OBERLIN

Oberlin College

Financial Report

Year Ended June 30, 2007

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Financial Report
Year ended June 30, 2007

Financial Report 2006-07

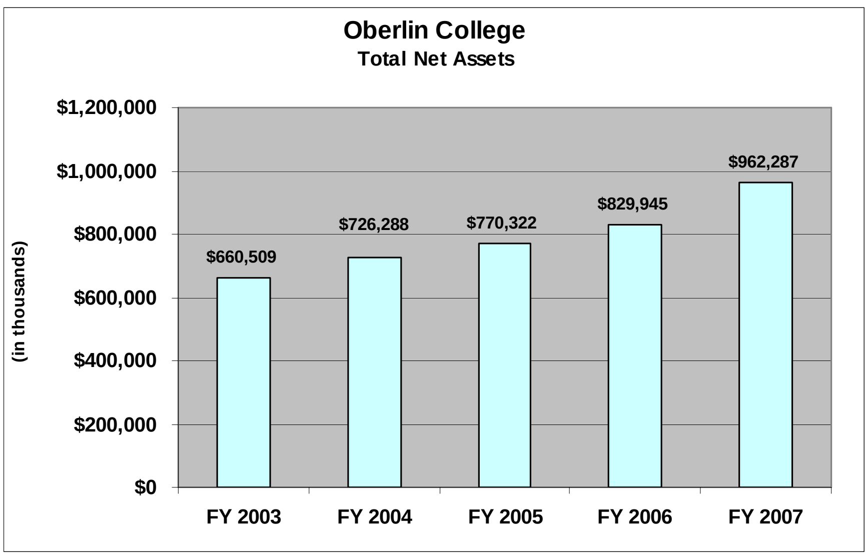
Ronald R. Watts, Vice President for Finance
Mark R. Bates, Associate Vice President for Finance

It is our pleasure to present to you Oberlin College's Annual Financial Report for the year ended June 30, 2007. This report includes our audit report, our audited financial statements and the 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.

FINANCIAL CONDITION

Total Net Assets

As of June 30, 2007, Oberlin's total assets are $1,178.5 million, an increase of $133.3 million from June 30, 2006. Total liabilities as of June 30, 2007 are $216.2 million, an increase of $0.9 million from the prior year. Thus, total net assets for the College are $962.3 million, compared to $829.9 million as of June 30, 2006. This represents an increase of $132.4 million, or 15.9%, during the fiscal year. Over the last four years, total net assets of the College have grown by more than $300 million. Most of the College's net assets are within its endowed funds and plant funds.



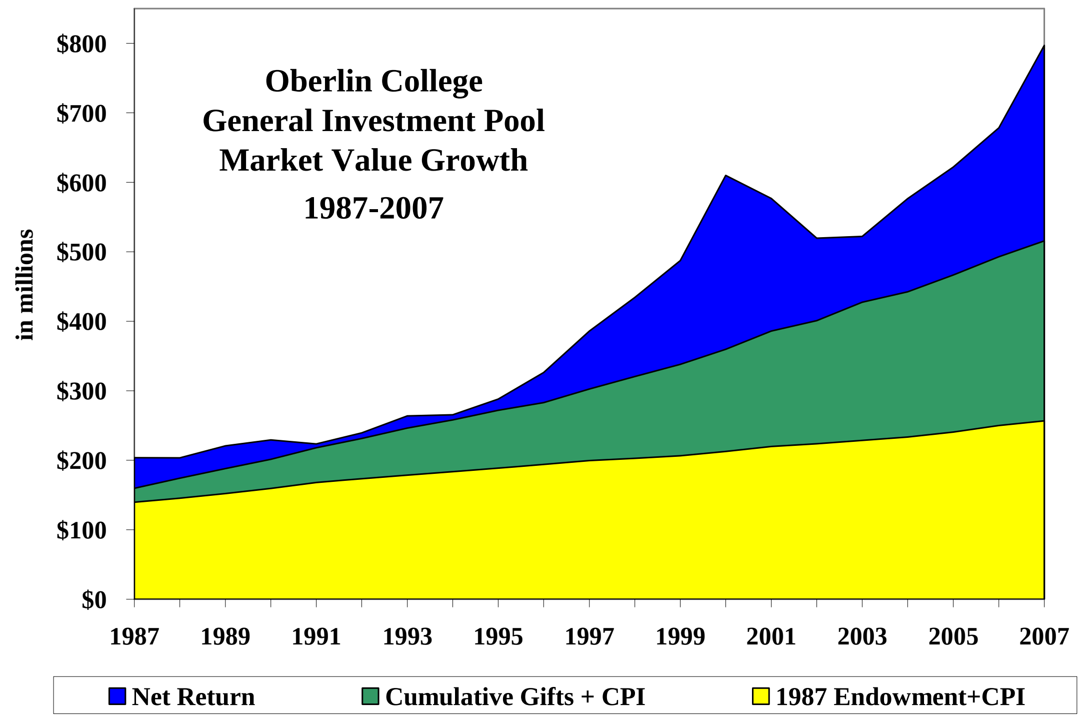
Endowed Funds

The increase in the College's net assets is primarily the result of the growth in the College's endowment funds. Total endowed funds as of June 30, 2007 are $798.1 million, compared to $681.6 million the previous year, an increase of $116.5 million.

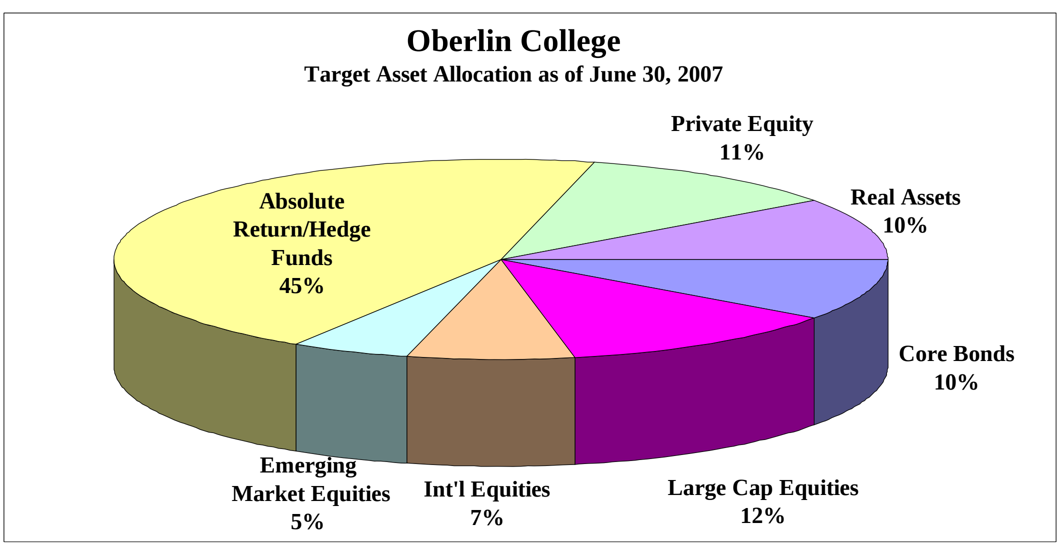
The endowment is the financial keystone of the College, with investment earnings from the endowment providing long-term funding for student financial aid, faculty compensation and academic programs. Most of Oberlin's 1,400 endowed funds are invested within its General Investment Pool. The College's General Investment Pool reached a record high of $797.2 million as of June 30, 2007. 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 growth in the market value of the pooled investments. Endowed gifts of $9.4 million were added to the pool in fiscal year 2007, compared to $7.7 million in 2006.

The Oberlin College Board of Trustees' Investment Committee and investment staff are responsible for oversight of the General Investment Pool. In fiscal year 2007, the net total return was 22.2% versus 13.2% in 2006.

Over the past twenty years, the General Investment Pool has grown from $203.7 million to $797.2 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 chart below depicts the College's targeted asset allocation as of June 30, 2007.



It should be noted that as of June 30, 2007 the College was in the process of rebalancing its investments, as well as moving invested funds between fund managers. As a result, our actual investment allocation at June 30, 2007 reflects greater balances in cash and investment proceeds receivable than would normally be reflected at year-end.

Plant Funds

Net assets designated for plant facilities, or plant equity, is the second largest component of the College's total net assets, totaling $83.2 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 $19.7 million to its Property, Plant and Equipment assets in the year ended June 30, 2007. The College made many major capital expenditures during the fiscal year including improvements to the campus-wide computer network; roof replacements and interior renovations to various academic buildings and residences and dining halls; the purchase of scientific equipment for our science labs; and the purchase of instruments for our Conservatory. After depreciation of $14.2 million, net plant assets grew by roughly $5.5 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. Some examples of such projects include the upgrading of the campus fire alarm system, construction of the Litoff Conservatory Facility, construction of a new track facility near Philips Physical Education Center and providing modern facilities for student housing.

Debt

The College has $144.8 million of outstanding bonded debt at year-end, described further in Footnote 3 to the financial statements. While we did not issue any debt in fiscal year 2007, during fiscal year 2006 the College issued $75.3 million in Variable Rate Revenue Bonds through the Ohio Higher Educational Facilities Commission. The first series, $50.1 million, was issued in December 2005 to advance refund a large portion of the 1999 series bonds. The second series, $25.2 million, was issued in January 2006 to provide funding for various capital projects, including further improvement of the student housing program.

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:

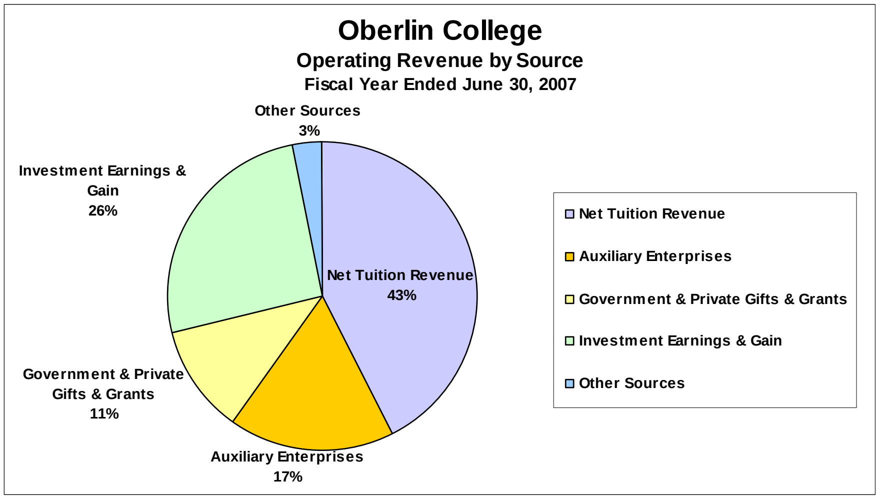
- ensure that an appropriate mix of funding sources is used;
- limit the overall debt to a level that, when combined with the College's strategic initiatives, will help preserve appropriate credit ratings over the long term;
- achieve a low risk-adjusted cost of capital while balancing that effort appropriately 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 previous fiscal year, 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 near-term interest rate fluctuations as well as to lower the College's cost of capital at fixed rates well below historical levels.

OPERATING RESULTS – FISCAL YEAR 2007

Operating Revenues

Oberlin's operating revenues totaled $137.8 million for the year ended June 30, 2007, an increase of $10.3 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 operating revenues, totaling $77.8 million in the current year versus $73.1 million the previous year, an increase of approximately 6.5%. While student enrollment was relatively constant between years, tuition, room and board rates each increased by approximately 5.2%. However, total student financial aid increased by 2.9%, reflecting a slight change in student mix between years.

Endowment earnings used in support of unrestricted operations is the second largest component of the College's operating revenues, increasing from $14.7 million in fiscal year 2006 to $15.3 million in fiscal year 2007, 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 2007, the College distributed a total of $34.5 million, compared to $33.0 million in 2006. 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 5.8% and 5.9% in fiscal years 2007 and 2006, respectively. Fiscal year 2007 is the second year of a multi-year plan to reduce the payout rate to 5.5% or below by no later than fiscal year 2010.

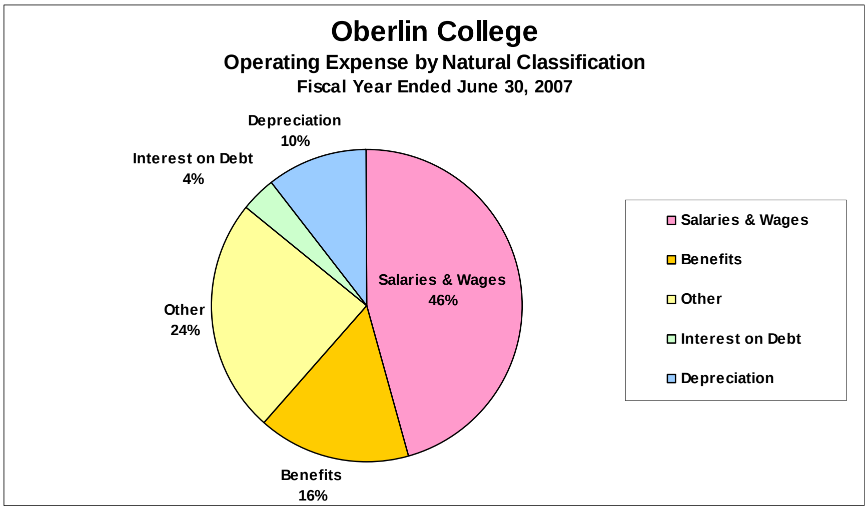
Oberlin's third largest component of operating revenues is support from unrestricted Private Gifts and Grants. The timing of the receipt of bequests is unpredictable, and the varying size of such bequests can cause fluctuations in giving from year to year, as depicted in this chart (dollars in thousands).

	2003-04	2004-05	2005-06	2006-07
Bequests	$ 4,590	$ 3,550	$ 3,165	$ 4,818
Annual Fund	3,343	3,617	3,102	3,115
Total	$ 7,933	$ 7,167	$ 6,267	$ 7,933

Operating Expenses

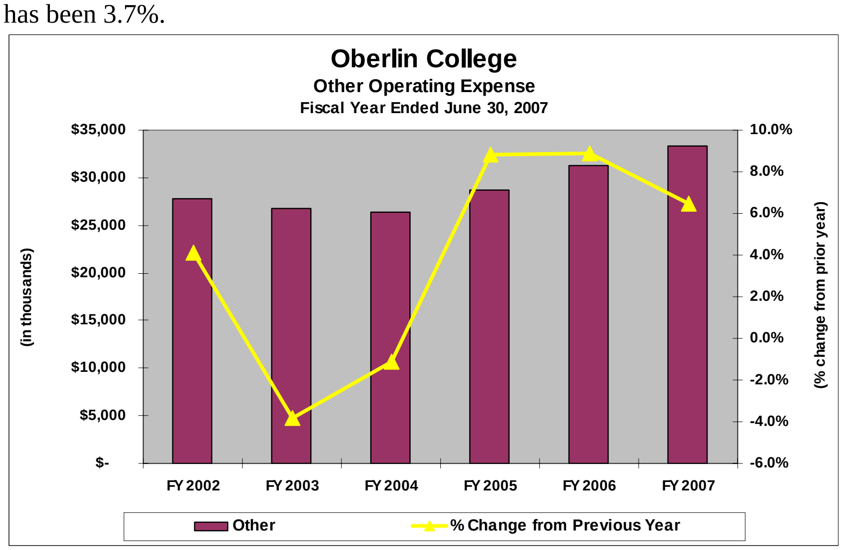
Oberlin's operating expenses totaled $136.0 million for the year ended June 30, 2007, an increase of $7.4 million over the prior year. Like our peers, Oberlin College's expenses tend to increase at rates which exceed traditional price indices, such as the Consumer Price Index, or "CPI". This occurs because 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 five-year period, HEPI has exceeded CPI between 0.6% and 2.4%, annually.

While the audited financial statements present operating expenses by program, as required by accounting and reporting standards, the chart below reflects the fiscal year 2007 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 $61.9 million in fiscal year 2007. This represents an increase of 4.7% over the fiscal year 2006 total of $59.1 million. The majority of this increase is the result of annual salary and wage increases, 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 $33.3 million in fiscal year 2007. This represents an increase of 6.5% over the fiscal year 2006 total of $31.3 million. The price 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. The actual compounded rate of increase for this expenditure area over the last five years has been 3.7%.



Employee benefits expense is our next largest component of operating expense. This expense classification, which includes the College's contribution to its 403(b) employee defined contribution plan and the College's health plan for both active employees and retirees, totaled $21.7 million in fiscal year 2007. This represents an increase of 8.7% over the fiscal year 2006 total of $20.0 million. Contributions to the 403(b) plan are directly proportional to increases in salaries and wages, as no changes have been made to the design of this benefit in a number of years. Health plan costs, on the other hand, continue to increase at 10-12% each year before consideration of plan design changes or increases in employee premium contributions. To date, the College has been successful at making annual changes to the design of the health plan, and then sharing the health plan cost increases ratably between employer and employee, to maintain the plan without a significant negative budget impact.

LOOKING AHEAD – FISCAL YEAR 2008

Enrollment

Enrollment statistics continued a very positive trend with applications eclipsing previous year totals and improvements in the admit rate and yield.

		Applications	% of Admitted	Yield
College of A&S	Fall 2007	5,749	34%	32%
	Fall 2006	5,552	37%	31%
	Fall 2005	5,461	37%	32%
	Fall 2004	5,160	40%	30%
	Fall 2003	4,934	39%	35%
Conservatory	Fall 2007	1,261	25%	47%
	Fall 2006	1,132	27%	44%
	Fall 2005	1,124	26%	45%
	Fall 2004	1,073	30%	45%
	Fall 2003	1,028	33%	39%

Interest Rate Swap Agreement / Pending Debt Issuance

The Board of Trustees authorized the issuance of up to $85.0 million in revenue bonds at the October 2007 board meeting, with up to $40.0 million of the revenue bonds representing new financing and up to $45 million of revenue bonds being used to partially advance refund the 2003 bonds outstanding. We now expect to issue approximately $78.0 million in bonds and anticipate closing by March of 2008. In addition, on October 25, 2007, we entered into an interest rate swap arrangement with an initial notional amount of $77.87 million, terminating October 1, 2048. Under the terms of this swap arrangement, the College will receive monthly interest payments based on 68% of 3-month LIBOR (London Interbank Offered Rate), and will make monthly interest payments at a fixed interest rate of 3.555%. The notional amount of the swap arrangement will amortize over the term of the 2008 bonds.

SUMMARY

We look to continue to benefit from strong investment management as we grow our endowment, led by our Board's Investment Committee, and to supplement our endowment earnings with continuing donor support. While growing our endowment is essential for Oberlin's long-term financial sustainability, current budgetary constraints require us to continue to exercise fiscal moderation, as well as to continue our solicitation of annual donor contributions in support of our mission. The record results of fiscal year 2007 reflect Oberlin's commitment to financial sustainability and sound endowment management. The entire finance team looks forward to collaborating with our new president, Marvin Krislov, as we continue our focus upon the implementation of our strategic financial plan, helping to ensure Oberlin's future financial strength and academic excellence.

HAUSSER + TAYLOR LLC
Business advisors and certified public accountants
1001 Lakeside Avenue East, Suite 1400 • Cleveland, Ohio 44114-1152 216/523-1905 • FAX: 216/522-1490 • www.hausser.com

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, 2007 and 2006, 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 41% of total assets at June 30, 2007 and 2006, 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, 2007 and 2006, 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.

Hausser + Taylor LLC

Cleveland, Ohio
December 7, 2007

Oberlin College

Statements of Financial Position

As of June 30, 2007 and 2006
(dollars in thousands)

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	$ 23,550	$ 8,334
Short-term investments	4,181	16,545
Accounts receivable, net	3,651	2,094
Other current assets	3,244	3,118
Total current assets	$ 34,626	$ 30,091
Pledges Receivable and Bequests in Probate	$ 10,789	$ 10,580
Long-Term Receivables		
Student loans	$ 10,908	$ 10,452
Allowance for doubtful loans	(1,273)	(1,273)
Total long-term receivables	$ 9,635	$ 9,179
Long-Term Investments		
Assets restricted to investment in land, buildings and equipment	$ 27,348	$ 32,477
Endowment funds	798,135	681,571
Annuity and life income funds	76,876	68,404
Funds held in trust by others	18,007	16,281
Interest rate swap arrangements	3,656	2,694
Total long-term investments	$ 924,022	$ 801,427
Property, Plant and Equipment		
Land, buildings and equipment	$ 388,161	$ 371,653
Construction in progress	5,851	2,677
Less: accumulated depreciation	(194,566)	(180,399)
Total property, plant and equipment	$ 199,446	$ 193,931
TOTAL ASSETS	$ 1,178,518	$ 1,045,208

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

Oberlin College

Statements of Financial Position

As of June 30, 2007 and 2006

(dollars in thousands)

LIABILITIES and NET ASSETS	2007	2006
Current Liabilities		
Accounts payable	$ 6,175	$ 4,896
Current portion of bonds payable	2,565	2,465
Deposits and agency funds	4,486	4,471
Other current liabilities	2,161	1,452
Total current liabilities	$ 15,387	$ 13,284
Other Liabilities		
Accrued postretirement benefit obligation	13,716	14,009
Annuity obligations	30,941	30,389
Federal student loan funds	6,278	6,278
Other non-current liabilities	7,672	6,471
Bonds payable, net	142,237	144,832
Total liabilities	$ 216,231	$ 215,263
Net Assets		
Unrestricted -		
Current operations	$ (5,282)	$ (6,011)
Designated for specific purposes	30,466	24,632
Unexpended plant and facility funds	(9,831)	(7,014)
Invested in plant facilities	45,614	41,278
Quasi-endowment funds	325,170	277,952
Total unrestricted	$ 386,137	$ 330,837
Temporarily Restricted -		
Donor designated for specific purposes	$ 17,007	$ 14,642
Annuity and life income funds	8,666	8,075
Unexpended plant and facility funds	9,207	8,331
Unamortized contributions for long-lived assets	38,167	38,166
Quasi-endowment funds	304,639	239,557
Total temporarily restricted	$ 377,686	$ 308,771
Permanently Restricted -		
Student loan funds	$ 3,279	$ 3,007
Annuity and life income funds	6,440	5,004
Funds held in trust by others	18,007	16,281
Endowment funds	170,738	166,045
Total permanently restricted	$ 198,464	$ 190,337
Total net assets	$ 962,287	$ 829,945
TOTAL LIABILITIES and NET ASSETS	$ 1,178,518	$ 1,045,208

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

Statement of Activities

For the year ended June 30, 2006
(dollars in thousands)

	2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	$ 90,698	$ 585		$ 91,283
Room and board	18,248			18,248
Student aid	(36,453)			(36,453)
Net student income	72,493	585		73,078
Auxiliary services, other	4,373			4,373
Government grants and contributions		2,653		2,653
Private gifts and grants	6,267	3,946		10,213
Investment earnings and gain	14,738	19,261	$ 196	34,195
Other sources	2,878	88		2,966
Net assets released from restrictions	27,820	(27,820)		
Total operating revenues	$ 128,569	$ (1,287)	$ 196	$ 127,478
Operating Expenses				
Instruction	$ 60,919			$ 60,919
Research	515			515
Academic support	17,251			17,251
Student services	10,810			10,810
Institutional support	17,577			17,577
Auxiliary services, student and other	21,491			21,491
Total operating expenses	$ 128,563			$ 128,563
Change in net assets from operating activities	$ 6	$ (1,287)	$ 196	$ (1,085)
Non-operating Activities				
Investment earnings and gain	$ 3,691	$ (1,278)	$ 1,567	$ 3,980
Unrealized gain	23,801	29,962	62	53,825
Capital and deferred gifts	247	2,351	4,147	6,745
Pledges and bequests	2,070	2,175	(1,190)	3,055
Change in annuity obligations	635	(624)	100	111
Payments to beneficiaries	(2,736)	(808)	(559)	(4,103)
Non-recurring bond defeasance charge	(2,652)			(2,652)
Redesignated funds and other	(87)	686	(852)	(253)
Change in net assets from non-operating activities	$ 24,969	$ 32,464	$ 3,275	$ 60,708
Net change in net assets	24,975	31,177	3,471	59,623
Net assets at beginning of year	$ 305,862	$ 277,594	$ 186,866	$ 770,322
Net assets at end of year	$ 330,837	$ 308,771	$ 190,337	$ 829,945

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

Oberlin College

Statements of Cash Flows

For the years ended June 30, 2007 and 2006

(dollars in thousands)

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	$ 132,342	$ 59,623
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	14,137	13,120
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	(1,557)	299
Other current assets	(126)	(339)
Pledges receivable and bequests in probate	(209)	(3,056)
Accounts payable, accrued expenses and other liabilities	3,189	(1,378)
Deposits and agency funds	15	278
Accrued postretirement benefit obligation	(293)	(258)
Net adjustment of annuity obligations	552	(111)
Contributions restricted for long-term investments	(6,625)	(6,584)
Earnings restricted for long-term investment	(4,160)	(1,825)
Net realized and unrealized (gains) losses on long-term investments	(150,152)	(87,727)
Net cash used for operating activities	$ (12,887)	$ (27,958)
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	$ (19,682)	$ (17,259)
Proceeds from student loans collected	1,060	1,293
Student loans issued, net	(1,516)	(1,531)
Decrease in short-term investments	12,364	141
Purchases of investments	(207,531)	(201,446)
Proceeds from sales and maturities of investments	235,088	208,724
Net cash provided by (used for) investing activities	$ 19,783	$ (10,078)
Cash Flows From Financing Activities		
Proceeds from contributions for:		
Investment in endowment	$ 3,686	$ 3,923
Investment in long-lived assets	1,138	1,532
Investment in life income agreements	1,801	1,129
Earnings restricted for long-term investment	4,160	1,825
Payments on long-term debt	(2,465)	(46,990)
Proceeds from issuance of bonds, net		75,285
Net cash provided by financing activities	$ 8,320	$ 36,704
Net increase (decrease) in cash and cash equivalents	$ 15,216	$ (1,332)
Cash and cash equivalents, beginning of year	8,334	9,666
Cash and cash equivalents, end of year	$ 23,550	$ 8,334

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, 2007 and 2006). 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 $4,755 and $4,358 are reflected within institutional support in the statement of activities for the years ended June 30, 2007 and 2006, 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.

Reclassification

Certain June 30, 2006 data have been reclassified to conform with the June 30, 2007 presentation.

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, 2007 and 2006 was:

	2007	2006
Educational and general properties	$ 9,598	$ 9,218
Library books and materials	1,698	1,622
Auxiliary properties	2,871	2,711
	$ 14,167	$ 13,551

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 $6,248 in 2007 and $6,036 in 2006. Included in these amounts are $1,305 and $402 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, 2007 and 2006.

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 ($477,390 and $424,055 at June 30, 2007 and 2006, 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 $60,549 and $51,671 of additional investments at June 30, 2007 and 2006, respectively.

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

	June 30, 2007		June 30, 2006	
	Cost Basis	Market Value	Cost Basis	Market Value
ENDOWMENT FUNDS				
General Investment Pool				
Fixed Income	$ 17,941	$ 17,373	$ 61,698	$ 60,034
Cash/Cash Equivalents	59,050	57,058	29,554	28,317
Equities	129,415	178,554	127,171	154,331
Venture Capital	52,630	41,238	48,131	33,551
Hedge Funds	138,471	270,325	97,744	226,305
Alternative Investments	74,028	112,325	70,054	98,887
Real Estate/Oil & Gas	21,931	53,502	39,626	76,860
Accounts Receivable	66,806	66,806	-	-
Total General Investment Pool	$ 560,272	$ 797,181	$ 473,978	$ 678,285
Non-Pooled Investments				
Fixed Income	$ 393	$ 371	$ 305	$ 276
Equities	236	583	141	385
Notes/Mortgages	2,625	-	2,625	2,625
Total Non-Pooled Invested Funds	$ 3,254	$ 954	$ 3,071	$ 3,286
TOTAL ENDOWMENT FUNDS	$ 563,526	$ 798,135	$ 477,049	$ 681,571
ANNUITY AND LIFE INCOME FUNDS				
Pooled Income Fund Trusts				
Fixed Income	$ 1,791	$ 1,731	$ 1,608	$ 1,562
Cash/Cash Equivalents	132	132	116	116
Equities	925	1,327	943	1,260
Total Pooled Income Fund Trusts	$ 2,848	$ 3,190	$ 2,667	$ 2,938
Gift Annuity Pool				
Fixed Income	$ 14,572	$ 14,259	$ 12,335	$ 12,001
Cash/Cash Equivalents	2,045	2,031	1,397	1,397
Equities	29,436	40,155	28,480	36,097
Accounts Receivable	84	84	9	9
Total Gift Annuity Pool	$ 46,137	$ 56,529	$ 42,221	$ 49,504
Annuity Trusts and Unitrusts				
Fixed Income	$ 5,215	$ 5,044	$ 4,661	$ 4,485
Cash/Cash Equivalents	832	832	394	394
Equities	7,840	11,281	8,409	11,083
Total Annuity Trusts and Unitrusts	$ 13,887	$ 17,157	$ 13,464	$ 15,962
TOTAL ANNUITY AND LIFE INCOME FUNDS	$ 62,872	$ 76,876	$ 58,352	$ 68,404
RESTRICTED FOR PLANT FACILITIES				
Fixed Income	$ 25,392	$ 25,298	$ 30,630	$ 30,543
Real Estate	2,050	2,050	1,934	1,934
TOTAL RESTRICTED FOR PLANT FACILITIES	$ 27,442	$ 27,348	$ 32,564	$ 32,477
FUNDS HELD IN TRUST BY OTHERS	$ 15,209	$ 18,007	$ 14,598	$ 16,281
INTEREST RATE SWAP ARRANGEMENTS	$ -	$ 3,656	$ -	$ 2,694
TOTAL ASSETS FOR LONG-TERM INVESTMENT	$ 669,049	$ 924,022	$ 582,563	$ 801,427

3. BONDS PAYABLE

Bonds payable at June 30, 2007 and 2006 consisted of the following:

	2007	2006
Ohio Higher Educational Facility Commission		
Revenue Bonds dated February 1, 1999, maturing annually on October 1, 2007 through 2029 in amounts ranging from $2,450 to $3,560, with interest ranging from 4.0% to 5.25%, plus bond premium of $231 and $268 at June 30, 2007 and 2006, respectively.	$ 29,761	$ 32,513
Revenue Bonds dated September 1, 2003, maturing in part on October 1, 2024 ($18,155) and in part on October 1, 2034 ($21,845), with interest ranging from 5.0% to 5.125%, less net bond discount of $134 and $141 at June 30, 2007 and 2006, respectively.	39,866	39,859
Variable-rate Revenue Bonds dated December 1, 2005, maturing annually on October 1, 2007 through 2029 in amounts ranging from $115 to $10,240.	50,005	50,115
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
Total Bonds Payable, Net	$ 144,802	$ 147,297

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.

Future principal payments on the College's outstanding bonds at June 30, 2007 are as follows:

2007-08	$	2,565
2008-09		2,670
2009-10		2,775
2010-11		3,445
2011-2012		3,615
Thereafter		129,635
	$	144,705

The estimated fair market value of all outstanding long-term obligations at June 30, 2007 is $145,984.

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 $71,885 at June 30, 2007, and 2006, respectively. The net settlement amount earned under this swap arrangement was $363 and $243 for the years ended June 30, 2007 and 2006, 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 $50,005 and $50,115 at June 30, 2007 and 2006, respectively. The net settlement amount earned under this swap arrangement was $44 for the year ended June 30, 2007 and the net settlement amount expensed was $69 for the year ended June 30, 2006. 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 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 fair value of interest swap arrangements is the estimated amount that the College would receive 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. 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:

	2007	2006
Interest rate swap arrangement effective December 1, 2005, maturing on October 1, 2033 in the amount of $71,885.	$ 1,343	$ 370
Interest rate swap arrangement effective December 14, 2005, maturing on October 1, 2029 in the amount of $50,005.	1,719	1,792
Interest rate swap arrangement effective October 1, 2009, maturing on October 1, 2035 in the amount of $25,170.	594	532
Total Fair Market Value of Interest Rate Swap Arrangements	$ 3,656	$ 2,694

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:

	2007	2006
In one year or less	$ 2,917	$ 3,642
Between one year and five years	7,024	5,992
Greater than five years	6,413	6,572
Less discount	(5,565)	(5,626)
	$ 10,789	$ 10,580

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 percent annual rate of increase in the per capita cost of covered health care claims was assumed for 2007; the rate was assumed to decrease gradually to 5 percent by 2013 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, 2007 by $231. The aggregate of the service and interest cost components of net postretirement health care cost for the year then ended would increase by $21. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7 percent.

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, 2007 and 2006:

Accumulated Postretirement Benefit Obligation	2007	2006
Retirees	$ 6,160	$ 6,475
Other fully eligible participants	1,604	1,629
Other active participants	4,333	3,936
Accumulated postretirement benefit obligation	12,097	12,040
Unrecognized excess prior service cost	1,974	2,335
Unrecognized actuarial loss	(355)	(366)
Accrued postretirement health care cost liability	$ 13,716	$ 14,009

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, 2007 and 2006, a total liability for accrued postretirement health care cost of $13,716 and $14,009, respectively, is reflected in the College's accompanying statement of financial position.

Net periodic postretirement health care cost for the years ended June 30, 2007 and 2006 included the following components:

Accumulated Postretirement Benefit Obligation	2007	2006
Service cost - benefits attributed to service during the period	$ 385	$ 505
Interest cost on accumulated postretirement benefit obligation	811	720
Net amortization and deferral	(528)	(528)
Net (Gain) or Loss	-	-
Net periodic postretirement health care cost	$ 668	$ 697

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

	Total Claims	Medicare Reimbursement	Net Claims
2008	1,180	239	941
2009	1,307	264	1,043
2010	1,388	285	1,103
2011	1,474	306	1,168
2012	1,567	350	1,217
2013-2017	9,150	2,209	6,941

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 $628 toward expected net claims in fiscal 2008.

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, 2007 and 2006 were $6,435 and $5,963, respectively.

8. NOTES PAYABLE

The College has a $10,000 unsecured bank line of credit with interest at 30-day LIBOR plus 0.50% renewable on February 28, 2008. The balance outstanding on the line of credit at June 30, 2007 and 2006 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 million at June 30, 2007 and 2006, respectively, within other non-current liabilities on the statement of financial position.

10. CONTINGENCIES

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

At its October 2007 board meeting, the Board of Trustees authorized officers of the College to effectuate the issuance by the Ohio Higher Educational Facility Commission (the Commission) of up to $85,000 in Higher Educational Facility Revenue Bonds, with up to $40,000 of the revenue bonds representing new financing and up to $45,000 of revenue bonds being used to partially advance refund the 2003 bonds outstanding. The College expects the bonds to be issued by March of 2008. The Board of Trustees further authorized officers of the College to enter into an interest rate swap or other hedge arrangement not in excess of $85,000. On October 25, 2007, the College entered into an interest rate swap arrangement with an initial notional amount of $77,870, and terminating October 1, 2048. 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 3.555%. The notional amount of the swap arrangement will amortize over the term of the 2008 bonds.