Table of Contents

Oberlin College
Financial Report
Year ended June 30, 2008

Financial Report 2007-08

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

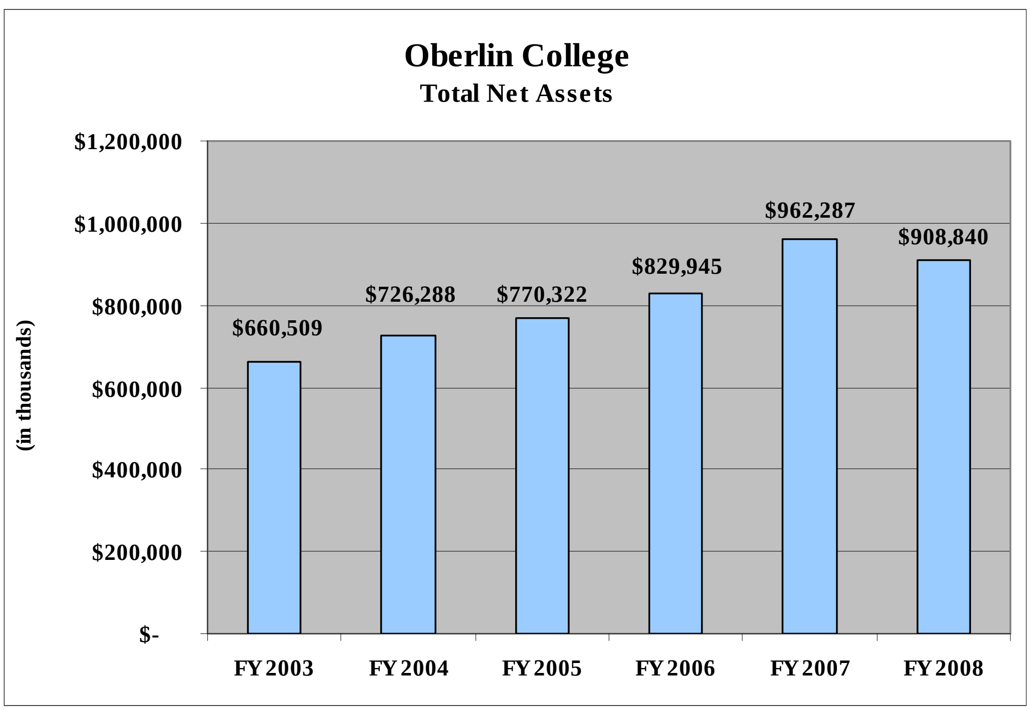
We are pleased to present Oberlin College's Annual Financial Report for the year ended June 30, 2008. This report includes our audit report, audited financial statements and related footnotes to the statements.

In addition, 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 the unprecedented fluctuations in the financial markets that have occurred subsequent to our fiscal year end, and their effects on the College and its financial position.

FINANCIAL CONDITION

Total Net Assets

As of June 30, 2008, Oberlin's total assets are $1.17 billion, down 1.1% from last year's $1.18 billion. Total liabilities as of June 30, 2008 are $257.1 million, an increase of $40.9 million from the prior year. Thus, total net assets for the College are $908.8 million, compared to $962.3 million as of June 30, 2007**.** This represents a decrease of $53.5 million, or 5.6%, during this fiscal year, as compared to last fiscal year's increase of $132.4 million, or 15.9%. Over the last five years, total net assets of the College have grown by approximately $250 million. Most of the College's net assets are within its endowed funds and plant funds.



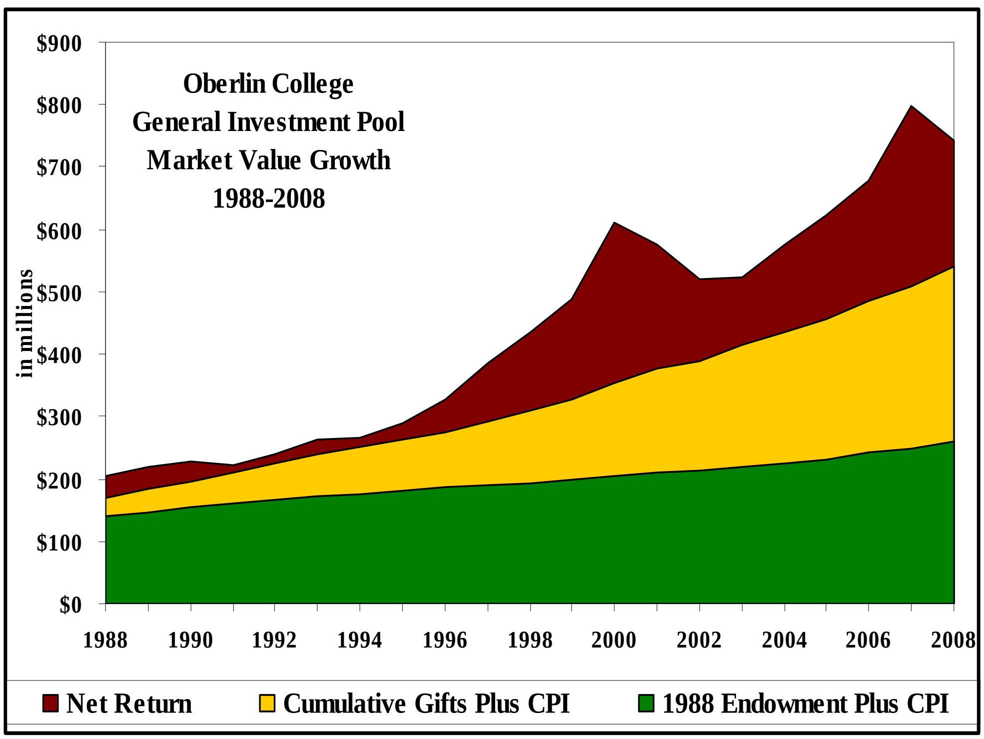
Endowed Funds

The increases and decreases in the College's net assets are primarily the result of the investment returns and the spending of cumulative earnings of the College's endowment funds. Total endowed funds as of June 30, 2008 are $744.4 million, compared to $798.1 million the previous year, a decrease of $53.7 million, as compared to last fiscal year's increase of $116.5 million.

The endowment is the financial keystone 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 had reached a record high of $797.2 million as of the fiscal year ended June 30, 2007, but has pulled back to $743.5 million at June 30, 2008. 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. Endowed gifts of $8.2 million were received from donors in fiscal year 2008, compared to $9.4 million in 2007.

The Oberlin College Board of Trustees' Investment Committee and investment staff are responsible for oversight of the General Investment Pool. In fiscal year 2008, the net total return was a net negative return of 1.9%, versus a net positive return of 22.2% in fiscal year 2007.

Over the past twenty years, the General Investment Pool has grown from $203.4 million to $743.5 million. During the past couple of decades Oberlin College's spending and investment policies 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 has a highly diversified portfolio with allocations to private equity, venture capital and other alternative investments, such as hedge funds, oil and gas, and private real estate. The allocations to alternative investments have been higher than other endowments our size; however, this allocation has been a significant driver in increasing investment returns while decreasing volatility. The College rebalances its investments in line with its targeted asset allocation on a recurring basis at the direction of the Investment Committee.

The following is the College's targeted asset allocation for the year ending June 30, 2008.

Absolute Return/Hedge Funds	45%
Private Equity	11%
Real Assets	10%
Total Alternative Investments	66%
Large Cap Equities	12%
International Equities	7%
Emerging Market Equities	5%
Total Equities	24%
Core Bonds	10%
Total	100%

Actual investment balances at June 30, 2008 and 2007 are reflected in Footnote 2 to the financial statements. It should be noted that the College frequently rebalances its investments, in particular at or near June 30th of any fiscal year. Movement of invested funds between fund managers also often occurs at this time. As a result, the actual investment allocations at June 30, 2008 and 2007 reflect greater balances in cash, and June 30, 2007 also reflects a greater amount of investment proceeds receivable than would be normal during the year.

Plant Funds

Net assets designated for plant facilities, or plant equity, is the second largest component of the College's total net assets, totaling $96.4 million. 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 $23.6 million to its Property, Plant and Equipment assets in the year ended June 30, 2008. The College made many major capital expenditures during the fiscal year including the construction of the Library's new Academic Commons; construction of a new track facility near Philips Physical Education Center; 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 $14.6 million, net plant assets grew by roughly $9.0 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. Some examples of such projects include construction of the Litoff Conservatory Facility, significant improvements to Allen Memorial Art Museum's HVAC systems, and providing modern facilities for student housing.

Debt

The College has $182.2 million of outstanding bonded debt at year-end, described further in Footnote 3 to the financial statements.

In April of 2008, we successfully issued $40.0 million in Variable Rate Revenue Bonds through the Ohio Higher Educational Facilities Commission to provide funding for various capital projects, including further improvements to the student housing program.

In anticipation of this bond issuance, the College had previously entered into an interest rate swap arrangement, terminating October 1, 2048. Under the terms of the swap arrangement, which has a notional amount of $40.0 million, the College receives monthly interest payments based on 68% of 3-month LIBOR (London Interbank Offered Rate), and makes monthly interest payments at a fixed interest rate of 3.565%.

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:

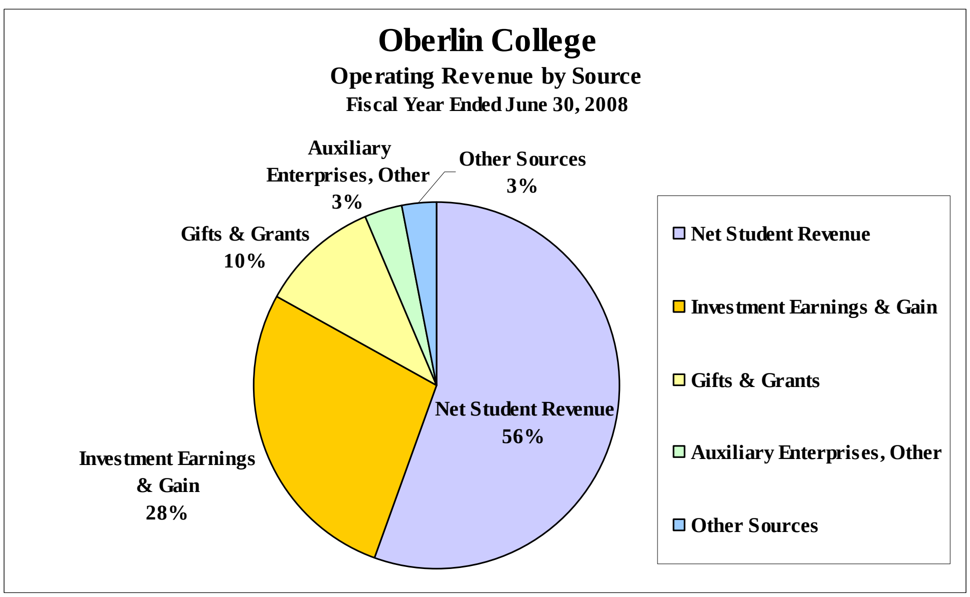
- ensure that an appropriate mix of funding sources is used;
- limit the overall debt to a level that, when combined with the College's strategic initiatives, will help preserve appropriate credit ratings over the long term;
- achieve a low risk-adjusted cost of capital while balancing that effort appropriately 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. 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 4.2% on its outstanding bonds.

OPERATING RESULTS – FISCAL YEAR 2008

Operating Revenues

Oberlin's total operating revenues were $143.5 million for the year ended June 30, 2008, an increase of $5.7 million over the prior year.



Net student income, comprising tuition and fees, and room and board, net of student financial aid, is the largest component of Oberlin's unrestricted operating revenues, totaling $79.0 million in the current year versus $77.2 million the previous year, an increase of approximately 2.3%. Student enrollment decreased between years, consistent with our long-range strategic initiatives. This decrease partially offset tuition, room, and board rates which increased by approximately 5.6%. However, total student financial aid increased by 6.7%, reflecting our participation in two new programs (Questbridge and Posse) this year. Our discount rate for June 30, 2008 was 40.5%, as compared to 39.4% 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, increasing from $15.3 million in fiscal year 2007 to $17.1 million in fiscal year 2008, 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 current income to the College's annual operating budget and release income 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 2008, the College distributed a total of $39.2 million, compared to $34.5 million in 2007. These amounts not only reflect the distribution of direct operating budget support referenced above, but also amounts supporting restricted and non-operating activities. These amounts equate to a spending rate of 5.7% and 5.8% in fiscal years 2008 and 2007, respectively. Fiscal year 2008 is the third year of a multi-year plan to reduce the payout rate to 5.5% or below over the long-term.

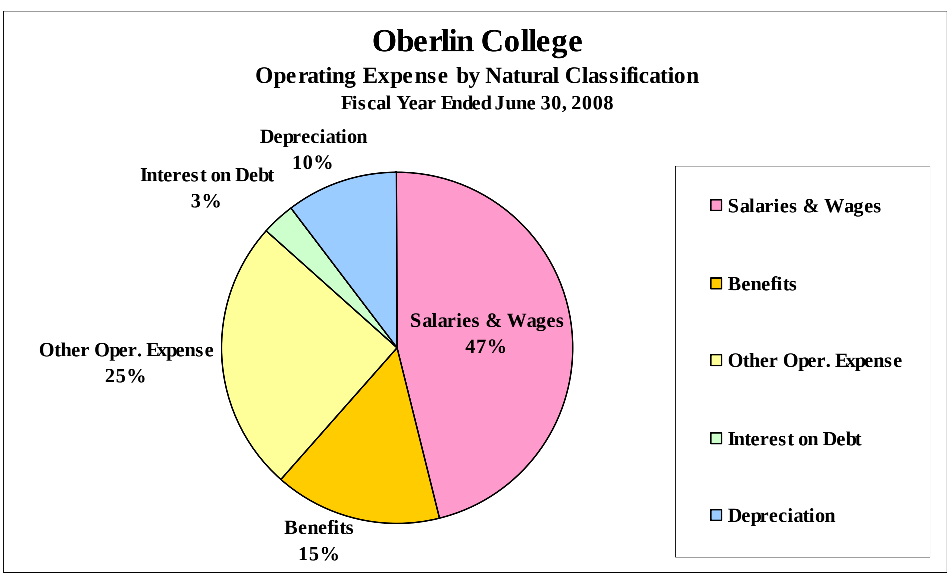
Oberlin's third largest component of unrestricted operating revenues is support from unrestricted Private Gifts and Grants. The timing of the receipt of bequests is unpredictable, and the varying size of such bequests can cause fluctuations in giving from year to year, as depicted in this chart (dollars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

	2004-05	2005-06	2006-07	2007-08
Undesignated Bequests	$ 4,214	$ 3,467	$ 5,266	$ 2,285
Unrestricted Giving	2,953	2,800	2,667	2,652
Total	$ 7,167	$ 6,267	$ 7,933	$ 4,937

Operating Expenses

Oberlin's operating expenses totaled $142.2 million for the year ended June 30, 2008, 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.

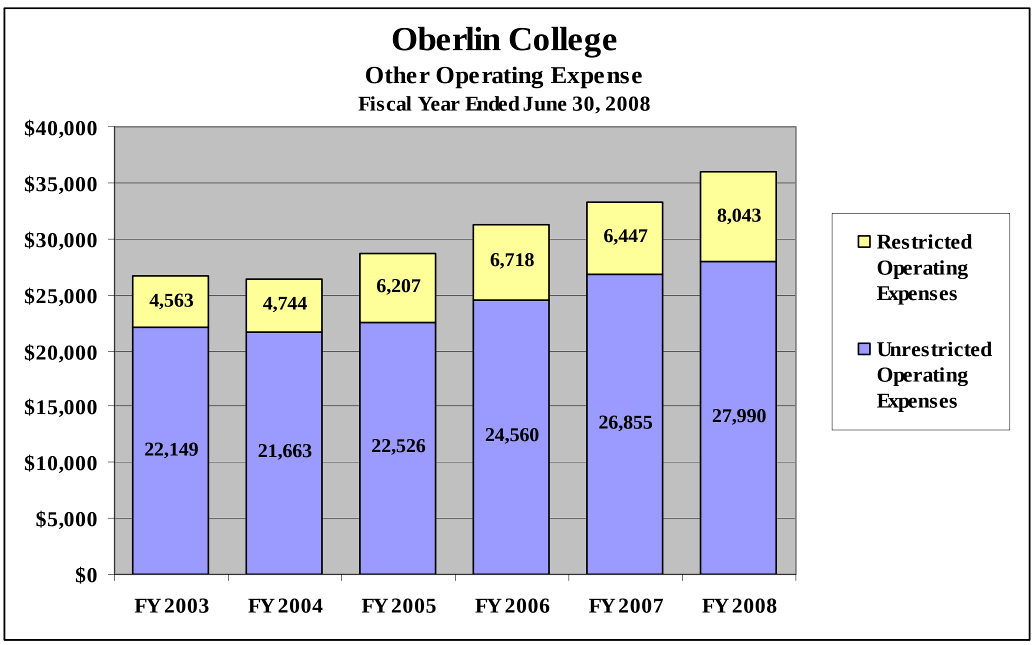
While the audited financial statements present operating expenses by program, as required by accounting and reporting standards, the chart below reflects the fiscal year 2008 operating expenses by natural classification, or function, to enable greater analysis of expenses and spending trends.



Salaries and wages is by far our largest component of operating expense, totaling approximately $65.4 million in fiscal year 2008. This represents an increase of 5.6% over the fiscal year 2007 total of $61.9 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 $36.0 million in fiscal year 2008. This represents an increase of 8.2% over the fiscal year 2007 total of $33.3 million, as compared to the 6.5% increase experienced the previous fiscal year. Much of this 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.

Unrestricted operating expense only increased by 4.2% 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 2008 spending, inclusive of restricted spending and significant increases in food and energy costs, represents just a 4.4% compounded rate of increase over the last six 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 $21.7 million in both fiscal year 2008 and fiscal year 2007. 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 experienced a "good" year in regard to health plan claims, with a significant reduction in the number of employees' whose claims exceeded $50,000, helping to offset the increases in 403(b) plan contributions associated with salary and wage increases.

LOOKING AHEAD – FISCAL YEAR 2009

Enrollment

Enrollment statistics are reflected in the chart below. Applications and our admit rate continued to be strong, generally equaling or exceeding prior year totals, which were excellent. Yield was consciously lower in the Conservatory, responding to the previous year's windfall enrollment. As a result of exceeding our headcount objectives for Fall 2008, our financial projections of Net Student Revenues for fiscal year 2009 are very positive.

		Applications	% of Admitted	Yield
College of A&S	Fall 2008	5,778	36%	33%
	Fall 2007	5,749	34%	32%
	Fall 2006	5,552	37%	31%
	Fall 2005	5,461	37%	32%
	Fall 2004	5,160	40%	30%
Conservatory	Fall 2008	1,227	25%	41%
	Fall 2007	1,261	25%	47%
	Fall 2006	1,132	27%	44%
	Fall 2005	1,124	26%	45%
	Fall 2004	1,073	30%	45%

Financial Markets

Subsequent to June 30, unprecedented events in the financial markets have created a substantial amount of uncertainty. The lack of liquidity in the financial markets, which we had already experienced to a limited degree in the Spring of 2008 with our proposed advance refunding of our 2003 bonds, is a primary factor in the financial market meltdown. The failure or near failure of Fannie Mae, Freddie Mac, Washington Mutual, Wachovia, and AIG, among others, sent the markets into a tailspin. The impact on the higher education industry, and Oberlin College in particular, will be significant. Many are aware that The Common Fund, an investment organization whose customers represent a who's who among non-profit institutions nationwide, had all of its investment accounts with Wachovia Bank frozen, and its trust agreement with Wachovia terminated, because of a lack of liquidity within their funds. While we are also a customer of The Common Fund, our exposure was minimal. By December 31, 2008 we expect no more than $4 million of our invested dollars will be on deposit and no losses recognized on our invested dollars.

So far, our endowment has fared quite well through these difficult times. However, since June 30, 2008, similar to our peer institutions, we have experienced losses in our endowment. Through the quarter ended September 30, 2008, our endowment was down to approximately $640 million. Despite not having final month-end numbers as of October 31, 2008, we recognize our investment values have continued to decline. So far this fiscal year, our endowment may have experienced losses in the range of 15% to 20%. We will work closely with our President and our Board of Trustees as we revise both our preliminary fiscal year 2010 and 2011 operating budget assumptions as well as our long range financial projections for the College.

SUMMARY

Oberlin College remains a very strong institution, and we will carefully manage through this financial market downturn. We continue to have an ample endowment that is essential for Oberlin's long-term financial sustainability, though current events will likely require further budgetary constraints. Fiscal moderation will be essential as we navigate through the remainder of fiscal year 2009. Ongoing financial support from our donors in support of our mission will become even more important. We are fortunate to have a well-regarded faculty allowing Oberlin to be recognized as an institution of academic excellence, as well as a strong student enrollment -- strengths that will allow us to continue to achieve our mission despite economic pressures.

1111 Superior Avenue | Suite 700 | Cleveland, Ohio 44114-2540
P 216.363.0100 F 216.363.0500 W maloneynovotny.com

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, 2008 and 2007, 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 44% and 41% of total assets at June 30, 2008 and 2007, 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, 2008 and 2007, 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 5, 2008

Oberlin College

Statements of Financial Position

As of June 30, 2008 and 2007
(dollars in thousands)

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 28,981	$ 23,550
Short-term investments	46	4,181
Accounts receivable, net	1,870	3,651
Other current assets	4,933	3,244
Total current assets	$ 35,830	$ 34,626
Pledges Receivable and Bequests in Probate	$ 19,927	$ 10,789
Long-Term Receivables		
Student loans	$ 11,560	$ 10,908
Allowance for doubtful loans	(1,273)	(1,273)
Total long-term receivables	$ 10,287	$ 9,635
Long-Term Investments		
Assets restricted to investment in land, buildings and equipment	$ 62,680	$ 27,348
Endowment funds	744,436	798,135
Annuity and life income funds	67,979	76,876
Funds held in trust by others	16,299	18,007
Interest rate swap arrangements		3,656
Total long-term investments	$ 891,394	$ 924,022
Property, Plant and Equipment		
Land, buildings and equipment	$ 408,043	$ 388,161
Construction in progress	9,576	5,851
Less: accumulated depreciation	(209,152)	(194,566)
Total property, plant and equipment	$ 208,467	$ 199,446
TOTAL ASSETS	$ 1,165,905	$ 1,178,518

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

Oberlin College
Statements of Financial Position
As of June 30, 2008 and 2007
(dollars in thousands)

LIABILITIES and NET ASSETS	2008	2007
Current Liabilities		
Accounts payable	$ 8,157	$ 6,175
Current portion of bonds payable	2,670	2,565
Deposits and agency funds	4,314	4,486
Other current liabilities	2,584	2,161
Total current liabilities	$ 17,725	$ 15,387
Other Liabilities		
Accrued postretirement benefit obligation	13,835	13,716
Annuity obligations	29,266	30,941
Federal student loan funds	6,278	6,278
Other non-current liabilities	10,420	7,672
Bonds payable, net	179,541	142,237
Total liabilities	$ 257,065	$ 216,231
Net Assets		
Unrestricted -		
Current operations	$ (12,444)	$ (5,282)
Designated for specific purposes	25,023	30,466
Unexpended plant and facility funds	(5,154)	(9,831)
Invested in plant facilities	44,228	45,614
Quasi-endowment funds	291,646	325,170
Total unrestricted	$ 343,299	$ 386,137
Temporarily Restricted -		
Donor designated for specific purposes	$ 20,303	$ 17,007
Annuity and life income funds	7,799	8,666
Unexpended plant and facility funds	18,768	9,207
Unamortized contributions for long-lived assets	38,541	38,167
Quasi-endowment funds	278,730	304,639
Total temporarily restricted	$ 364,141	$ 377,686
Permanently Restricted -		
Student loan funds	$ 3,487	$ 3,279
Annuity and life income funds	5,462	6,440
Funds held in trust by others	16,299	18,007
Endowment funds	176,152	170,738
Total permanently restricted	$ 201,400	$ 198,464
Total net assets	$ 908,840	$ 962,287
TOTAL LIABILITIES and NET ASSETS	$ 1,165,905	$ 1,178,518

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)
Net 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
Statement of Activities
For the year ended June 30, 2007
(dollars in thousands)

	2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	$ 95,320	$ 603		$ 95,923
Room and board	19,415			19,415
Student aid	(37,513)			(37,513)
Net student income	77,222	603		77,825
Auxiliary services, other	4,662			4,662
Government grants and contributions		2,599		2,599
Private gifts and grants	7,933	4,891		12,824
Investment earnings and gain	15,297	20,015	$ 501	35,813
Other sources	3,717	396		4,113
Net assets released from restrictions	28,175	(28,175)		
Total operating revenues	$ 137,006	$ 329	$ 501	$ 137,836
Operating Expenses				
Instruction	$ 64,135			$ 64,135
Research	552			552
Academic support	17,796			17,796
Student services	11,102			11,102
Institutional support	20,588			20,588
Auxiliary services, student and other	21,803			21,803
Total operating expenses	$ 135,976			$ 135,976
Change in net assets from operating activities	$ 1,030	$ 329	$ 501	$ 1,860
Non-operating Activities				
Investment earnings and gain	$ 43,878	$ 47,748	$ 1,906	$ 93,532
Unrealized gain	16,626	17,032	1,752	35,410
Capital and deferred gifts	507	1,176	5,123	6,806
Pledges and bequests	(1,547)	1,320	436	209
Change in annuity obligations	465	(522)	(495)	(552)
Payments to beneficiaries	(2,732)	(899)	(608)	(4,239)
Redesignated funds and other	(2,927)	2,731	(488)	(684)
Change in net assets from non-operating activities	$ 54,270	$ 68,586	$ 7,626	$ 130,482
Net change in net assets	55,300	68,915	8,127	132,342
Net assets at beginning of year	$ 330,837	$ 308,771	$ 190,337	$ 829,945
Net assets at end of year	$ 386,137	$ 377,686	$ 198,464	$ 962,287

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

Oberlin College

Statements of Cash Flows

For the years ended June 30, 2008 and 2007
(dollars in thousands)

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	$ (53,447)	$ 132,342
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	14,560	14,137
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	1,781	(1,557)
Other current assets	(1,689)	(126)
Pledges receivable and bequests in probate	(9,138)	(209)
Accounts payable, accrued expenses and other liabilities	5,153	3,189
Deposits and agency funds	(172)	15
Accrued postretirement benefit obligation	119	(293)
Net adjustment of annuity obligations	(1,675)	552
Contributions restricted for long-term investments	(7,888)	(6,625)
Earnings restricted for long-term investment	1,860	(4,160)
Net realized and unrealized losses (gains) on long-term investments	37,080	(150,152)
Net cash used for operating activities	$ (13,456)	$ (12,887)
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	$ (23,607)	$ (19,682)
Proceeds from student loans collected	832	1,060
Student loans issued, net	(1,484)	(1,516)
Decrease in short-term investments	4,135	12,364
Purchases of investments	(254,141)	(207,531)
Proceeds from sales and maturities of investments	249,689	235,088
Net cash (used for) provided by investing activities	$ (24,576)	$ 19,783
Cash Flows From Financing Activities		
Proceeds from contributions for:		
Investment in endowment	$ 4,379	$ 3,686
Investment in long-lived assets	2,233	1,138
Investment in life income agreements	1,276	1,801
Earnings restricted for long-term investment	(1,860)	4,160
Payments on long-term debt	(2,565)	(2,465)
Proceeds from issuance of bonds, net	40,000	-
Net cash provided by financing activities	$ 43,463	$ 8,320
Net increase in cash and cash equivalents	$ 5,431	$ 15,216
Cash and cash equivalents, beginning of year	23,550	8,334
Cash and cash equivalents, end of year	$ 28,981	$ 23,550

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 - Net assets not subject to donor-imposed stipulations. Unrestricted funds designated by the Board of Trustees for long-term investment are classified as quasi-endowment.
>
> Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the College and/or the passage of time. Temporarily restricted net assets consist primarily of gifts and income amounts used to support general instruction, scholarships, professorships, research, library operations and capital acquisition.
>
> Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the institution to use all or part of the income earned 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 gain and net assets released from restriction 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, 2008 and 2007). 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 $4,964 and $4,755 are reflected within institutional support in the statement of activities for the years ended June 30, 2008 and 2007, respectively.

The gain in market value of funds held in trust by others is reported as an increase in permanently restricted net assets. 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;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

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 loan notes 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.

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.

Funds Held in Trust

Funds held in trust by others represent resources neither in the possession nor under the control of the institution, but held and administered by outside trustees, with the College deriving income or a residual interest from the assets of such funds. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the College is notified of its existence.

Unrestricted Bequests

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

Depreciation

Depreciation on the property, plant and equipment owned by the College has been computed using the midyear 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, 2008 and 2007 was:

	2008	2007
Educational and general properties	$ 10,117	$ 9,598
Library books and materials	1,770	1,698
Auxiliary properties	2,702	2,871
	$ 14,589	$ 14,167

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 $6,187 in 2008 and $6,248 in 2007. Included in these amounts are $1,204 and $1,305 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, 2008 and 2007.

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.

2. ASSETS FOR LONG-TERM INVESTMENT

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). Alternative investments, venture capital and hedge funds, and certain limited partnership investments for which there is no ready market ($514,073 and $477,390 at June 30, 2008 and 2007, respectively) are valued at fair value from reports provided by investment managers. Such 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 $67,869 and $60,549 of additional investments at June 30, 2008 and 2007, respectively.

Assets for long-term investment as reflected in the Statements of Financial Position are as follows:

	June 30, 2008		June 30, 2007	
	Cost Basis	**Market Value**	**Cost Basis**	**Market Value**
ENDOWMENT FUNDS				
General Investment Pool				
Fixed Income	$ 75,402	$ 73,388	$ 17,941	$ 17,373
Cash/Cash Equivalents	52,823	52,823	59,050	57,058
Equities	83,934	103,205	129,415	178,554
Venture Capital	56,240	47,143	52,630	41,238
Hedge Funds	158,471	302,487	138,471	270,325
Alternative Investments	87,327	124,365	74,028	112,325
Real Estate/Oil & Gas	20,960	40,078	21,931	53,502
Accounts Receivable	-	-	66,806	66,806
Total General Investment Pool	$ 535,157	$ 743,489	$ 560,272	$ 797,181
Non-Pooled Investments				
Fixed Income	$ 346	$ 342	$ 393	$ 371
Equities	299	605	236	583
Notes/Mortgages	2,625	-	2,625	-
Total Non-Pooled Invested Funds	$ 3,270	$ 947	$ 3,254	$ 954
TOTAL ENDOWMENT FUNDS	$ 538,427	$ 744,436	$ 563,526	$ 798,135
ANNUITY AND LIFE INCOME FUNDS				
Pooled Income Fund Trusts				
Fixed Income	$ 1,692	$ 1683	$ 1,791	$ 1,731
Cash/Cash Equivalents	71	71	132	132
Equities	1,165	1,259	925	1,327
Total Pooled Income Fund Trusts	$ 2,928	$ 3,013	$ 2,848	$ 3,190
Gift Annuity Pool				
Fixed Income	$ 13,088	$ 13,252	$ 14,572	$ 14,259
Cash/Cash Equivalents	1,046	1,046	2,045	2,031
Equities	33,743	35,504	29,436	40,155
Accounts Receivable	84	84	84	84
Total Gift Annuity Pool	$ 47,961	$ 49,886	$ 46,137	$ 56,529
Annuity Trusts and Unitrusts				
Fixed Income	$ 4,664	$ 4,665	$ 5,215	$ 5,044
Cash/Cash Equivalents	330	330	832	832
Real Estate	144	144	-	-
Equities	9,044	9,941	7,840	11,281
Total Annuity Trusts and Unitrusts	$ 14,182	$ 15,080	$ 13,887	$ 17,157
TOTAL ANNUITY AND LIFE INCOME FUNDS	$ 65,071	$ 67,979	$ 62,872	$ 76,876
RESTRICTED FOR PLANT FACILITIES				
Fixed Income	$ 59,773	$ 59,738	$ 25,392	$ 25,298
Accounts Receivable	724	724	-	-
Real Estate	2,218	2,218	2,050	2,050
TOTAL RESTRICTED FOR PLANT FACILITIES	$ 62,715	$ 62,680	$ 27,442	$ 27,348
FUNDS HELD IN TRUST BY OTHERS	$ 16,115	$ 16,299	$ 15,209	$ 18,007
INTEREST RATE SWAP ARRANGEMENTS	$ -	$ -	$ -	$ 3,656
TOTAL ASSETS FOR LONG-TERM INVESTMENT	$ 682,328	$ 891,394	$ 669,049	$ 924,022

3. BONDS PAYABLE

Bonds payable at June 30, 2008 and 2007 consisted of the following:

	2008	2007
Ohio Higher Educational Facility Commission		
Revenue Bonds dated February 1, 1999, maturing annually on October 1, 2008 through 2029 in amounts ranging from $2,550 to $3,560, with interest ranging from 4.0% to 5.25%, plus bond premium of $198 and $231 at June 30, 2008 and 2007, respectively.	$ 27,278	$ 29,761
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 $127 and $134 at June 30, 2008 and 2007, respectively.	39,873	39,866
Variable-rate Revenue Bonds dated December 1, 2005, maturing annually on October 1, 2008 through 2029 in amounts ranging from $120 to $10,240.	49,890	50,005
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	-
Total Bonds Payable, Net	$ 182,211	$ 144,802

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 are being 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. As a result of the partial defeasance of the 1999 bonds, certain items (such as issuance costs, bond premium, etc.) associated with the defeased portion of the 1999 bonds were written-off and were reflected in the statement of activities.

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 are being 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, 2008 are as follows:

2008-09	$	2,670
2009-10		2,775
2010-11		3,445
2011-12		3,615
2012-13		3,805
Thereafter		165,830
	$	182,140

The estimated fair market value of all outstanding long-term obligations at June 30, 2008 is $182,621.

4. 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 $67,080 and $69,530 at June 30, 2008 and 2007, respectively. The net settlement amount earned under this swap arrangement was $286 and $363 for the years ended June 30, 2008 and 2007, 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 with an initial notional 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 $49,890 and $50,005 at June 30, 2008 and 2007, respectively. The net settlement amount expensed was $379 for the year ended June 30, 2008 and the net settlement amount earned under this swap arrangement was $39 for the year ended June 30, 2007. These amounts are included in operating income and expense in the statements of activities.

The College entered into an interest rate swap arrangement on its 2006 bonds with an initial notional 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 $138 for the year ended June 30, 2008, 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 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:

	2008	2007
Interest rate swap arrangement effective December 1, 2005, maturing on October 1, 2033 with an initial notional amount of $71,885.	$ 401	$ 1,343
Interest rate swap arrangement effective December 14, 2005, maturing on October 1, 2029 with an initial notional amount of $50,115.	(1,807)	1,719
Interest rate swap arrangement effective October 1, 2009, maturing on October 1, 2035 with an initial notional amount of $25,170.	(622)	594
Interest rate swap arrangement effective April 18, 2008, maturing on October 1, 2048 with an initial notional amount of $40,000.	(1,460)	-
Total Fair Market Value of Interest Rate Swap Arrangements	$ (3,488)	$ 3,656

5. 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:

	2008	2007
In one year or less	**$** 8,085	$ 2,917
Between one year and five years	10,711	7,024
Greater than five years	6,942	6,413
Less discount	(5,811)	(5,565)
	$ 19,927	$ 10,789

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 anticipates future cost-sharing changes to the written plan that are consistent with the College's announced policy 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 2008; the rate was assumed to decrease gradually to 5% by 2014 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, 2008 by $214. The aggregate of the service and interest cost components of net postretirement health care cost for the year then ended would increase by $19. 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 both the accumulated postretirement benefit obligation and for the unrecognized excess prior service cost, net of unrecognized actuarial gain or 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, 2008 and 2007:

Accumulated Postretirement Benefit Obligation	2008	2007
Retirees	$ 6,678	$ 6,160
Other fully eligible participants	1,394	1,604
Other active participants	4,985	4,333
Accumulated postretirement benefit obligation	13,057	12,097
Unrecognized excess prior service cost	1,543	1,974
Unrecognized actuarial loss	(765)	(355)
Accrued postretirement health care cost liability	$ 13,835	$ 13,716

In addition to its accumulated postretirement benefit obligation, the College also accrues its unrecognized excess prior service cost, net of unrecognized actuarial gain or loss. Thus, at June 30, 2008 and 2007, a total liability for accrued postretirement health care cost of $13,835 and $13,716, respectively, is reflected in the College's accompanying statement of financial position.

Net periodic postretirement health care cost for the years ended June 30, 2008 and 2007 included the following components:

Accumulated Postretirement Benefit Obligation	2008	2007
Service cost - benefits attributed to service during the period	$ 407	$ 385
Interest cost on accumulated postretirement benefit obligation	814	811
Net amortization and deferral	(541)	(528)
Net (Gain) or Loss	-	-
Net periodic postretirement health care cost	$ 680	$ 668

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

	Total Claims	Medicare Reimbursement	Net Claims
2009	1,247	242	1,005
2010	1,349	270	1,079
2011	1,434	295	1,139
2012	1,518	330	1,188
2013	1,611	357	1,254
2014-2018	9,007	2,336	6,671

Medicare reimbursements reflected above are based on the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). Recognition of the impact of the Act in the June 30, 2004 financial statements resulted in a decrease of the accumulated postretirement benefit obligation of $449 and a $60 reduction in the net periodic postretirement health care cost. With retiree contributions of 33.3%, the College expects to contribute $670 toward expected net claims in fiscal 2009.

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, 2008 and 2007 were $6,686 and $6,435, respectively.

8. NOTES PAYABLE

The College had a $10,000 unsecured bank line of credit with interest at 30-day LIBOR plus 0.50% renewable on February 28, 2008. This credit line was allowed to expire at the option of the College. The balance outstanding on the line of credit at June 30, 2007 was $0.

9. CONDITIONAL ASSET RETIREMENT OBLIGATION

The College adopted Financial Accounting Standard Interpretation No. 47 (FIN47), Accounting for Conditional Asset Retirement Obligations, for its fiscal year ended June 30, 2006. 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 $2.1 and $2.0 million at June 30, 2008 and 2007, respectively, within other non-current liabilities on the statement of financial position.

10. COMMITMENTS AND CONTINGENCIES

At June 30, 2008, the College has outstanding commitments on various construction projects totaling approximately $22 million. These projects are being funded primarily with the bond proceeds from the 2006 and 2008 bonds and with donor contributions.

The College is involved in litigation and is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the College's operations or financial position.

11. SUBSEQUENT EVENT – COMMON FUND AND FINANCIAL MARKETS

Effective September 29, 2008, Wachovia Bank, N.A., as Trustee of The Common Fund for Short Term Investments (the Short Term Fund), announced its decision to terminate and liquidate the Short Term Fund, and to freeze the on-hand balances of the customers of the Short Term Fund. No additional contributions are being accepted by Wachovia. Under the liquidation plan, customers in the Short Term Fund are able to withdraw balances based on their proportional interest in the Short Term Fund only as fund assets mature or are sold. No losses are expected to be incurred by the College as a result of the liquidation, as fund assets below cost are not being sold. On September 29, 2008, the College had approximately $11.2 million on deposit at Wachovia with The Common Fund (as compared to $3.5 million as of June 30, 2008). As of November 18, 2008, the College has been able to withdraw 57.5% of its balance, leaving $4.8 million on hand.

Subsequent to year end, the investment and credit markets in the United States and around the world have experienced significant challenges related to liquidity, extension of credit and valuation. The results of these challenges have significantly increased volatility in the trading prices of marketable securities. As of October 31, 2008, the major securities indices have on average declined more than 25% from their values at June 30, 2008. In addition, as a result of illiquidity in the credit markets and down grading of many financial institutions and insurance companies, many variable rate demand bonds have failed to re-market or have re-marketed with significantly higher interest rates.