fiscal years are:

	Total Claims	Medicare Reimbursement	Net Claims
2020	$ 1,628	$ 131	$ 1,497
2021	1,557	-	1,557
2022	1,643	-	1,643
2023	1,751	-	1,751
2024	1,846	-	1,846
2025-2029	10,654	-	10,654

Medicare reimbursements reflected above are based on the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Assuming retiree contributions of 44% to the existing plan, the College expects to contribute $838 toward expected net claims of $1,497 in fiscal year 2020. Medicare reimbursements will cease effective for claims under the plan design effective January 1, 2020.

11. RETIREMENT PLAN

The College has a contributory defined contribution retirement plan with the Teachers Insurance and Annuity Association. The College makes contributions based on a percentage of an eligible employee's earnings. Contributions for the years ended June 30, 2019 and 2018 were $6,767 and $7,768, respectively.

12. 25-YEAR POWER PURCHASE AGREEMENT

In May 2012, the College entered into a 25-year Power Purchase Agreement to prepay $5,572 of electric. The related prepayment balance of $4,268 and $4,461 at June 30, 2019 and 2018, respectively, is included in other non-current assets on the consolidated statements of financial position. Prepaid electric is expensed based on the actual output generated by the solar photovoltaic array.

13. CONDITIONAL ASSET RETIREMENT OBLIGATION

The College recognizes the costs associated with the retirement of assets, which primarily are for the future remediation and removal of asbestos from College-owned property. Such costs are not material to the College, given the dates of construction for its buildings. However, the College has recorded an accrual for these costs of approximately $2,615 and $2,565 at June 30, 2019 and 2018, respectively, within other non-current liabilities on the consolidated statements of financial position.

14. COMMITMENTS AND CONTINGENCIES

At June 30, 2019, the College has outstanding commitments on various construction projects totaling approximately $7,723.

The College is involved in litigation and is subject to certain claims that arise in the normal course of operations. Any liabilities required to be recorded under generally accepted accounting principles are reflected within other non-current liabilities on the consolidated statements of financial position and are not material to the College's financial position. In the opinion of management, with the exception of the Gibson matter noted below, the ultimate disposition of such litigation and claims will not have a material adverse effect on the College's operations or financial position.

On November 7, 2017, Gibson Bros., Inc., David Gibson, and Allyn W. Gibson (the "Plaintiffs") filed an eight-count complaint in the Lorain County (Ohio) Court of Common Pleas against the College and Vice President and its Dean of Students (together, the "College"). The matter is captioned Gibson Bros., Inc., et al. v. Oberlin College, et al., No. 17CV193761 (Lorain Cty. C.P.). On June 7, 2019, the jury returned a verdict in favor of Plaintiffs and awarded Plaintiffs a total of $11,075 in compensatory damages. On June 13, 2019, the jury awarded Plaintiffs a total of $33,223 in punitive damages, for a total verdict of $44,298.

On June 27, 2019, the Court applied Ohio's statutory damages caps and entered judgment in favor of Plaintiffs for $25,049, which includes $5,175 in compensatory damages and $19,874 in punitive damages. On July 17, 2019, the Court awarded Plaintiffs $6,272 in attorneys' fees and $294 in litigation expenses, for a total judgment against the College of $31,615. On July 30, 2019, and in compliance with the Court's July 24, 2019 ruling on the College's motion to stay execution of the judgment, the College posted an appeal bond for $36,368. The amount of the bond includes three years of post-judgment interest at the statutory rate of 5%.

On October 8, 2019, the College filed a notice to appeal the judgment to the Ninth District Court of Appeals in Akron, Ohio, and stated its intent to ask the Ninth District to enter judgment in favor of the College or, alternatively, to order a new trial and/or reduce the amount of the judgment. On October 18, 2019, Plaintiffs filed a notice of cross appeal and conditional cross appeal in which, among other possible issues, they stated their intent to ask the Ninth District to find that the application of Ohio's statutory damages caps to this case violated Plaintiffs' constitutional rights.

The College has overlapping umbrella and excess insurance policies. Insurance coverage will not be determined until the appeals are exhausted or the matter is otherwise resolved. As required by financial accounting standards, the College has recorded a liability of $31,615 at June 30, 2019 which is included in other non-current liabilities on the consolidated statements of financial position.

15. VOLUNTARY SEPARATION INCENTIVE PLAN

During the 2016 fiscal year, the Voluntary Separation Incentive Plan (the Plan) was offered to eligible employees as a financial incentive to voluntarily retire from the College. The purpose of the Plan was to reengineer and reduce staffing for certain functions, reassign positions to more strategic priorities of the College, provide promotional opportunities to certain early and middle career employees, and to allow the hiring of replacement staff at a lower overall cost.

All full-time employees (minimum .83 FTE) age 52 or older with a minimum of ten years of service and whose combined age and service years equaled or exceeded 75 were eligible and offered the retirement incentive. The incentive consisted of a payout based on their salary at time of separation to be paid over a 12 month period after the final separation date. Of the approximate 323 employees eligible for the Plan, 97 participated. At June 30, 2019 and 2018, $121 and $469 is reflected within other current liabilities, respectively, and $181 and $302 is reflected within other non-current liabilities on the consolidated statements of financial position, respectively.

During the 2018 fiscal year, a second similar offering was extended to eligible faculty. Seventeen faculty members have opted to participate. The College has recorded an accrual for these costs of approximately $1,900 at June 30, 2018 reflected as restructuring costs on the consolidated statement of activities. At June 30, 2019 and 2018, $913 and $363 is reflected within other current liabilities, respectively, and $624 and $1,537 is reflected within other non-current liabilities on the consolidated statements of financial position, respectively.

16. FUNCTIONAL EXPENSES

Expenses classified by natural and functional classification, for the year ended June 30, are summarized as follows:

	2019					
	Instruction & Research	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Operating Expenses						
Salaries and benefits	$ 61,783	13,917	$ 11,967	$ 15,393	$ 5,407	$ 108,467
Supplies and services	7,373	1,469	1,509	2,453	7,940	20,744
Building costs	2,920	705	42	1,953	9,788	15,408
Fees	1,309	1,259	744	3,572	710	7,594
Other	1,929	1,001	2,006	542	510	5,988
Interest	3,410	-	66	731	2,921	7,128
Depreciation	9,105	6,523	381	198	6,434	22,641
Total operating expenses	$ 87,829	$ 24,874	$ 16,715	$ 24,842	$ 33,710	$ 187,970

Fundraising expenses of $5,721 are included in the functional expense category of institutional support. Natural expenses attributable to more than one function are allocated using a variety of cost allocation techniques, such as the functional use of various buildings and total building square footage.

17. LIQUIDITY AND AVAILABILITY

The table below represents financial assets available for general expenditures within one year of June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	$ 22,974
Accounts receivable, net	5,006
Pledges, net	9,827
Student loans, net	9,774
Investments	995,507
Total financial assets as of June 30, 2019	1,043,088
Less amounts not available to meet cash needs for general expenditure within one year:	
Contractional or donor restrictions:	
Restricted in perpetuity	334,999
Accumulated endowment earnings	478,927
Restricted by time or purpose	58,507
Federal student loan funds	5,202
Board designated endowment funds	155,756
Board designated funds	9,057
Financial assets available to meet cash needs for general expenditures within one year	$ 640
Liquidity resources:	
Budgeted appropriation of endowment funds	38,560
Anticipated receipt of pledge payments for general operations	981
Line of credit	15,000
Total financial assets and liquidity resources available within one year	$ 55,181

Upon maturity, annuities not designated by the annuitant for a specific purpose will be designated by the board, usually as endowment funds. At June 30, 2019, those net assets totaled $9,057.

The College regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

18. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of the following at June 30:

		2019		2018
Subject to expenditure for the following specified purposes:				
Academic/administrative support	$	26,142	$	27,983
Plant; facilities and equipment		24,884		45,825
Scholarship and prizes		3,642		3,008
Lectureships		1,073		1,050
Library operations/acquisitions		166		147
Funds held in trust		101		61
Professorships		49		47
Other		2,450		3,306
	$	58,507	$	81,427
Endowments, subject to spending policy and appropriation:				
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	$	290,359	$	276,666
Accumulated endowment earnings		478,927		454,826
	$	769,286	$	731,492
Other net assets restricted in perpetuity:				
Split interest agreements	$	17,302	$	17,461
Student loan funds		5,710		5,954
Trusts held by others		18,427		18,555
Endowment contributions receivable		3,201		8,377
	$	44,640	$	50,347
Total net assets with donor restrictions	$	872,433	$	863,266

Endowments are restricted for the following purposes at June 30:

		2019		2018
Academic/administrative support	$	374,764	$	358,775
Scholarship and prizes		264,307		246,744
Professorships		90,651		87,808
Plant; facilities and equipment		18,984		18,390
Library operations/acquisitions		12,689		12,232
Lectureships		4,958		4,701
Endowment contributions receivable		3,201		8,377
Other		2,933		2,842
	$	772,487	$	739,869

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows as of June 30:

	2019	2018
Satisfaction of purpose or time restrictions:		
Amortized contributions for long-lived assets	$ 25,643	$ 2,352
Scholarship and prizes	12,981	13,026
Academic/administrative support	8,068	8,291
Professorships	4,151	4,138
Government grants	1,544	1,731
Plant; facilities and equipment	1,132	1,082
Funds held in trust	839	745
Lectureships	192	206
Library operations/acquisitions	100	103
Other	199	374
Total net assets released from donor restrictions	$ 54,849	$ 32,048

19. SUBSEQUENT EVENTS

On August 1, 2019, the College issued $82,065 taxable refunding bonds to refinance the Series 2009 Bonds, the Series 2014A Bonds and the Series 2014B Bonds. Payments due under the agreement represent the principal and interest due on the bonds, and repayment of the bonds is guaranteed by the College. The Series 2019 Bond matures with a balloon payment due on August 1, 2049.