OBERLIN

Oberlin College
Financial Report
Year Ended June 30, 2005

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Oberlin College
Financial Report
Year ended June 30, 2005

Financial Report 2004-05

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

We are pleased to present the financial statements for the fiscal year 2004-05 for Oberlin College. This past year has had many challenges and happily many successes as well. The Net Assets of the College increased by approximately $44 million during the most recent fiscal year after a $66 million dollar increase in fiscal 2003-04. As was the case last year, this increase is a result of both endowment performance and fundraising, each of which are discussed below.

The College's general endowment increased in market value by $45.2 million to $621.7 million. A net total return of 11.8% was achieved this fiscal year, generating over $69.3 million in earnings and gain in the general investment pool. Gifts and other additions totaled $10.5 million, while reductions included distributions to support operations of $34.3 million and investment in capital projects of $0.3 million.

Enrollment statistics are very strong, with improvements in the applicant pool, admit rate and yield, as noted below:

		Applications	% of Admitted	Yield
College of A&S	Fall 2005	5,461	37%	32%
	Fall 2004	5,160	40%	30%
	Fall 2003	4,934	39%	35%
Conservatory	Fall 2005	1,124	26%	45%
	Fall 2004	1,073	30%	45%
	Fall 2003	1,028	33%	39%

Oberlin completed its strategic planning process culminating with a unanimous approval by the Oberlin College Board of Trustees in March of 2005. The strategic plan intentionally integrates academic planning and financial planning with the conviction that programmatic excellence cannot be sustainable without robust financial health. Any strategy designed to maintain and enhance Oberlin's academic excellence is dependent upon a successful strategy to build the institution's financial capacity. Oberlin is developing a financial profile that enables it to generate operating revenues to adequately meet the ongoing operational and capital needs of an institution devoted to academic and artistic excellence.

The 2004-05 financial statements reflect continued improvement in Oberlin's general financial condition. In fiscal year 2005-06 we shall begin to see additional positive signs from the implementation of the financial plan. Oberlin's overall strategic plan will help guide the programmatic and financial strategies that will enable Oberlin to maintain and enhance its academic reputation in an evolving global society.

HAUSSER + TAYLOR LLC
Business advisors and certified public accountants

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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, 2005 and 2004, 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.

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, 2005 and 2004, 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
November 11, 2005

Oberlin College

Statements of Financial Position

As of June 30, 2005 and 2004
(dollars in thousands)

	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents	$ 9,666	$ 5,456
Short-term investments	16,686	24,255
Accounts receivable, net	2,393	2,176
Inventories	627	298
Deposits and prepaid expenses	2,152	2,095
Total current assets	$ 31,524	$ 34,280
Pledges Receivable and Bequests in Probate	$ 7,524	$ 13,688
Long-Term Receivables		
Student loans	$ 10,214	$ 9,854
Allowance for doubtful loans	(1,273)	(1,273)
Total long-term receivables	$ 8,941	$ 8,581
Long-Term Investments		
Assets restricted to investment in land, buildings and equipment	$ 16,277	$ 23,912
Endowment funds	624,351	578,980
Annuity and life income funds	64,642	57,580
Funds held in trust by others	15,708	15,134
Total long-term investments	$ 720,978	$ 675,606
Property, Plant and Equipment		
Land, buildings and equipment	$ 349,906	$ 338,842
Construction in progress	7,165	813
Less: accumulated depreciation	(166,849)	(153,992)
Total property, plant and equipment	$ 190,222	$ 185,663
TOTAL ASSETS	$ 959,189	$ 917,818

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

Oberlin College
Statements of Financial Position
As of June 30, 2005 and 2004
(dollars in thousands)

	2005	2004
LIABILITIES and NET ASSETS		
Current Liabilities		
Accounts payable	$ 7,744	$ 10,142
Deposits and agency funds	4,193	3,669
Other current liabilities	2,189	2,035
Total current liabilities	$ 14,126	$ 15,846
Other Liabilities		
Accruals for staff benefit programs	18,531	18,372
Annuity obligations	30,500	29,615
Federal student loan funds	6,278	6,229
Notes payable		2,000
Bonds payable, net	119,432	119,468
Total liabilities	$ 188,867	$ 191,530
Net Assets		
Unrestricted -		
Current operations	$ (10,983)	$ (9,262)
Designated for specific purposes	21,537	17,828
Unexpended plant and facility funds	(2,268)	(962)
Invested in plant facilities	44,000	46,785
Quasi-endowment funds	253,576	235,013
Total unrestricted	$ 305,862	$ 289,402
Temporarily Restricted -		
Donor designated for specific purposes	$ 15,214	$ 17,717
Annuity and life income funds	7,030	6,165
Unexpended plant and facility funds	7,417	8,221
Unamortized contributions for long-lived assets	37,083	36,451
Quasi-endowment funds	210,850	190,086
Total temporarily restricted	$ 277,594	$ 258,640
Permanently Restricted -		
Student loan funds	$ 2,795	$ 2,574
Annuity and life income funds	5,265	3,664
Funds held in trust by others	15,708	15,134
Endowment funds	163,098	156,874
Total permanently restricted	$ 186,866	$ 178,246
Total net assets	$ 770,322	$ 726,288
TOTAL LIABILITIES and NET ASSETS	$ 959,189	$ 917,818

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

Oberlin College

Statement of Activities

For the year ended June 30, 2005

(dollars in thousands)

	2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	$ 85,818	$ 528		$ 86,346
Room and board	16,363			16,363
Student aid	(36,163)			(36,163)
Net student income	66,018	528		66,546
Auxiliary services, other	4,306			4,306
Government grants and contributions		2,353		2,353
Private gifts and grants	7,167	4,523		11,690
Investment earnings and gain	15,954	18,949	$ 1,548	36,451
Other sources	2,855	89		2,944
Net assets released from restrictions	26,746	(26,746)		
Total operating revenues	$ 123,046	$ (304)	$ 1,548	$ 124,290
Operating Expenses				
Instruction	$ 58,807			$ 58,807
Research	482			482
Academic support	16,523			16,523
Student services	9,805			9,805
Institutional support	17,023			17,023
Auxiliary services, student and other	20,389			20,389
Total operating expenses	$ 123,029			$ 123,029
Change in net assets from operating activities	$ 17	$ (304)	$ 1,548	$ 1,261
Non-operating Activities				
Investment earnings and gain	$ 1,936	$ (998)	$ 1,101	$ 2,039
Unrealized gain	19,050	21,470	965	41,485
Capital and deferred gifts	343	2,815	7,787	10,945
Pledges and bequests	(1,910)	(4,063)	(191)	(6,164)
Change in annuity obligations	521	(830)	(576)	(885)
Payments to beneficiaries	(2,748)	(708)	(556)	(4,012)
Redesignated funds and other	(749)	1,572	(1,458)	(635)
Change in net assets from non-operating activities	$ 16,443	$ 19,258	$ 7,072	$ 42,773
Net change in net assets	16,460	18,954	8,620	44,034
Net assets at beginning of year	$ 289,402	$ 258,640	$ 178,246	$ 726,288
Net assets at end of year	$ 305,862	$ 277,594	$ 186,866	$ 770,322

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

Oberlin College

Statement of Activities

For the year ended June 30, 2004

(dollars in thousands)

	2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Tuition and fees	$ 82,782	$ 522		$ 83,304
Room and board	15,733			15,733
Student aid	(34,923)			(34,923)
Net student income	63,592	522		64,114
Auxiliary services, other	4,444			4,444
Government grants and contributions		2,260		2,260
Private gifts and grants	5,498	3,424		8,922
Investment earnings and gain	15,592	18,939	$ 360	34,891
Other sources	2,576	93		2,669
Net assets released from restrictions	24,022	(24,022)		
Total operating revenues	$ 115,724	$ 1,216	$ 360	$ 117,300
Operating Expenses				
Instruction	$ 55,587			$ 55,587
Research	274			274
Academic support	15,444			15,444
Student services	9,510			9,510
Institutional support	15,381			15,381
Auxiliary services, student and other	19,514			19,514
Total operating expenses	$ 115,710			$ 115,710
Change in net assets from operating activities	$ 14	$ 1,216	$ 360	$ 1,590
Non-operating Activities				
Investment earnings and gain	$ 1,586	$ 273	$ 667	$ 2,526
Unrealized gain	27,373	30,595	1,711	59,679
Capital and deferred gifts	281	3,996	3,268	7,545
Pledges and bequests	248	641	82	971
Change in annuity obligations	570	(512)	(297)	(239)
Payments to beneficiaries	(2,744)	(623)	(485)	(3,852)
Non-recurring bond defeasance charge	(785)			(785)
Redesignated funds and other	(4,999)	2,314	1,029	(1,656)
Change in net assets from non-operating activities	$ 21,530	$ 36,684	$ 5,975	$ 64,189
Net change in net assets	21,544	37,900	6,335	65,779
Net assets at beginning of year	$ 267,858	$ 220,740	$ 171,911	$ 660,509
Net assets at end of year	$ 289,402	$ 258,640	$ 178,246	$ 726,288

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

Oberlin College

Statements of Cash Flows

For the years ended June 30, 2005 and 2004
(dollars in thousands)

	2005	2004
Cash Flows From Operating Activities		
Change in net assets	$ 44,034	$ 65,779
Adjustments to reconcile change in net assets		
to net cash (used for) provided by operating activities:		
Depreciation and amortization	12,821	12,717
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	(217)	515
Inventories and prepaid expenses	(386)	(280)
Pledges receivable and bequests in probate	6,164	(971)
Accounts payable and accrued expenses	(2,195)	3,701
Deposits and deferred revenues	524	224
Accruals for staff benefits	159	78
Net adjustment of annuity obligations	885	239
Contributions restricted for long-term investments	(10,936)	(7,420)
Earnings restricted for long-term investment	(3,614)	(2,738)
Net realized and unrealized (gains) losses on long-term investments	(74,395)	(92,165)
Net cash (used for) provided by operating activities	$ (27,156)	$ (20,321)
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	$ (17,416)	$ (13,722)
Proceeds from student loans collected	1,094	1,272
Student loans issued, net	(1,454)	(1,044)
Decrease (Increase) in short-term investments	7,569	(22,137)
Purchases of investments	(215,447)	(253,227)
Proceeds from sales and maturities of investments	244,470	264,612
Net cash used for investing activities	$ 18,816	$ (24,246)
Cash Flows From Financing Activities		
Proceeds from contributions for:		
Investment in endowment	$ 5,894	$ 2,461
Investment in long-lived assets	2,039	3,931
Investment in life income agreements	3,003	1,028
Earnings restricted for long-term investment	3,614	2,738
Payments on long-term debt		(14,130)
Proceeds from issuance of bonds, net		39,843
Payments on notes payable	(2,000)	
Net cash provided by financing activities	$ 12,550	$ 35,871
Net decrease in cash and cash equivalents	$ 4,210	$ (8,696)
Cash and cash equivalents, beginning of year	5,456	14,152
Cash and cash equivalents, end of year	$ 9,666	$ 5,456

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, 2005 and 2004). 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. Fundraising expenses of approximately $4,238 and $3,346 are reflected within institutional support in the statement of activities for the years ended June 30, 2005 and 2004, 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 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.

Reclassifications

Certain June 30, 2004 data have been reclassified to conform with the June 30, 2005 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, 2005 and 2004 was:

	2005	2004
Educational and general properties	$ 8,833	$ 8,461
Library books and materials	1,552	1,480
Auxiliary properties	2,551	2,423
	$ 12,936	$ 12,364

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 $5,914 in 2005 and $5,316 in 2004. Included in these amounts are $999 and $895 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, 2005 and 2004.

Tax Status

The College is exempt from Federal income taxes under Section 501(c)3 of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

2. ASSETS FOR LONG-TERM INVESTMENT

Investments in marketable securities are stated at current market value based on the last trade price or at the reported net asset value for investment funds and limited partnerships. Investments in real estate through limited partnerships are stated at appraised market values while other real estate investments are stated at cost on the date of acquisition or fair market value at date of receipt in the case of gifts. The net realized and unrealized gains (or losses) in market value of investments are reflected in the statement of activities.

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

	June 30, 2005		June 30, 2004	
	Cost Basis	Market Value	Cost Basis	Market Value
ENDOWMENT AND SIMILAR FUNDS				
General Investment Pool				
Fixed Income	$ 62,213	$ 62,697	$ 38,700	$ 37,990
Cash/Cash Equivalents	53,271	53,283	19,200	19,200
Equities	103,216	125,717	148,266	177,540
Venture Capital	46,742	31,379	40,608	24,536
Hedge Funds	117,013	221,322	132,013	217,989
Alternative Investments	55,547	79,960	58,114	68,574
Real Estate/Oil & Gas	32,957	47,128	25,873	30,313
Accounts Receivable	210	210	777	777
Total General Investment Pool	$ 471,169	$ 621,696	$ 463,551	$ 576,919
Non-Pooled Investments				
Fixed Income	$ 290	$ 294	$ 488	$ 494
Cash/Cash Equivalents	-	-	-	-
Equities	135	386	89	317
Notes/Mortgages	1,975	1,975	1,250	1,250
Total Non-Pooled Invested Funds	$ 2,400	$ 2,655	$ 1,827	$ 2,061
TOTAL ENDOWMENT FUNDS	$ 473,569	$ 624,351	$ 465,378	$ 578,980
ANNUITY AND LIFE INCOME FUNDS				
Pooled Income Fund Trusts				
Fixed Income	$ 1,262	$ 1,272	$ 1,139	$ 1,126
Cash/Cash Equivalents	81	81	84	84
Accounts Receivable	1	1	1	1
Equities	719	1,017	801	1,025
Total Pooled Income Fund Trusts	$ 2,063	$ 2,371	$ 2,025	$ 2,236
Gift Annuity Pool				
Fixed Income	$ 10,551	$ 10,753	$ 10,377	$ 10,274
Cash/Cash Equivalents	1,804	1,804	2,045	2,045
Equities	27,822	34,986	25,619	30,234
Accounts Receivable	-	-	3	3
Total Gift Annuity Pool	$ 40,177	$ 47,543	$ 38,044	$ 42,556
Annuity Trusts And Unitrusts				
Fixed Income	$ 4,190	$ 4,200	$ 3,683	$ 3,609
Cash/Cash Equivalents	355	355	261	261
Equities	7,947	10,135	7,595	8,907
Real Estate	8	8	8	8
Accounts Receivable/Other	30	30	3	3
Total Annuity Trusts and Unitrusts	$ 12,530	$ 14,728	$ 11,550	$ 12,788
TOTAL ANNUITY AND LIFE INCOME FUNDS	$ 54,770	$ 64,642	$ 51,619	$ 57,580
RESTRICTED FOR PLANT FACILITIES				
Fixed Income	$ 13,658	$ 13,653	$ 21,451	$ 21,443
Cash/Cash Equivalents	-	-	-	-
Mortgages	-	-	-	-
Real Estate	2,624	2,624	2,469	2,469
Accounts Receivable, Net	-	-	-	-
TOTAL RESTRICTED FOR PLANT FACILITIES	$ 16,282	$ 16,277	$ 23,920	$ 23,912
FUNDS HELD IN TRUST BY OTHERS	$ 14,206	$ 15,708	$ 13,939	$ 15,134
TOTAL ASSETS FOR LONG-TERM INVESTMENT	$ 558,827	$ 720,978	$ 554,856	$ 675,606

3. BONDS PAYABLE

Bonds payable at June 30, 2005 and 2004 consisted of the following:

	2005	2004
Ohio Higher Educational Facility Commission		
Revenue Bonds dated February 1, 1999, maturing annually on October 1, 2006 through 2029 in amounts ranging from $2,355 to $10,000, with interest ranging from 4.0% to 5.25%, plus bond premium of $704 and $747 at June 30, 2005 and 2004, respectively.	$ 79,579	$ 79,622
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 $147 and $154 at June 30, 2005 and 2004, respectively.	39,853	39,846
Total Bonds Payable, Net	$ 119,432	$ 119,468

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. As a result of the extinguishment of the 1985 bonds and defeasance of a portion of the 1993 bonds, certain capitalized costs were written-off including issuance costs and the retirement of bond discount.

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.

Future principal payments on the College's outstanding bonds at June 30, 2005 are as follows:

2005-06	-
2006-07	2,355
2007-08	2,450
2008-09	2,550
2009-10	2,655
Thereafter	108,865

The estimated fair market value of all outstanding long-term obligations at June 30, 2005 is $124,527.

4. PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of 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:

	2005	2004
In one year or less	**$** 2,749	$ 7,618
Between one year and five years	3,623	5,110
Greater than five years	5,513	5,708
Less discount and allowance for uncollectable pledges	(4,361)	(4,748)
	$ 7,524	$ 13,688

5. 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 difference of $6,509 to be amortized over 14.3 years, the average remaining service period for current employees. The plan pays stated percentages of most necessary medical expenses incurred by retirees, after subtracting payments by Medicare or other providers and after a stated deductible has been met. Employees hired after June 30, 1996 become eligible to participate in the plan if they retire from the College after reaching age 52, with 10 years of service. The plan is contributory, with retiree contributions adjusted annually. 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 2005; the rate was assumed to decrease gradually to 5 percent by 2011 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, 2005 by $499. The aggregate of the service and interest cost components of net postretirement health care cost for the year then ended would increase by $18. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7 percent.

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, 2005 and 2004:

Accumulated Postretirement Benefit Obligation	2005	2004
Retirees	$ 6,476	$ 8,365
Other fully eligible participants	3,755	3,668
Other active participants	630	585
	10,861	12,618
Unrecognized excess prior service cost	2,862	3,391
Unrecognized actuarial loss	544	(1,735)
Accrued postretirement health care cost liability	$ 14,267	$ 14,274

Net periodic postretirement health care cost for the years ended June 30, 2005 and 2004 included the following components:

Accumulated Postretirement Benefit Obligation	2005	2004
Service cost - benefits attributed to service during the period	$ 490	$ 481
Interest cost on accumulated postretirement benefit obligation	849	801
Net amortization and deferral	(528)	(528)
Net (Gain) or Loss	33	31
Net periodic postretirement health care cost	$ 784	$ 785

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

	Total Claims	Medicare Reimbursement	Net Claims
2006	1,139	217	922
2007	1,271	239	1,032
2008	1,336	259	1,077
2009	1,379	273	1,106
2010	1,419	287	1,132
2011-2015	6,767	1,606	5,161

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 $615 toward expected net claims in fiscal 2006.

6. 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, 2005 and 2004 were $5,496 and $5,162, respectively.

7. NOTES PAYABLE

The College has a $10,000 unsecured bank line of credit with interest at LIBOR plus 0.50% renewable on June 30, 2006. The balance outstanding on the line of credit at June 30, 2005 and 2004 was $0 and $2,000, respectively.

8. 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.

9. SUBSEQUENT EVENT

In October 2005, the College received preliminary approval from the Ohio Higher Educational Facility Commission for the issuance of $69,000 in revenue bonds, to be issued as two series. Approximately $44,000 of these bonds will be used for the legal defeasance of a portion of outstanding principal of the February 1999 Revenue Bonds. This series is expected to be issued in December 2005, and is expected to lower the effective interest rate on the defeased bonds by approximately 1.5%. In addition, $25,000 of these bonds will be used to finance the purchase, renovation and construction of dormitories and academic buildings and to acquire and install new heating and cooling systems. This second series is expected to be issued in January 2006.