OBERLIN

COLLEGE OF ARTS & SCIENCES
CONSERVATORY OF MUSIC

Oberlin College Financial Report

Year Ended June 30, 2009

Table of Contents

	Page
Report of the Vice President for Finance	1-8
Independent Auditors' Report	9
Statements of Financial Position	10-11
Statements of Activities	12-13
Statements of Cash Flows	14
Notes to Financial Statements	15-25

Oberlin College
Financial Report
Year ended June 30, 2009

Financial Report 2008-2009

Ronald R. Watts, Vice President for Finance
Mark R. Bates, Associate Vice President for Finance

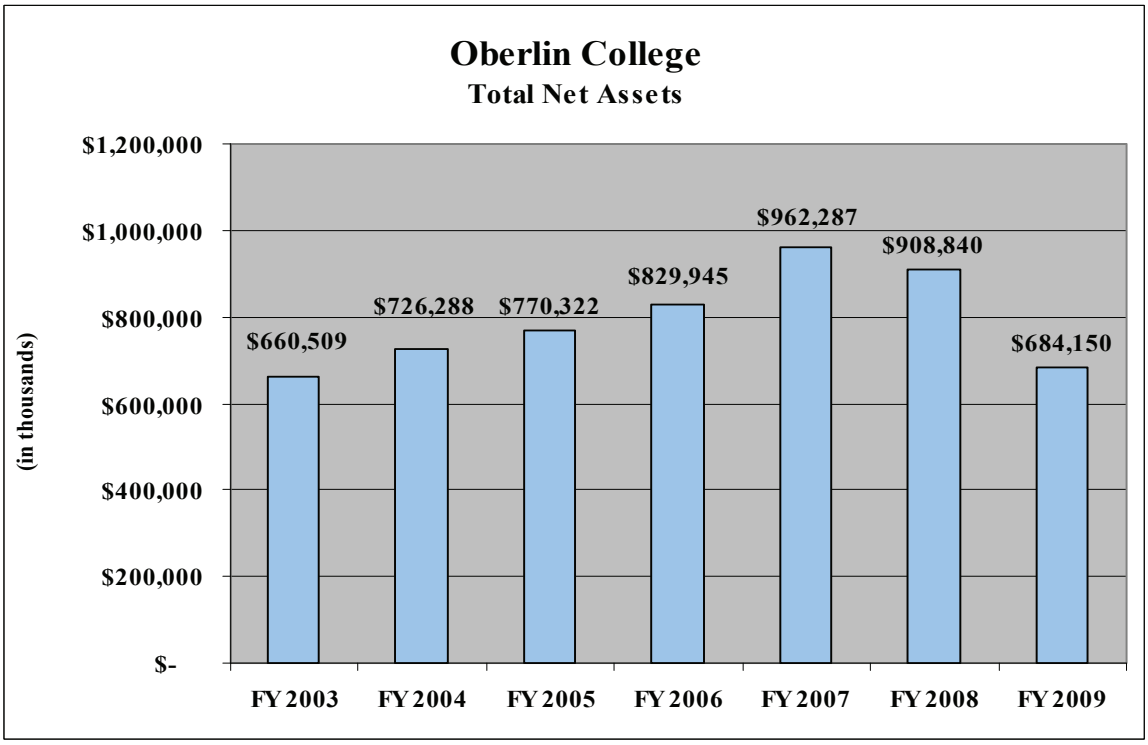
We are pleased to present Oberlin College's Annual Financial Report for the year ended June 30, 2009. This report includes our audit report, audited financial statements and related footnotes to the statements.

To provide a more complete picture of the state of the College, we are also presenting an overview of our financial condition and our operating results for the year. Finally, we have included comments regarding events that have occurred subsequent to our fiscal year end, and their effects on the College and its financial position.

FINANCIAL CONDITION

Total Net Assets

At June 30, 2009, Oberlin's total assets are $947 million, down 19% from last year's $1.17 billion. Total liabilities as of June 30, 2009 are $263 million, a slight increase over last year's $257 million. Total net assets for the College are $684 million, compared to $909 million as of June 30, 2008**.** This represents a decrease of $225 million, or 25%, during this fiscal year, as compared to last fiscal year's decrease of $53.5 million, or 5.6%.



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

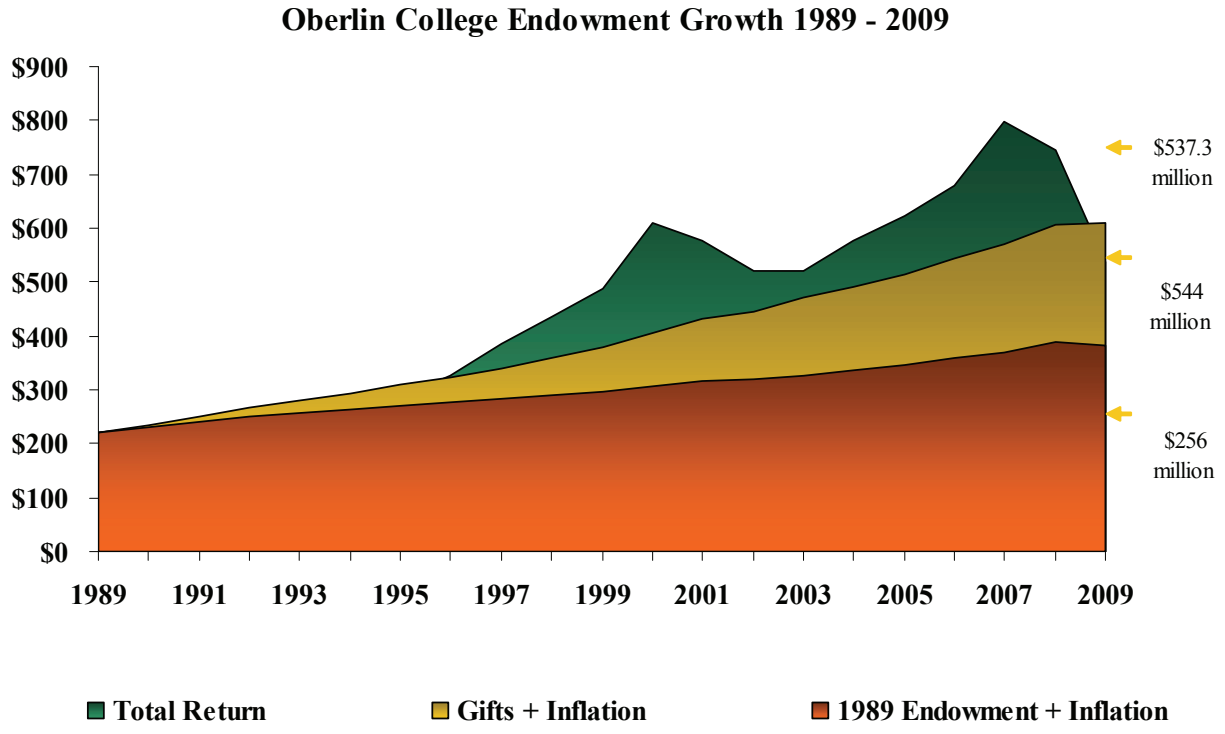
Endowed Funds

Total endowed funds as of June 30, 2009 are $537.3 million, compared to $744.4 million the previous year, a decrease of $207.1 million, as compared to last fiscal year's decrease of $53.5 million.

The endowment is the financial cornerstone of the College, with investment earnings from the endowment providing long-term funding for student financial aid, faculty compensation and academic programs. Most of Oberlin's 1,400 endowed funds are invested within its General Investment Pool. The College's General Investment Pool was $743.5 million at June 30, 2008, and declined to $536.6 million at June 30, 2009. Growth in the General Investment Pool is the result of donor- and board-designated gifts received from generous alumni and friends during the fiscal year as well as the increase or decrease in the market value of the pooled investments. Capital and deferred gifts totaled $16.7 million this fiscal year, of which $6.7 million were donor-designated endowed gifts. In addition, $1.8 million in unrestricted gifts were designated by the College's board as endowed funds. Last year, capital and deferred gifts were $8.2 million, with $4.4 million of donor-designated endowed gifts, and $1.8 million of board-designated funds.

The Oberlin College Board of Trustees' Investment Committee and investment staff are responsible for oversight of the General Investment Pool. In fiscal year 2009, the net total return was a net negative return of 22.0%, versus a net negative return of 1.9% in fiscal year 2008. This negative return is a result of the unprecedented events in the financial markets beginning in 2008. Oberlin's returns are comparable to the returns experienced by our peers.

Over the past twenty years, the General Investment Pool has grown from $220.6 million to $536.6 million. During the past couple of decades Oberlin College's spending and investment policies have provided substantial levels of cash flow to the operating budget in support of 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, oil and gas and other alternatives. Our allocations to these alternative investments have been higher than other endowments our size; however, our relatively higher allocations have both increased investment returns and decreased volatility. The College's Investment office staff regularly rebalances our portfolio allocations as directed by our Board's Investment Committee.

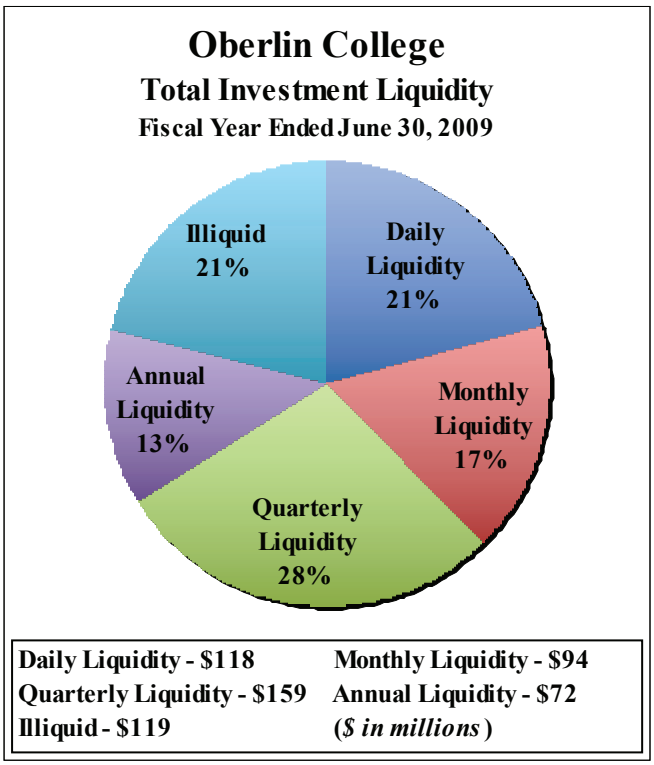
The following is the College's targeted endowment portfolio allocation for the year ending June 30, 2009.

Hedge Funds	39%	
Private Equity	16%	
Real Assets	10%	
Total Alternative Investments		65%
U.S. Equity	10%	
International Equity	6%	
Emerging Market Equity	4%	
Total Equity		20%
Fixed Income		15%
Total		100%

Actual investment balances at June 30, 2009 and 2008 are reflected in Footnote 2 to the financial statements. It should be noted that the College's Investment office typically rebalances portfolio allocations at the end of each quarter. This can result in higher than targeted levels of and increased investment proceeds receivable balances at fiscal year-end. Actual investment allocations at June 30, 2009 and 2008 do reflect such greater balances in cash.

Liquidity

Our targeted portfolio allocation results in portions of our investment pool not being highly liquid. In response to severe financial market instability, the Board's Investment Committee re-evaluated the College's assets, liquidity constraints and spending needs in late 2008. As a result, the Committee temporarily increased liquidity in the Endowment to avoid the risk of being forced to sell securities in highly distressed markets. This decision has resulted in Oberlin having a stronger liquidity profile than many prominent institutions. It has also enabled us to access certain otherwise unavailable opportunities. The College's Investment Office staff is currently conducting due diligence on the most promising of these vehicles. The following chart depicts the total liquidity of both our $537.3 million endowment and $26.8 million in cash equivalents and short-term investments at June 30, 2009.



Plant Funds

Net assets designated for plant facilities, or plant equity, is the second largest component of the College's total net assets, totaling $103.3 million ($96.4 million last year). Plant equity is reflected either in unrestricted net assets or temporary restricted net assets, the latter representing gifts to support investment in plant. Plant equity consists primarily of the College's property, plant and equipment assets, at cost, net of accumulated depreciation and capital-related debt.

The College added approximately $33.3 million to its Property, Plant and Equipment assets in the year ended June 30, 2009. The College made many major capital expenditures during the fiscal year, such as the renovation of several dormitories (113 beds in the Harvey-Kade-Price complex, and another 97 beds in Noah Hall); construction of the new Williams Field House (via improvements to the old Williams Skating Rink); roof replacements and interior renovations to various academic buildings and residence and dining halls; the purchase of scientific equipment for our science labs; and the purchase of instruments for our Conservatory. After depreciation of $15.1 million, and the demolition and write-off of the Jones Field House, net plant assets grew by roughly $18.5 million.

The College has a number of capital projects in progress or under development. These projects are funded primarily from the issuance of bonds or the generous gifts of alumni and friends. Work continues on the construction of the Litoff Conservatory Facility and on many significant improvements to Allen Memorial Art Museum's infrastructure. At June 30, 2009, we are well underway with major dormitory renovations in Burton (183 beds) and Lord-Saunders (70 beds). And, we have begun construction of new student housing on North Professor (150 beds).

Debt

The College has $180 million of outstanding bonded debt at June 30, 2009, as described in greater detail within Footnote 4 to the financial statements.

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 considers the following objectives as prudent debt portfolio management:

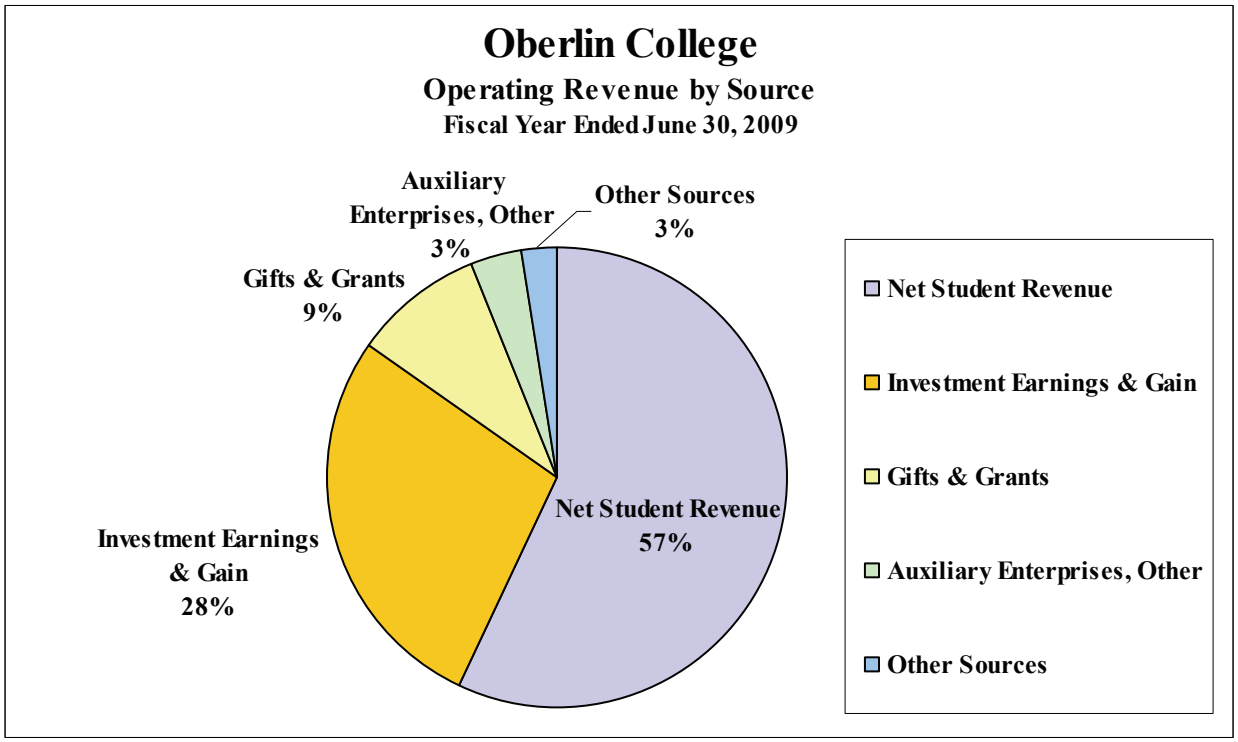
- ensure that an appropriate mix of funding sources is used;
- limit the overall debt to a level that, when combined with the College's strategic initiatives, will help preserve appropriate credit ratings over the long term;
- achieve a low risk-adjusted cost of capital while balancing that effort appropriately 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.

During the fiscal year 2006, Oberlin entered into three derivative transactions: a basis swap involving taxable and tax exempt variable interest rates and two variable-to-fixed interest rate swaps. In fiscal year 2008 the College entered into a fourth basis swap. These swaps were used to limit the 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. Because of the unusual interest rate environment, these swaps have varied widely in value, which would be relevant should the College desire to unwind these swaps. However, the College has no intent to unwind the swaps, as they allow the College to enjoy a synthetically fixed cost of capital rate of approximately 4% on its outstanding bonds.

OPERATING RESULTS – FISCAL YEAR 2009

Operating Revenues

Oberlin's total operating revenues were $147.6 million for the year ended June 30, 2009, an increase of $4.1 million over the prior year's $143.5 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, comprising tuition, fees, room and board, net of student financial aid, is the largest component of Oberlin's unrestricted operating revenues, totaling $84.1 million in the current year versus $79.0 million the previous year, an increase of approximately 6.5%. Student enrollment was slightly higher than in the previous fiscal year. Thus, the increase in net student revenue was almost entirely driven by increases in tuition, room, and board rates, which increased by approximately 5.4%. However, total student financial aid increased by $4.8 million dollars, or 12.1%. As such, our discount rate for June 30, 2009 increased to 41.9%, from 40.5% in the previous fiscal year (calculated as the percentage of Total Financial Aid to Total Unrestricted Tuition and Fees).

Endowment earnings used in support of unrestricted operations is the second largest component of the College's unrestricted operating revenues. In both fiscal year 2009 and 2008, approximately $17.1 million of support was provided in accordance with the endowment spending policy approved by the Board of Trustees. 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 release earnings at a sustainable rate over the long term while seeking to provide predictability and stability of endowment spending essential for long range planning.

For fiscal year 2009, the College distributed a total of $40.1 million, which equates to a spending rate of 5.4% of the 36-month weighted average of our endowment pool, and 6.7% of the beginning market value. This compares to $39.2 million distributed in 2008, which equated to a spending rate of 4.9% of the 36-month weighted average, and 5.9% of the beginning market value of our endowment pool. These distribution amounts not only reflect the distribution of direct operating budget support referenced above, but also amounts supporting donor-restricted and board-restricted activities, such as restricted scholarships.

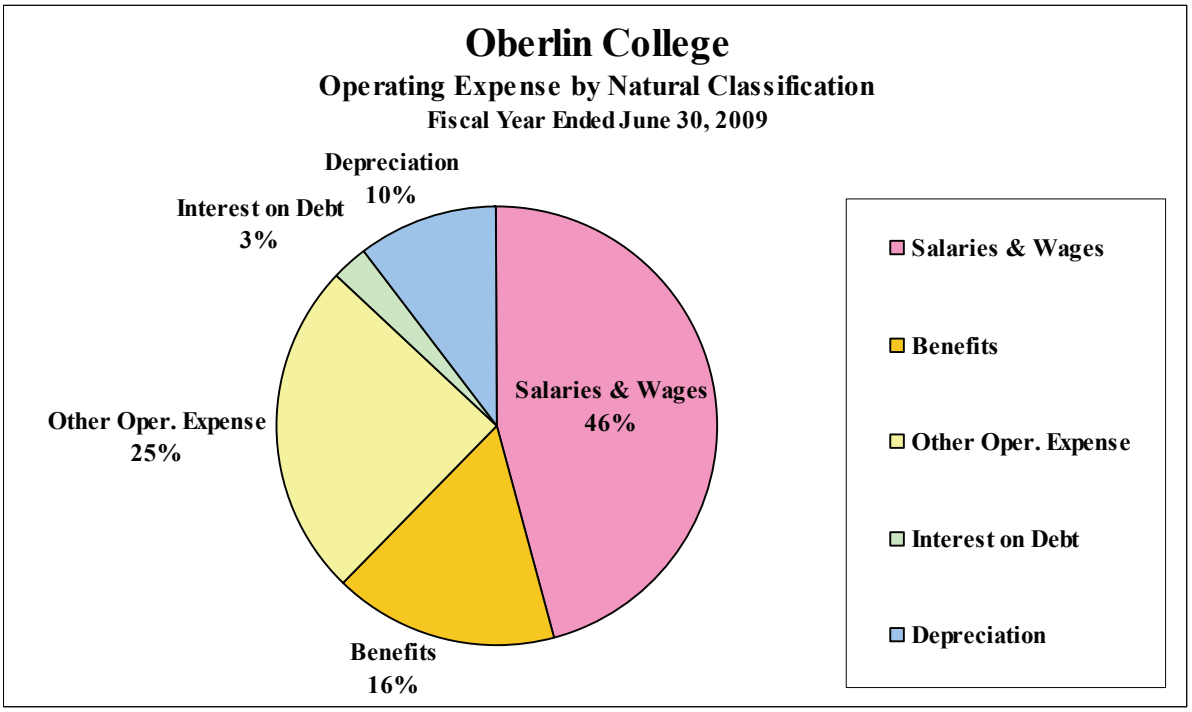
Oberlin's third largest component of unrestricted operating revenues is support from unrestricted Private Gifts and Grants. The timing of the receipt of bequests is unpredictable, and the varying size of such bequests can cause fluctuations in giving from year to year, as depicted in this chart (dollars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

	2005-06	2006-07	2007-08	2008-09
Undesignated Bequests	$ 3,467	$ 5,266	$ 2,285	$1,999
Unrestricted Giving	2,800	2,667	2,652	2,450
Total	$ 6,267	$ 7,933	$ 4,937	$4,449

Operating Expenses

Oberlin's operating expenses totaled $148.4 million for the year ended June 30, 2009, an increase of $6.2 million over the prior year. Like our peers, Oberlin College's expenses tend to increase at rates which exceed traditional price indices, such as the Consumer Price Index, or "CPI". This occurs because our costs are more heavily weighted toward salaries, benefits and energy than the average consumer. The Higher Education Price Index (HEPI), as reported by the Commonfund Institute, tends to be a more accurate indicator of cost changes for colleges and universities than the CPI. In the previous ten-year period, HEPI has tended to average approximately 1.0-1.5% higher than CPI.

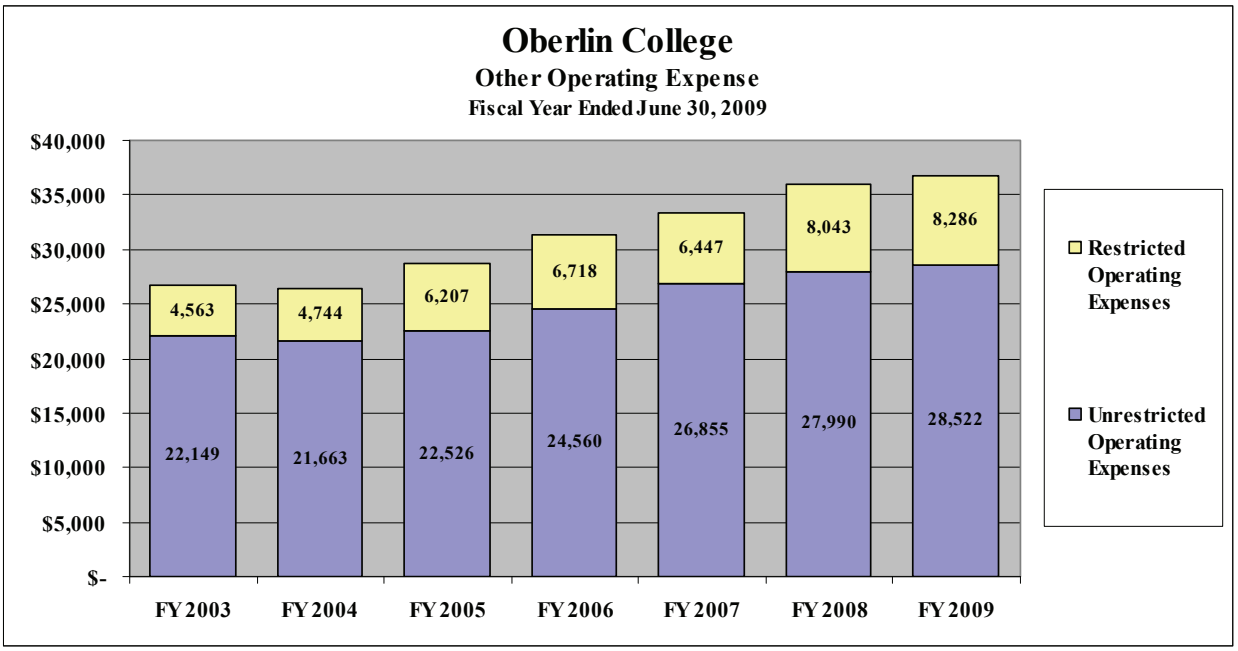
While the audited financial statements present operating expenses by program, as required by accounting and reporting standards, the chart below reflects the fiscal year 2009 operating expenses by natural classification, or function, to enable greater analysis of expenses and spending trends.



Salaries and wages are by far our largest component of operating expense, totaling approximately $68.3 million in fiscal year 2009. This represents an increase of 4.4% over the fiscal year 2008 total of $65.4 million. The majority of this increase is the result of annual salary and wage increases (which generally ranged from 3-6%), as the headcounts of the various employee classifications remained relatively constant.

Other operating expense, which includes utilities expense and food costs, is our second largest spending component, totaling approximately $36.8 million in fiscal year 2009. This represents an increase of 2.2 over the fiscal year 2008 total of $36.0 million, as compared to the 8.2% increase experienced the previous fiscal year. Much of this previous year's increase was the result of significant restricted fund expenditures that are grouped into this category, such as the Brand Identity Initiative program, Lewis Center design fees, and Capital Campaign planning expenses. Such restricted fund expenditures were much more limited in 2009.

Unrestricted operating expense only increased by 1.9% over the prior fiscal year. The prices of food and energy are entirely dependant on market factors, as we must continue to feed our students and heat our buildings regardless of costs. However, we work closely with our strategic partners to manage these costs in spite of inflationary pressure. Every effort is made to restrain spending increases to modest levels through our budgetary process, and our institution has made great progress in recent years at moderating increases in spending. As depicted below, the College actively reduced other spending during fiscal year 2003 and 2004, by -3.8% and -1.1%, respectively. As such, total fiscal year 2009 spending, inclusive of restricted spending and significant increases in food and energy costs, represents just a 3.6% compounded rate of increase over the last eight years.



Employee benefits expense is our next largest component of operating expense. This expense classification, which includes the College's 403(b) employee defined contribution plan and the College's health plan for both active employees and retirees, totaled $24.3 million in fiscal year 2009 as compared to $21.7 million in fiscal year 2008. Contributions to the 403(b) plan are directly proportional to increases in salaries and wages. Only minor changes have been made to the design of this benefit in a number of years, such that contribution increases are almost entirely because of increases in salaries and wages. The cost of health care, on the other hand, continues to increase at trend rates of 8-12%, before consideration of plan design changes or adjustments to employee premiums. To date, the College has generally been successful at making annual changes to the design of the health plan, and then sharing the increases in projected health plan costs ratably between employer and employee, to maintain the plan without a significant negative budget impact. In fiscal year 2008, the College had experienced a "good" year in regard to health plan claims, with a significant reduction in the number of employees' whose claims exceeded $50,000, which helped to offset the increases in 403(b) plan contributions associated with salary and wage increases. During fiscal year 2009, health plan claims returned to historical claim levels.

LOOKING AHEAD – FISCAL YEAR 2010

Enrollment

Enrollment statistics are reflected in the chart below. Applications continued to be strong, once again exceeding prior year totals and setting new records. Admit rate and yield are very comparable to the prior year stats.

		Applications	% of Admitted	Yield
College of A&S	Fall 2009	5,939	37%	32%
	Fall 2008	5,778	36%	33%
	Fall 2007	5,749	34%	32%
	Fall 2006	5,552	37%	31%
	Fall 2005	5,461	37%	32%
Conservatory	Fall 2009	1,287	26%	42%
	Fall 2008	1,227	25%	41%
	Fall 2007	1,261	25%	47%
	Fall 2006	1,132	27%	44%
	Fall 2005	1,124	26%	45%

Although we have exceeded our headcount objectives for Fall 2009, we are not projecting any increase in Net Student Revenues for fiscal year 2010 as compared to plan, as discount rates are much higher than expected.

Endowment Rebound

In general, our endowment has fared quite well through these difficult times. Since June 30, 2009, strong investment performance has enabled the Endowment to grow from $537 million to approximately $560 million on August 31, 2009. Preliminary data indicates that Oberlin's investments have continued to out-perform its benchmark since that date. Of course, these valuations remain much lower than our endowment values in fiscal years 2006, 2007 and 2008, and thus the College must continue to tighten its budget belt.

Bond Offering and Agency Ratings

As discussed briefly as a subsequent event in Footnote 11 to our financial statements, in October 2009 the College refinanced its 2005, 2006 and a portion of its 1999 bonds. This enabled the College to take advantage of the current financial markets, and at the same time eliminate any tax arbitrage issues associated with its outstanding bonds. Perhaps equally relevant, in conjunction with our October 2009 bond offering, we were required to request updated ratings from Moody's and Standard & Poor's. We are pleased to note that Oberlin retained its strong bond ratings with the bond rating agencies, as Moody's assigned Oberlin College a rating of Aa2, and Standard & Poor's assigned Oberlin a AA rating. We believe these ratings, which are the same as the ratings we had received before the financial downturn, re-affirm that our efforts to manage the College during these tough economic times are being well received within the financial markets, as well as allowing Oberlin College to obtain the best possible interest rates on its bond issuance.

SUMMARY

Oberlin College remains a very strong institution, and we will carefully manage our finances through this financial recovery and eventual rebound in our Endowment. To address investment and financial risk in the market, we have increased our liquidity as reflected in the above Liquidity chart. It is essential for Oberlin's long-term financial sustainability that we not make substantial distributions in a down market. As such, Oberlin's Board of Trustees approved an endowment distribution to support operations in the amount of $34.5 million for fiscal year 2009-10, a reduction of approximately $5.6 million from fiscal year 2008-09. In order to incorporate the reduced distribution into our long-range plans, we will continue to maintain financial discipline beyond 2010.

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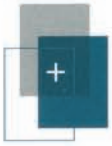

maloney+novotny LLC

Board of Trustees
Oberlin College
Oberlin, Ohio

Independent Auditors' Report

We have audited the accompanying statements of financial position of Oberlin College as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Oberlin College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the financial statements include investments, representing approximately 40% and 44% of total assets at June 30, 2009 and 2008, respectively, for which there is no ready market and are valued based upon fair values reported by the investment managers.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oberlin College as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Maloney + Novotny LLC

Cleveland, Ohio
December 4, 2009

Oberlin College

Statements of Financial Position

As of June 30, 2009 and 2008
(dollars in thousands)

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 30,384	$ 28,981
Short-term investments	12	46
Accounts receivable, net	1,882	1,870
Other current assets	4,536	4,933
Total current assets	$ 36,814	$ 35,830
Pledges Receivable and Bequests in Probate	$ 18,714	$ 19,927
Long-Term Receivables		
Student loans	$ 12,137	$ 11,560
Allowance for doubtful loans	(1,273)	(1,273)
Total long-term receivables	$ 10,864	$ 10,287
Long-Term Investments		
Assets restricted to investment in land, buildings and equipment	$ 48,971	$ 62,680
Endowment funds	537,345	744,436
Annuity and life income funds	54,702	67,979
Funds held in trust by others	12,918	16,299
Total long-term investments	$ 653,936	$ 891,394
Property, Plant and Equipment		
Land, buildings and equipment	$ 436,633	$ 408,043
Construction in progress	14,286	9,576
Less: accumulated depreciation	(223,930)	(209,152)
Total property, plant and equipment	$ 226,989	$ 208,467
TOTAL ASSETS	$ 947,317	$ 1,165,905

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

Oberlin College

Statements of Financial Position

As of June 30, 2009 and 2008
(dollars in thousands)

	2009	2008
LIABILITIES and NET ASSETS		
Current Liabilities		
Accounts payable	$ 6,818	$ 8,157
Current portion of bonds payable	2,775	2,670
Deposits and agency funds	4,159	4,314
Other current liabilities	2,272	2,584
Total current liabilities	$ 16,024	$ 17,725
Other Liabilities		
Accrued postretirement benefit obligation	13,877	13,835
Annuity obligations	28,154	29,266
Federal student loan funds	6,278	6,278
Other non-current liabilities	22,092	10,420
Bonds payable, net	176,742	179,541
Total liabilities	$ 263,167	$ 257,065
Net Assets		
Unrestricted -		
Current operations	$ (9,287)	$ (8,956)
Non-operating	(14,423)	(3,488)
Designated for specific purposes	16,039	25,023
Plant and facility funds	43,770	39,074
Board-designated endowment funds	195,113	291,646
Total unrestricted	$ 231,212	$ 343,299
Temporarily Restricted -		
Donor designated for specific purposes	$ 18,204	$ 20,303
Annuity and life income funds	6,232	7,799
Unexpended plant and facility funds	21,276	18,768
Unamortized contributions for long-lived assets	38,295	38,541
Endowment funds	160,277	278,730
Total temporarily restricted	$ 244,284	$ 364,141
Permanently Restricted -		
Student loan funds	$ 3,736	$ 3,487
Annuity and life income funds	3,943	5,462
Funds held in trust by others	12,918	16,299
Endowment funds	188,057	176,152
Total permanently restricted	$ 208,654	$ 201,400
Total net assets	$ 684,150	$ 908,840
TOTAL LIABILITIES and NET ASSETS	$ 947,317	$ 1,165,905

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

Oberlin College
Statement of Activities
For the year ended June 30, 2009
(dollars in thousands)

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	$ 107,010	$ 795		$ 107,805
Room and board	21,939			21,939
Student aid	(44,887)			(44,887)
Net student income	84,062	795		84,857
Auxiliary services, other	4,982			4,982
Government grants and contributions		2,054		2,054
Private gifts and grants	4,449	7,117		11,566
Investment earnings and gains	17,077	23,623	$ 244	40,944
Other sources	3,004	229		3,233
Net assets released from restrictions	34,814	(34,814)		
Total operating revenues	$ 148,388	$ (996)	$ 244	$ 147,636
Operating Expenses				
Instruction	$ 69,963			$ 69,963
Research	592			592
Academic support	19,728			19,728
Student services	12,585			12,585
Institutional support	22,221			22,221
Auxiliary services, student and other	23,287			23,287
Total operating expenses	$ 148,376			$ 148,376
Change in net assets from operating activities	$ 11	$ (995)	$ 244	$ (740)
Non-operating Activities				
Investment earnings and losses	$ (13,878)	$ (28,427)	$ (801)	$ (43,106)
Unrealized losses	(81,839)	(94,178)	(3,918)	(179,935)
Capital and deferred gifts	2,841	6,043	7,820	16,704
Pledges and bequests	92	(5,316)	4,012	(1,212)
Change in annuity obligations	(652)	1,465	300	1,113
Payments to beneficiaries	(3,327)	(220)	(602)	(4,149)
Redesignated funds and other	(15,335)	1,771	199	(13,365)
Change in net assets from non-operating activities	$ (112,098)	$ (118,862)	$ 7,010	$ (223,950)
Change in net assets	(112,087)	(119,857)	7,254	(224,690)
Net assets at beginning of year	$ 343,299	$ 364,141	$ 201,400	$ 908,840
Net assets at end of year	$ 231,212	$ 244,284	$ 208,654	$ 684,150

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

Oberlin College
Statement of Activities
For the year ended June 30, 2008
(dollars in thousands)

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	$ 98,779	$ 595		$ 99,374
Room and board	20,221			20,221
Student aid	(40,043)			(40,043)
Net student income	78,957	595		79,552
Auxiliary services, other	4,971			4,971
Government grants and contributions		2,192		2,192
Private gifts and grants	4,937	7,816		12,753
Investment earnings and gain	17,109	21,245	$ 1,284	39,638
Other sources	4,293	92		4,385
Net assets released from restrictions	31,898	(31,898)		
Total operating revenues	$ 142,165	$ 42	$ 1,284	$ 143,491
Operating Expenses				
Instruction	$ 66,303			$ 66,303
Research	584			584
Academic support	19,289			19,289
Student services	11,778			11,778
Institutional support	21,945			21,945
Auxiliary services, student and other	22,253			22,253
Total operating expenses	$ 142,152			$ 142,152
Change in net assets from operating activities	$ 13	$ 42	$ 1,284	$ 1,339
Non-operating Activities				
Investment earnings and gain	$ (5,221)	$ (14,510)	$ 1,940	$ (17,791)
Unrealized gain (loss)	(22,533)	(15,650)	(4,078)	(42,261)
Capital and deferred gifts	947	2,408	4,883	8,238
Pledges and bequests	(181)	9,648	(329)	9,138
Change in annuity obligations	312	1,090	273	1,675
Payments to beneficiaries	(2,756)	(909)	(629)	(4,294)
Redesignated funds and other	(13,419)	4,336	(408)	(9,491)
Change in net assets from non-operating activities	$ (42,851)	$ (13,587)	$ 1,652	$ (54,786)
Change in net assets	(42,838)	(13,545)	2,936	(53,447)
Net assets at beginning of year	$ 386,137	$ 377,686	$ 198,464	$ 962,287
Net assets at end of year	$ 343,299	$ 364,141	$ 201,400	$ 908,840

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

Oberlin College

Statements of Cash Flows

For the years ended June 30, 2009 and 2008
(dollars in thousands)

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	$ (224,690)	$ (53,447)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	14,754	14,560
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	(12)	1,781
Other current assets	397	(1,689)
Pledges receivable and bequests in probate	1,213	(9,138)
Accounts payable, accrued expenses and other liabilities	10,021	5,153
Deposits and agency funds	(155)	(172)
Accrued postretirement benefit obligation	42	119
Net adjustment of annuity obligations	(1,112)	(1,675)
Contributions restricted for long-term investments	(15,863)	(7,888)
Earnings restricted for long-term investment	4,475	1,860
Net realized and unrealized losses on long-term investments	183,728	37,080
Net cash used for operating activities	$ (27,202)	$ (13,456)
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	$ (33,300)	$ (23,607)
Proceeds from student loans collected	830	832
Student loans issued, net	(1,407)	(1,484)
Decrease in short-term investments	34	4,135
Purchases of investments	(239,900)	(254,141)
Proceeds from sales and maturities of investments	293,630	249,689
Net cash provided by (used for) investing activities	$ 19,887	$ (24,576)
Cash Flows From Financing Activities		
Proceeds from contributions for:		
Investment in endowment	$ 6,689	$ 4,379
Investment in long-lived assets	6,084	2,233
Investment in life income agreements	3,090	1,276
Earnings restricted for long-term investment	(4,475)	(1,860)
Payments on long-term debt	(2,670)	(2,565)
Proceeds from issuance of bonds, net		40,000
Net cash provided by financing activities	$ 8,718	$ 43,463
Net increase in cash and cash equivalents	$ 1,403	$ 5,431
Cash and cash equivalents, beginning of year	28,981	23,550
Cash and cash equivalents, end of year	$ 30,384	$ 28,981

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 financial statements are presented on the accrual basis of accounting, focusing on the institution as a whole. In accordance with the existence or absence of donor-imposed restrictions, fund balances and transactions are grouped into three classes of net assets - unrestricted, temporarily restricted, and permanently restricted.

Fund Group	Net Asset Group
Unrestricted current funds	Unrestricted
Restricted current funds	Temporarily restricted
Annuity and life income funds	Unrestricted, temporarily restricted and permanently restricted
Long-term investments	Unrestricted, temporarily restricted and permanently restricted
Plant funds	Unrestricted and temporarily restricted
Loan funds	Permanently restricted

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:

Unrestricted net assets - Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted funds designated by the Board of Trustees for long-term investment are classified as Board-designated endowment funds. Unrestricted net assets also includes the cumulative earnings and gains of donor-restricted funds that do not have a corpus restriction, both realized and unrealized.

Temporarily restricted net assets - Temporarily restricted net assets consist primarily of gifts subject to donor-imposed stipulations and cumulative earnings and gains, both realized and unrealized, that may or will be met by Board appropriation, College spending and/or the passage of time. These net assets are used to support general instruction, scholarships, professorships, research, library operations and capital acquisition.

Permanently restricted net assets - Permanent net assets consist primarily of gifts subject to donor-imposed corpus restriction that they 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. Permanently restricted net assets consist primarily of amounts whose income supports general instruction, scholarships, professorships and library funds.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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 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 discounted using a rate commensurate with the risks involved (7 percent at June 30, 2009 and 2008). 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. Currently, no allowance is deemed to be required. Fundraising expenses of approximately $4,547 and $4,964 are reflected within institutional support in the statement of activities for the years ended June 30, 2009 and 2008, respectively.

Income and realized net gains on long-term investments are reported as follows:

- as increases in permanently restricted net assets 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;
- as increases in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

Fair Value of Financial Instruments

Effective July 1, 2008, the College adopted SFAS No. 157, Fair Value Measurements, for its financial instruments measured at fair value on a recurring basis. SFAS No. 157 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. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

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 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

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 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, 2009 in accordance with SFAS No. 157. 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. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

	Level 1	Level 2	Level 3	Total
Assets				
Short-term	$ 12			$ 12
Investments				
Endowment Funds	154,199	94,356	288,790	537,345
Funds Held in Trust		12,918		12,918
Other Investments				103,673
	103,673			
	$ 257,884	$ 107,274	$ 288,790	$ 653,948
Liabilities				
Interest Rate Swaps		$ (14,423)		$ (14,423)

Short-Term Investments -The College invests in cash and equivalents, equities and other securities with quoted prices in active markets that are considered to be Level 1 inputs.

Endowment Investments - The College has a percentage of their Endowment investment in alternative investments. Certain of the alternative investments such as hedge funds are valued at Level 2 inputs. These inputs include quoted prices for similar assets in active markets and inputs that are derived principally from or corroborated by observable market data. In addition, the College has a percentage of their investment in alternative investments, such as private equity and venture capital investments, without a readily determinable market value as of June 30th. These alternative investments are valued at the investment manager's best estimate of the fair value and are, therefore, considered a Level 3 input.

Funds Held in Trust – 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 inputs that are derived principally from observable market data which is used to estimate the future cash flows of the trust and therefore considered at Level 2 inputs.

Other Investments – 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. Therefore these investments are considered at Level 1 inputs.

Interest Rate Swaps -The fair value of the interest rate swaps is based on projected LIBOR rates 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 are considered as Level 2 inputs.

The following table sets forth the Level 3 Inputs for the year ended June 30, 2009.

Balance June 30, 2008	$	369,605
Contributions		41,845
Withdrawals		(46,198)
Change in Market Value		(76,462)
Balance June 30,2009	$	288,790

Other Financial Instruments

The carrying amount of student accounts receivable, accounts payable and accrued liabilities approximates fair value because of the short maturity of these instruments. A reasonable estimate of fair value of loans receivable under donor restricted and federally sponsored loan programs could not be made because the notes are not salable, and are subject to significant restrictions as to their transfer and disposition. The fair value of the College's Bonds Payable, based on the College's current incremental borrowing rate for similar types of borrowing arrangements, approximates its carrying amount.

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

Contributions of exhaustible long-lived assets, cash or other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets, are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released over the estimated useful lives of the long-lived assets using the institution's depreciation policies.

Collections and Works of Art

The College has elected not to capitalize contributed collections under the provisions of SFAS No. 116. However, the College has capitalized collections that were purchased prior to SFAS 116 adoption and are included in the statements of financial position as a part of land, buildings and equipment. 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 statements of financial position.

Property, Plant and Equipment

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

Inventories

Inventories (included in other current assets) are stated at the lower of cost (first-in, first-out) or market.

Unrestricted Bequests

The College follows the policy of designating unrestricted bequests as additions to unrestricted board-designated funds or unrestricted plant funds.

Depreciation

Depreciation of the property, plant and equipment owned by the College 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, 2009 and 2008 was:

	2009	2008
Educational and general properties	$ 10,187	$ 10,088
Library books and materials	1,840	1,770
Auxiliary properties	2,727	2,702
	$ 14,754	$ 14,560

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 $6,675 in 2009 and $6,187 in 2008. Included in these amounts are $1,633 and $1,204 of capitalized interest, respectively.

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.

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 a discount rate of 7 percent at June 30, 2009 and 2008.

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 has elected to defer the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertain Tax Positions – an interpretation of FASB Statement No. 109 (FIN 48), as allowed under FASB Staff Position FIN48-3, until its fiscal year beginning after December 15, 2008.

2. ENDOWMENT AND OTHER LONG-TERM INVESTMENTS

Uniform Prudent Management of Institutional Funds Act

On November 17, 2008, the Ohio House of Representatives adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which became effective June 1, 2009. During 2008, the Financial Accounting Standards Board released Staff Position 117-1 ("FSP 117-1 "), providing guidance on the asset classification of donor-restricted endowment funds, and requiring enhanced disclosure for endowment funds. The following table reflects the College's change in endowment assets for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, 7/1/08	$ 291,646	$ 281,051	$ 170,792	$ 743,489
Investment Return				
Realized Losses	(3,619)	(4,965)		
Unrealized Losses	(72,425)	(91,140)		
Investment return	(76,044)	(96,105)	-	(172,149)
Contributions, net	(2,966)	1,791	7,979	6,804
Endowment distributions	(17,523)	(24,042)		(41,565)
Endowment assets, 6/30/09	$ 195,113	$ 162,695	$ 178,771	$ 536,579

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.

Investments in marketable equity and debt securities are stated at market value based on the last trade price. Investments in real estate are stated at appraised market value, with certain real estate investments stated at cost on the date of acquisition (or fair market value at date of receipt, if gifted). The College has a substantial allocation to alternative investments, including venture capital, private equity, hedge funds and other alternative investments, and certain limited partnership investments for which there is no ready market as of June 30, 2009. As most of the investment managers for these investments report their audited financial information only as of December 31st of each calendar year, these investments ($370,475 and $513,992 at June 30, 2009 and 2008, respectively) are valued by the College at estimated fair value based on a review of the most recent unaudited quarterly financial reports provided by investment managers. Though the college performs extensive due diligence on these investments, meets with the investment managers regularly and prepares roll-forwards of December 31 valuations to June 30, the actual fair values may differ significantly from values that would have been used had a ready market for these investments existed. Net realized and unrealized gains (losses) in market value of investments are reflected in the statement of activities. The College has committed to make $65,371 and $67,869 of additional investments at June 30, 2009 and 2008, respectively.

Long-term investments as reflected in the Statements of Financial Position are detailed as follows:

	June 30, 2009		June 30, 2008	
	Cost Basis	Market Value	Cost Basis	Market Value
ENDOWMENT FUNDS				
General Investment Pool				
Fixed Income	$ 58,773	$ 57,425	$ 75,402	$ 73,388
Cash/Cash Equivalents	44,302	43,293	52,823	52,823
Equities	74,215	75,386	83,934	103,205
Venture Capital	53,220	28,640	56,240	47,143
Hedge Funds	180,684	250,855	158,471	302,487
Other Alternative Investments	64,521	63,002	87,327	124,365
Real Estate/Oil & Gas	26,351	27,978	20,960	40,078
Pending Purchases	(10,254)	(10,000)	-	-
Total General Investment Pool	$ 491,812	$ 536,579	$ 535,157	$ 743,489
Non-Pooled Investments				
Fixed Income	$ 263	$ 258	$ 346	$ 342
Equities	296	508	299	605
Notes/Mortgages	2,625	-	2,625	-
Total Separately Invested Funds	$ 3,184	$ 766	$ 3,270	$ 947
TOTAL ENDOWMENT FUNDS	$ 494,996	$ 537,345	$ 538,427	$ 744,436
ANNUITY AND LIFE INCOME FUNDS				
Pooled Income Fund Trusts				
Fixed Income	$ 1,390	$ 1,369	$ 1,692	$ 1,683
Cash/Cash Equivalents	93	93	71	71
Equities	1,317	1,008	1,165	1,259
Total Pooled Income Fund Trusts	$ 2,800	$ 2,470	$ 2,928	$ 3,013
Gift Annuity Pool				
Fixed Income	$ 10,513	$ 10,594	$ 13,088	$ 13,252
Cash/Cash Equivalents	725	725	1,046	1,046
Equities	37,674	28,817	33,743	35,504
Accounts Receivable	95	95	84	84
Total Gift Annuity Pool	$ 49,007	$ 40,231	$ 47,961	$ 49,886
Annuity Trusts and Unitrusts				
Fixed Income	$ 3,855	$ 3,821	$ 4,664	$ 4,665
Cash/Cash Equivalents	206	206	330	330
Equities	9,522	7,295	-	-
Real Estate	692	679	144	144
Pending Purchases	-	-	9,044	9,941
Total Separately Invested Funds	$ 14,275	$ 12,001	$ 14,182	$ 15,080
TOTAL ANNUITY AND TRUSTS	$ 66,082	$ 54,702	$ 65,071	$ 67,979
RESTRICTED FOR PLANT FACILITIES				
Fixed Income	$ 46,442	$ 46,440	$ 59,773	$ 59,738
Real Estate	2,236	2,236	2,218	2,218
Accounts Receivable	295	295	724	724
TOTAL RESTRICTED FOR PLANT FACILITIES	$ 48,973	$ 48,971	$ 62,715	$ 62,680
FUNDS HELD IN TRUST BY OTHERS	$ 14,775	$ 12,918	$ 16,115	$ 16,299
TOTAL ASSETS FOR LONG-TERM INVESTMENT	$ 624,826	$ 653,936	$ 682,328	891,394

3. PLEDGES RECEIVABLE AND BEQUESTS IN PROBATE

Unconditional promises to give are included in the financial statements as pledges receivable and bequests in probate, and as revenue within the appropriate net asset category. Certain promises to give are recorded after discounting to the present value of the future cash flows.

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

	2009	2008
In one year or less	$ 7,496	$ 8,085
Between one year and five years	9,933	10,711
Greater than five years	5,957	6,942
Less discount	(4,672)	(5,811)
	$ 18,714	$ 19,927

4. BONDS PAYABLE

Bonds payable at June 30, 2009 and 2008 consisted of the following:

	2009	2008
Ohio Higher Educational Facility Commission		
Revenue Bonds dated February 1, 1999, maturing annually on October 1, 2009 through 2029 in amounts ranging from $2,760 to $3,560, with interest ranging from 4.0% to 5.25%, plus bond premium of $167 and $198 at June 30, 2009 and 2008, respectively.	$ 24,698	$ 27,278
Revenue Bonds dated September 1, 2003, maturing in part on October 1, 2024 ($18,155) and in part on October 1, 2033 ($21,845), with interest ranging from 5.0% to 5.125%, less net bond discount of $121 and $127 at June 30, 2009 and 2008, respectively.	39,879	39,873
Variable-rate Revenue Bonds dated December 1, 2005, maturing annually on October 1, 2009 through 2029 in amounts ranging from $120 to $10,240.	49,770	49,890
Variable-rate Revenue Bonds dated January 1, 2006, maturing in part on October 1, 2010 through 2035 in amounts ranging from $560 to $1,525.	25,170	25,170
Variable-rate Revenue Bonds dated April 18, 2008, maturing in part on October 1, 2023 through 2048 in amounts ranging from $965 to $2,295.	40,000	40,000
Total Bonds Payable, Net	$ 179,517	$ 182,211

In February 1999, 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 $78,875 plus a bond premium of $980. A portion of these bonds was used for an advanced legal defeasance of the remaining Variable Rate Demand Revenue Bonds dated December 1985 and a portion of the outstanding Revenue Bonds dated June 1993. The remaining funds were used to construct a new science center and other academic facilities. Bonds with a par value of $46,990 were legally defeased with the December 2005 bond offering.

In September 2003, 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 $40,000 less a net bond discount of $157. A portion of these bonds was used to refund the outstanding principal of the June 1993 Revenue Bonds. The remaining funds were used to finance the purchase, renovation and construction of dormitories and academic buildings and to finance the acquisition and installation of a new phone system. 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 December 2005, 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 $50,115. These bonds were used to refund $46,990 of the outstanding principal of the February 1999 Revenue Bonds. 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 January 2006, 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 $25,170. These bonds were used to finance the purchase, renovation and construction of dormitories, academic buildings, including a new conservatory building, a new track and soccer field, and to finance the purchase of new central heating plant equipment and a new art museum HVAC system. 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 April 2008, 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 $40,000. These bonds are being used to finance the renovation of existing dormitories and academic buildings, and construction of new student housing. 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.

Future principal payments on the College's outstanding bonds at June 30, 2009 are as follows:

2009-10	$	2,775
2010-11		3,445
2011-12		3,615
2012-13		3,805
2013-14		3,990
Thereafter		161,887
	$	179, 517

The estimated fair market value of all outstanding long-term obligations at June 30, 2009 is $180,300.

5. INTEREST RATE SWAP ARRANGEMENTS

The College entered into an interest rate swap arrangement with an initial notional amount of $71,885, effective December 2, 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 London Interbank Offered Rate ("LIBOR") plus 45.2 basis points (0.452%), and makes semi-annual interest payments based on 100% of the variable Bond Market Association Municipal Swap Index interest rate. The notional amount of the swap arrangement, which amortizes to zero concurrent with the amortization of the 1999 and 2003 bonds, was $64,530 and $67,080 at June 30, 2009, and 2008, respectively. The net settlement amount earned under this swap arrangement was $269 and $286 for the years ended June 30, 2009 and 2008, respectively, and is included in operating income in the statements of activities.

The College entered into an interest rate swap arrangement on its 2005 bonds in the amount of $50,115, effective December 14, 2005, and terminating October 1, 2029. Under the terms of this 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 3.632%. The notional amount of the swap arrangement, which amortizes over the term of the 2005 bonds, was $49,770 and $49,890 at June 30, 2009 and 2008, respectively. The net settlement amount expensed was $1,141 and $379 for the years ended June 30, 2009 and 2008, respectively. These amounts are included in operating expense in the statements of activities.

The College entered into an interest rate swap arrangement on its 2006 bonds in the amount of $25,170, effective October 1, 2009, and terminating October 1, 2035. Under the terms of this swap arrangement, the College will receive monthly interest payments based on 68% of 3-month LIBOR, and will make monthly interest payments at a fixed interest rate of 3.701%. The notional amount of the swap arrangement will amortize over the term of the 2006 bonds.

The College initially 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 to $40,000, matching the 2008 bond issuance, effective April 18, 2008. Under the terms of this amended swap arrangement, the College will receive monthly interest payments based on 68% of 3-month LIBOR, and will make monthly interest payments at a fixed interest rate of 3.565%. The notional amount of the swap arrangement will amortize over the term of the 2008 bonds. The net settlement amount expensed was $894 and $138 for the year ended June 30, 2009 and 2008, respectively, and is included in construction in progress.

The fair 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 estimated cumulative fair value gain is included in long-term investments in the statement of financial position. The estimated cumulative fair value (loss) is included within other non-current liabilities in the statement of financial position. Changes in the fair value of these contracts are recorded as other non-operating items in the statement of activities. The fair value of these arrangements at June 30 is as follows:

	2009	2008
Interest rate swap arrangement effective December 1, 2005, maturing on October 1, 2033 in the amount of $71,885.	$ (1,220)	$ 401
Interest rate swap arrangement effective December 14, 2005, maturing on October 1, 2029 in the amount of $50,115.	(5,442)	(1,807)
Interest rate swap arrangement effective October 1, 2009, maturing on October 1, 2035 in the amount of $25,170.	(2,557)	(622)
Interest rate swap arrangement effective April 18, 2008, maturing on October 1, 2048 in the amount of $40,000.	(5,204)	(1,460)
Total Fair Market Value of Interest Rate Swap Arrangements	$ (14,423)	$ (3,488)

6. POSTRETIREMENT BENEFITS

The College sponsors an unfunded defined benefit postretirement health care plan that covers substantially all regular status employees. During fiscal year 1996 the plan's eligibility requirement was amended from the attainment of age 62 and no years of service to requiring 20 years of service after attaining age 42 to receive the maximum College contribution. All eligible employees age 42 or older were credited with 10 years of service as of June 30, 1996. The amendment also included a cap on medical benefits limiting the College subsidy of the health care plan to two times the 1995-96 contribution level. The cap is effective for all retirees retiring after June 30, 1996. These changes reduced the Accumulated Postretirement Benefit Obligation from $14,378 to $7,714. Accounting rules require the unrecognized excess prior service cost of $6,509 to be amortized over 14.3 years, the average remaining service period for current employees at June 30, 1996. 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. The accounting for the plan at June 30, 2009 anticipated future cost-sharing changes to the plan that are consistent with the College's policy stating that annual minimum retiree contributions will be set at an amount equal to 33.3% of the College's estimated cost before considering the contribution.

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care claims was assumed for 2009; the rate was assumed to decrease gradually to 5% by 2015 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 2009 by $88. The aggregate of the service and interest cost components of net postretirement health care cost for the year then ended would increase by $11. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7%.

During the year ended June 30, 2007, the College was required to adopt Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." This Statement requires entities to recognize as a liability the accumulated postretirement benefit obligation for any postretirement benefit plans. The College has a postretirement health benefit plan requiring such liability recognition. However, the College had previously recognized this obligation and recorded a liability for the accumulated postretirement benefit obligation, and also for the unrecognized excess prior service cost, net of the unrecognized actuarial loss. Thus, the implementation of the requirements of this statement had no impact on the College's net assets.

The following table reconciles the plan's funded status to the accrued postretirement health care cost liability as reflected on the statements of financial position as of June 30, 2009 and 2008:

Accumulated Postretirement Benefit Obligation	2009	2008
Retirees	$ 6,411	6,678
Other fully eligible participants	1,971	1,394
Other active participants	5,434	4,985
Accumulated postretirement benefit obligation	13,816	13,057
Unrecognized excess prior service cost	995	1,543
Unrecognized actuarial loss	(934)	(765)
Accrued postretirement health care cost liability	$ 13,877	13,835

Thus, at June 30, 2009 and 2008, a total liability for accrued postretirement health care cost of $13,877 and $13,835, respectively, is reflected in the College's accompanying statement of financial position.

Net periodic postretirement health care cost for the years ended June 30, 2009 and 2008 included the following components:

Net periodic postretirement benefit cost	2009	2008
Service cost - benefits attributed to service during the period	$ 497	407
Interest cost on accumulated postretirement benefit obligation	879	814
Net amortization and deferral	(548)	(541)
Net (Gain) or Loss	-	-
Net periodic postretirement benefit cost	$ 828	680

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

	Total Claims	Medicare Reimbursement	Net Claims
2010	$1,229	$ 238	$ 991
2011	1,380	261	1,118
2012	1,485	287	1,197
2013	1,585	309	1,276
2014	1,647	330	1,317
2015-2019	9,002	2,081	6,921

Medicare reimbursements reflected above are based on the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). Assuming retiree contributions of 33.3% for the first six months of the fiscal year, the College expects to contribute $627 toward expected net claims in fiscal 2010.

7. RETIREMENT PLAN

The College has a contributory defined contribution retirement plan with the Teachers Insurance and Annuity Association – College Retirement Equities Fund. The College makes contributions based on a percentage of an eligible employee's earnings. Contributions for the years ended June 30, 2009 and 2008 were $7,034 and $6,686, respectively.

8. NOTES PAYABLE

The College opened a $10,000 unsecured bank line of credit with interest at 30-day LIBOR plus 1.50% on February 1, 2009. The balance outstanding on the line of credit at June 30, 2009 was $0.

9. CONDITIONAL ASSET RETIREMENT OBLIGATION

The College has adopted Financial Accounting Standard Interpretation No. 47 (FIN47), Accounting for Conditional Asset Retirement Obligations. FIN 47 requires the College to recognize 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 $2.2 and $2.1 million at June 30, 2009 and 2008, respectively, within other non-current liabilities on the statement of financial position.

10. COMMITMENTS AND CONTINGENCIES

At June 30, 2009, the College has outstanding commitments on various construction projects totaling approximately $41 million. These projects are being funded with the bond proceeds from the 2006 and 2008 bonds as well as with donor contributions.

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 statement of financial position, and are not material to the College's financial position. In the opinion of management, the ultimate disposition of such litigation and claims will not have a material adverse effect on the College's operations or financial position.

11. SUBSEQUENT EVENTS

The College has evaluated all events subsequent to the balance sheet date of June 30, 2009, through November 14, 2009, which is the date these financial statements were available to be issued and have determined that except as set forth below, there are no subsequent events that require disclosure under FASB Accounting Standards No. 165, Subsequent Events.

On October 1, 2009, the Ohio Higher Educational Facility Commission issued $67.26 million in revenue bonds to refinance the 2005 Bonds, the 2006 bonds and to partially refinance the 1999 bonds. The bonds were issued at a premium of $11.46 million. 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, and repayment of the bonds is guaranteed by the College. The maturity schedule for these bonds is as follows:

Amount	Rate	Maturity	Yield
$14,660	5.00%	October 1, 2014	1.875%
$52,660	5.00%	October 1, 2019	2.950%