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# Oberlin College Financial Report

Year ended June 30, 1995



# Financial Report

1994-95

Andrew B. Evans, Vice President for Finance  
Ronald R. Watts, Controller

## Financial Summary

The College returned to a positive financial performance in 1994-95, with a modest \$45 thousand surplus. **Table I** presents a comparative summary of Revenues, Expenditures and Transfers for fiscal year 1995 and 1994. Net revenues applied to operations in 1994-95 totaled more than \$92.2 million, an increase of 7.5 percent over the previous year. Expenditures and transfers totaled \$92.2 million, an increase of 7.0 percent over the previous year. The slowing of the expenditure increase allowed the institution to improve the bottom line performance by \$.4 million over the 1993-94 fiscal year. The 1994-95 operating result was realized after

mandatory transfers of \$3.4 million and discretionary transfers of \$6.8 million. This reflects an increase in mandatory transfers of \$.9 million and an increase in discretionary transfers of \$1.1 million. Discretionary transfers include the assignment of unrestricted gifts to other fund groups (usually endowment), allocation of investment gain under the total return concept and allocations to plant funds for capital improvements and acquisitions. Mandatory transfers are primarily to cover interest and principal payments on outstanding debt.

**Table I**  
Summary of Current Fund Revenues, Expenditures and Transfers for Years Ending June 30

	(Thousands of Dollars)			Percent Change	(Percent of Total)	
	1995	1994	Increase (Decrease)		1995	1994
<b>Revenue and Transfers</b>						
Tuition & Fees	53,427	48,900	4,527	9.3	57.9	57.0
Endowment	11,270	11,453	(183)	(1.6)	12.2	13.4
Gifts & Grants	6,073	5,781	292	5.1	6.6	6.7
Other Sources	2,963	2,330	633	27.2	3.2	2.7
Total Regular Program	73,733	68,464	5,269	7.7	79.9	79.8
Special Programs	2,361	2,263	98	4.3	2.6	2.6
Total Educational & General	76,094	70,727	5,367	7.6	82.5	82.4
Auxiliary Operations	16,144	15,069	1,075	7.1	17.5	17.6
Total Revenue and Transfers	92,238	85,796	6,442	7.5	100.0	100.0
<b>Expenditure and Transfers</b>						
Academic Programs	30,899	30,741	158	0.5	33.5	35.7
Scholarships	17,149	14,577	2,572	17.6	18.6	16.9
Administration	16,845	16,076	769	4.8	18.3	18.7
Plant Operation & Maintenance	5,843	5,426	417	7.7	6.3	6.3
Transfers	4,623	3,321	1,302	39.2	5.0	3.8
Total Regular Program	75,359	70,141	5,218	7.4	81.7	81.4
Special Programs	2,083	2,032	51	2.5	2.3	2.4
Total Educational & General	77,442	72,173	5,269	7.3	84.0	83.8
Auxiliary Operations	14,751	13,972	779	5.6	16.0	16.2
Total Expenditure and Transfers	92,193	86,145	6,048	7.0	100.0	100.0
<b>Surplus Before Transfers</b>						
Mandatory Transfers	10,189	7,743	2,446			
Discretionary Transfers	(3,383)	(2,460)	(923)			
Net Surplus/(Deficit)	(6,761)	(5,632)	(1,129)			
	45	(349)	394			

Educational and general revenue and transfers applied to operations totaled \$76.1 million, representing 82.5 percent of total institutional revenue. Auxiliary operations generated revenue totaling \$16.1 million.

In 1994-95 student enrollment stood at 2,696 full-time-equivalent (FTE) students. The College of Arts and Sciences had 2,159 FTE, while the Conservatory stood at 537 FTE. This is an increase of 119 FTE students, but less than the long-term target of 2,750.

Standard student charges were \$25,882, an increase of 4.3 percent over the prior year. Over the past decade tuition and fee revenue has grown at a faster rate than revenue from any other source, and thus has increased as a percentage of the total. A decade ago it accounted for 65.1 percent of educational & general regular program revenue, while this year the proportion of tuition and fees rose to 70.9 percent. Tuition and fees revenue increased by \$4.5 million or 9.3 percent over the 1993-94 fiscal year. A tuition and fee increase of 4.6 percent accounted for approximately \$2.2 million of the increase while the additional 119 FTE students accounted for the remaining \$2.3 million.

Scholarships continue to lead in proportional growth for expenditures. Scholarship expenditures increased \$2.6 million or 17.6 percent from the previous year and now accounts for 22.1 percent of educational and general expense and 18.6 percent of total institutional expenditures and transfers.

During the 1994-95 fiscal year, new collective bargaining agreements were reached with all three organized employee groups at the institution: the United Auto Workers (UAW), representing service employees and custodians, the Oberlin College Office and Professional Employees (OCOPE), representing clerical and technical employees and the Oberlin College Security Association (OCSA) representing security and museum officers. All three unions agreed to three year contracts that provide for average annual increase in wage rates of approximately 4 percent over the life of the agreements, as well as modest improvements in staff benefit programs.

Gifts to the college totaled \$13.0 million during the 1994-95 fiscal year. Included in that total were \$8.6 million in outright gifts, \$1.5 million in gifts to annuity and retained life income funds and \$2.9 million in bequests. Alumni participation was stabilized at 41.9 percent, up slightly from the previous year's mark of 41.7 percent. Unrestricted general operating gifts surpassed the goal of \$2.75 million totaling \$2.8 million.

Expenditures and transfers for educational and general purposes were \$77.4 million; those for auxiliary operations were \$14.8 million. Expenditures for academic programs comprise the largest single component of the College's operations, accounting for 39.9 percent of educational & general regular program expenditures, down from 43.8 percent a year ago.

## Auxiliary Operations

The Oberlin Inn continued to make progress toward profitability. The Inn incurred an operating loss of \$.1 million on sales of \$2.4 million. This compares with a loss of \$.2 million in the prior year and \$.4 million three years ago. The Inn's room occupancy has improved significantly over the past two years from 54 to 74 percent.

Other auxiliary operations (the site-rental properties system and recreational facilities) operated with a modest deficit.

The Residence and Dining Hall system produced a surplus of \$1.5 million after mandatory transfers of \$1.1 million and discretionary transfers of \$.9 million. Total revenues and transfers were \$13.3 million; expenditures and transfers totaled \$11.8 million.

**Table II** presents a summary balance sheet. At June 30, 1995 Oberlin's assets were \$415.8 million, liabilities totaled \$75.0 million and fund balances equaled \$340.8 million. Fund balances increased by \$12.8 million or 3.9 percent. In this table, financial data are generally stated at book value.

The College currently recognizes depreciation of its physical plant and equipment over their estimated useful lives as a "fund deduction" on the balance sheet. Accumulated depreciation decreased the net physical plant assets by \$65.5 million. The net change for the year was \$5.2 million which reflects the "using up" of long term assets in the current fiscal year. In future years, depreciation will be reflected as an operating expense.

## Postretirement Benefits

As of July 1, 1993, Oberlin adopted the Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The standard requires that the expected cost of postretirement health care benefits be charged to expense during the years that employees render service. The total accrued postretirement health care cost liability, as reflected on the balance sheet as of June 30, 1995, was \$13.0 million. During 1994-95 \$1.5 million in net postretirement health care cost was charged to operations. Actual postretirement health care costs paid in 1995 were \$.3 million.

## Student Loan Funds

The majority of aid students borrow is through the federal Stafford Loan Program. These loans are administered by the Financial Aid Office, but are funded through individual financial institutions. 1,306 students utilized this program to borrow \$5.5 million. The College also administers the Federal Perkins Loan Program as well as the College Loan Program. Perkins Loans totaled just over \$1.0 million while College Loans exceeded \$.1 million.

## Debt

At June 30, 1995, Oberlin had \$57.4 million in outstanding debt for the physical plant: \$54.9 million in long-term bonds, \$1.9 million in inter-fund loans for the Oberlin Inn and \$.6 million in inter-fund loans for other purposes. Principal repayments totaled \$1.8 million: \$1.0 million paid by plant funds and \$.8 million charged to operations through mandatory transfers.

## Plant Funds

Planned maintenance and repair of the physical plant is necessary to ensure its long term health. Such projects are normally financed by discretionary transfers from operations accumulated in renewal and replacement reserves. In 1994-95 capitalized expenditures financed by these reserves totaled \$3.2 million. Major projects included: safety improve-

ments in the Conservatory, Kettering and Warner, a significant renovation of East Hall and energy conservation projects in a variety of buildings. Additional investments, supported by both operating funds and gifts improved the accessibility of Oberlin's educational facilities. The multi-year project to install a high-speed fiber-optic data network connecting the residence halls continued with the extension of the network to approximately half of the buildings during the summer of 1995.

The most significant construction project continues to be the renovation of Peters Hall. Capitalized construction in progress reflects expenditures of \$.7 million with a total budget of \$5.7 million. The project is scheduled to be completed by June 1996 within budget guidelines. Wright Physics basement renovation was completed during the 1994-95 fiscal year at a total cost of \$1.7 million.

**Table II**  
Summary Balance Sheet at June 30 of Years Shown

(Thousands of Dollars)				
	1995	1994	Increase (Decrease)	Percent Change
<b>Assets</b>				
Cash	673	750	(77)	(10.3)
Accounts Receivable	2,110	2,587	(477)	(18.4)
Loans Receivable	9,030	8,749	281	3.2
Inventories	870	494	376	76.1
Prepaid Expense	869	384	485	126.3
Investments at Cost	313,906	303,292	10,614	3.5
Physical Plant	153,292	146,317	6,975	4.8
Accumulated Depreciation	(65,529)	(60,376)	(5,153)	8.5
Other	565	491	74	15.1
<b>Total Assets</b>	<u>415,786</u>	<u>402,688</u>	<u>13,098</u>	<u>3.3</u>
<b>Liabilities</b>				
Accounts Payable	3,434	2,783	651	23.4
Accruals for Staff Benefits Program	14,197	12,838	1,359	10.6
Deferred Revenue & Deposits	229	215	14	6.5
Notes Payable	1,637	2,112	(475)	(22.5)
Bonds Payable	54,895	56,468	(1,573)	(2.8)
Bond Discount	(900)	(961)	61	(6.3)
Other	1,496	1,279	217	17.0
<b>Total Liabilities</b>	<u>74,988</u>	<u>74,734</u>	<u>254</u>	<u>.3</u>
<b>Fund Balances</b>				
Current Funds	(3,164)	(3,451)	287	(8.3)
Endowment and Similar Funds	286,005	276,407	9,598	3.5
Student Loan Funds	6,747	6,543	204	3.1
Plant Funds	51,210	48,455	2,755	5.7
Other	0	0	0	
<b>Total Fund Balances</b>	<u>340,798</u>	<u>327,954</u>	<u>12,844</u>	<u>3.9</u>
<b>Total Liabilities &amp; Fund Balances</b>	<u><u>415,786</u></u>	<u><u>402,688</u></u>	<u><u>13,098</u></u>	<u><u>3.3</u></u>

## Endowment Funds

Oberlin's endowment plays a crucial role in the institution's finances. Its growth, relative to the college's leading competitors, is a fundamental objective. Keys to success are a long-term horizon, prudent investment policies, aggressive asset allocation, disciplined spending and successful fundraising.

The College's total endowment funds, including annuity and life income funds, had a market value of \$303.1 million at June 30, 1995 compared with \$280.9 million a year earlier. Over the same period, the market value of the General Investment Pool (which excludes annuity and separately invested funds) increased from \$265.4 million to \$288.1 million.

Endowment per student, a comparative measure of an institution's financial resources, was \$106,868 on June 30, 1995 compared with \$103,006 a year earlier.

Total return of the General Investment Pool was 11.4 percent: each unit increased in value by 8.1 percent and earned 3.3 percent in current income. This compares with a total return of 3.8 percent in the prior fiscal year.

The asset allocation of the General Investment Pool at June 30, 1995 and 1994 is summarized in **Table III**. Equity securities comprised 50.0 percent of the pool. Total equities (including venture capital, hedge funds, oil & gas investments and real estate) comprised 70.1 percent of the General Investment Pool, a decrease of 7.3 percent from the equity exposure at June 30, 1994. The year end position is somewhat distorted due to the receipt of \$10.5 million in cash in June due to the liquidation of BEA International Equities and Acorn Partners L.P. This resulted in a 3.6 percent reduction in equities from the normal asset allocation.

Under the total return approach, distributions from the endowment to operations were \$29.52 per unit. The distribution rate was 4.5 percent of the 36-month moving average of unit value, down from 4.7 percent last year. Progress continues to be made on reducing the endowment payout rate as a percentage of market value. This progress reflects a reduction of over \$.5 million from the approved budgeted payout for the 1994-95 fiscal year.

The endowment grew by \$5.4 million in gifts: \$3.4 million designated by donors and \$2.0 million in unrestricted gifts designated by the Board of Trustees. During the previous year, gifts to the endowment totaled \$5.3 million.

**Table III**  
General Investment Pool Asset Allocation Summary at June 30 of Years Shown

	Market Value (Thousands of Dollars)		Percent	
	1995	1994	1995	1994
Fixed Income	88,167	62,113	30.6	23.4
Equity Securities	144,086	169,073	50.0	63.7
Alternative Investments	44,252	21,400	15.4	8.0
Real Estate	9,388	10,095	3.3	3.8
Oil & Gas Investments	4,105	4,949	1.4	1.9
Notes/Options Payable	(1,881)	(2,183)	(0.7)	(0.8)
<b>Total</b>	<b>288,117</b>	<b>265,447</b>	<b>100.0</b>	<b>100.0</b>

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees  
of Oberlin College:

We have audited the accompanying balance sheet of Oberlin College (an Ohio corporation, not for profit) as of June 30, 1995, and the related statements of revenue, expenditures and transfers and changes in fund balances for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides 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, 1995, and the revenue, expenditures and transfers, and changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

*Arthur Andersen LLP*

Cleveland, Ohio,  
October 13, 1995.

# Balance Sheet

As of June 30, 1995 and 1994

	1995					1994
	Current Funds		Student Loan Funds	Endowment and Similar Funds	Plant Funds	Total
	Unrestricted	Restricted				Total
<b>ASSETS</b>						
Cash	\$ 563,898		\$ 109,189		\$ 673,087	\$ 749,543
Accounts Receivable	2,061,104	\$ 31,708		\$ 17,670	2,110,482	2,587,157
Loans Receivable			10,166,023		10,166,023	9,841,766
Allowance for Doubtful Loans			(1,135,886)		(1,135,886)	(1,093,000)
			<u>9,030,137</u>		<u>9,030,137</u>	<u>8,748,766</u>
Inventories	870,115				870,115	494,131
Prepaid Expense	868,830				868,830	384,191
Investments at Cost						
Fixed Income	5,290,042			\$ 79,022,587	9,511,723	75,416,934
Cash Equivalents	6,596,994			18,642,843	2,541,588	21,470,904
Equities	25,972			172,464,607	172,490,579	184,272,609
Real Estate		191,654		10,513,584	1,870,506	14,467,567
Mortgages				2,387,501	83,812	2,518,361
Other				4,132,868	629,662	5,145,958
	<u>11,913,008</u>	<u>191,654</u>		<u>287,163,990</u>	<u>14,637,291</u>	<u>303,292,333</u>
<b>Physical Plant</b>						
Land and Improvements					2,876,514	2,853,054
Buildings					111,189,234	106,688,402
Furnishings and Equipment					37,702,309	35,161,690
Construction in Progress					1,523,516	1,613,612
					<u>153,291,573</u>	<u>146,316,758</u>
Accumulated Depreciation					<u>(65,529,431)</u>	<u>(60,376,486)</u>
					<u>87,762,142</u>	<u>85,940,272</u>
Other	231,140	17,623		316,474	565,237	491,387
Due From (To) Other Funds	(5,792,066)	4,990,783	(2,392,082)	721,495	2,471,870	
<b>TOTAL ASSETS</b>	<u>\$ 10,716,029</u>	<u>\$ 5,231,768</u>	<u>\$ 6,747,244</u>	<u>\$ 287,885,485</u>	<u>\$ 105,205,447</u>	<u>\$ 402,687,780</u>



	1995			1994		
	Current Funds		Student Loan Funds	Endowment and Similar Funds	Plant Funds	Total
	Unrestricted	Restricted				
<b>LIABILITIES</b>						
Accounts Payable	\$ 3,434,361				\$ 3,434,361	\$ 2,783,274
Accruals for Staff Benefit Programs	14,196,693				14,196,693	12,837,612
Deferred Revenue	229,177				229,177	214,953
Refundable Deposits and Miscellaneous	1,019,760				1,019,760	938,026
Agency Funds		\$ 232,260			232,260	273,563
Stock Options			\$ 243,737		243,737	66,788
Notes Payable			1,637,048		1,637,048	2,111,627
Bonds Payable				\$ 54,895,000	54,895,000	56,468,000
Bond Discount				(899,657)	(899,657)	(959,992)
Total Liabilities	\$ 18,879,991	\$ 232,260	\$ 1,880,785	\$ 53,995,343	\$ 74,988,379	\$ 74,733,851
<b>FUND BALANCES</b>						
Current Funds	\$ (8,163,962)	\$ 4,999,508			\$ (3,164,454)	\$ (3,450,733)
<b>General Investment Pool</b>						
Endowment & Similar Funds			\$ 114,427,536		114,427,536	108,339,068
Undistributed Realized Gain			156,708,080		156,708,080	151,932,962
			271,135,616		271,135,616	260,272,030
Donor Retained Life Interest Funds			14,395,742		14,395,742	15,785,331
Irrevocable Third Party Trusts			192,971		192,971	192,971
Perkins Grants Refundable		\$ 5,585,872			5,585,872	5,472,387
Invested in Plant Facilities				\$ 38,118,834	38,118,834	34,529,038
Plant & Equipment Funds				10,297,590	10,297,590	11,502,361
Renewal & Replacement Funds				2,793,680	2,793,680	2,343,176
Debt Service Funds						80,046
Other					1,441,743	1,227,322
Total Fund Balances	\$ (8,163,962)	\$ 4,999,508	\$ 286,004,700	\$ 51,210,104	\$ 340,797,594	\$ 327,953,929
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	\$ 10,716,029	\$ 5,231,768	\$ 287,885,485	\$ 105,205,447	\$ 415,785,973	\$ 402,687,780

The Accompanying Notes to Financial Statements are an integral part of this statement.

## Statement of Revenue, Expenditures and Transfers

For the years ended June 30, 1995 and 1994

	1995		1994	
	Unrestricted Funds	Restricted Current Funds	Restricted Endowment Funds	Total
<b>REVENUE AND TRANSFERS</b>				
<b>EDUCATIONAL &amp; GENERAL</b>				
<b>REGULAR PROGRAM</b>				
Endowment Yield	\$ 3,889,137		\$ 4,933,475	\$ 8,822,612
Discretionary Transfers	2,447,242			2,447,242
Investment Gain	\$ 6,336,379		\$ 4,933,475	\$ 11,269,854
Total				\$ 11,453,450
Funds Held in Trust		\$ 392,243		\$ 392,243
Tuition				
College	\$ 42,453,865		\$ 42,453,865	\$ 38,565,891
Conservatory	10,586,474		10,586,474	10,013,824
Total	\$ 53,040,339		\$ 53,040,339	\$ 48,579,715
Student Fees		\$ 386,640		\$ 319,858
Government Grants	\$ 25,622	\$ 1,804,190		\$ 1,829,812
Private Gifts and Grants	\$ 4,775,975	\$ 1,475,764		\$ 5,761,661
Discretionary Transfers	(2,008,292)		(2,008,292)	(1,696,924)
Unrestricted Gifts Assigned	\$ 2,767,683	\$ 1,475,764		\$ 4,064,737
Net Total				\$ 2,003,620
Other Sources	\$ 2,561,360	\$ 9,636		\$ 2,570,996
NET REGULAR PROGRAM	\$ 64,731,383	\$ 4,068,473	\$ 4,933,475	\$ 73,733,331
<b>SPECIAL PROGRAMS</b>				
<b>Educational Programs</b>				
Tuition & Fees	\$ 1,111,352		\$ 1,111,352	\$ 1,077,536
Government Grants	18,980	310,441		373,843
Private Gifts & Grants		48,859		47,787
Other Sources	194,907		194,907	204,777
Total	\$ 1,325,239	\$ 359,300	\$ 1,684,539	\$ 1,703,943

**Statement of Revenue, Expenditures and Transfers (continued)**

	1995			1994
	Unrestricted Funds	Restricted Current Funds	Restricted Endowment Funds	Total
Sponsored Research				
Government Grants	\$ 151,230	\$ 493,803		\$ 645,033
Private Gifts & Grants		31,013		64,357
Total	\$ 151,230	\$ 524,816		\$ 559,005
TOTAL SPECIAL PROGRAMS	\$ 1,476,469	\$ 884,116		\$ 2,360,585
TOTAL EDUCATIONAL & GENERAL REVENUE AND TRANSFERS	\$ 66,207,852	\$ 4,952,589	\$ 4,933,475	\$ 76,093,916
SUPPORTED AUXILIARY OPERATIONS				
Oberlin College Inn				
Hotel	\$ 1,134,040			\$ 992,795
Dining Room	906,055			911,924
Other	327,497			300,843
Total	\$ 2,367,592			\$ 2,205,562
Site-Rental Properties	398,541			411,928
Student Recreation	71,049	100		70,716
TOTAL SUPPORTED AUXILIARY OPERATIONS	\$ 2,837,182	\$ 100		\$ 2,688,206
RESIDENCES & DINING HALLS				
Student Room	\$ 5,816,862			\$ 5,344,078
Student Board	6,006,939			5,445,357
Other Sources	677,204	83,756		916,330
Conferences	722,458			675,495
TOTAL RESIDENCES & DINING HALLS	\$ 13,223,463	\$ 83,756		\$ 12,381,260
NET REVENUE & TRANSFERS	\$ 82,268,497	\$ 5,036,445	\$ 4,933,475	\$ 85,795,782

## Statement of Revenue, Expenditures, and Transfers (continued)

	1995			1994
	Unrestricted Funds	Restricted Current Funds	Restricted Endowment Funds	Total
<b>EXPENDITURES &amp; TRANSFERS</b>				
<b>EDUCATIONAL &amp; GENERAL</b>				
<b>REGULAR PROGRAM</b>				
Academic Program	\$ 16,353,000	\$ 443,640	\$ 1,177,152	\$ 18,166,824
College Instruction	6,896,014	41,823	177,415	7,078,337
Conservatory Instruction	3,701,945	247,394	305,650	4,125,197
Libraries	540,289	360,115	95,674	920,204
Art Museum	379,832	101,070	77,907	450,193
Educational Activities	\$ 27,871,080	\$ 1,194,042	\$ 1,833,798	\$ 30,740,755
Total	\$ 12,909,276	\$ 1,504,771	\$ 2,734,970	\$ 14,577,050
Scholarship Awards				
Supporting Services				
General Administration	\$ 3,392,816	\$ 42,039	\$ 16,698	\$ 3,122,788
Student Services	6,247,765	1,065,416	72,220	6,962,896
Development & Alumni Affairs	3,314,096	54,242	546	3,236,941
General Expense	2,600,238	38,640	427	2,753,399
Academic Plant Operations & Maintenance	5,398,653	169,323	274,816	5,426,405
Total	\$ 20,953,568	\$ 1,369,660	\$ 364,707	\$ 21,502,429
Mandatory Transfers				
Debt Service	\$ 1,567,031			\$ 859,422
Discretionary Transfers				
Student Loan Funds	\$ 71,955		\$ 71,955	\$ 18,000
Plant & Equipment Funds	950,704		950,704	884,990
Renewal & Replacement Funds	2,033,290		2,033,290	1,558,350
Total	\$ 3,055,949		\$ 3,055,949	\$ 2,461,340
<b>TOTAL REGULAR PROGRAM</b>	\$ 66,356,904	\$ 4,068,473	\$ 4,933,475	\$ 70,140,996

**Statement of Revenue, Expenditures, and Transfers (continued)**

	1995			1994
	Unrestricted Funds	Restricted Current Funds	Restricted Endowment Funds	Total
<u>SPECIAL PROGRAMS</u>		0		
Educational Programs	\$ 1,199,106	\$ 359,300		\$ 1,558,406
Sponsored Research		524,816		446,006
<b>TOTAL SPECIAL PROGRAMS</b>	<b>\$ 1,199,106</b>	<b>\$ 884,116</b>		<b>\$ 2,083,222</b>
<b>TOTAL EDUCATIONAL &amp; GENERAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$ 67,556,010</b>	<b>\$ 4,952,589</b>	<b>\$ 4,933,475</b>	<b>\$ 77,442,074</b>
<u>SUPPORTED AUXILIARY OPERATIONS</u>				
Oberlin College Inn				
Hotel	\$ 301,752			\$ 253,178
Dining Room	796,492			783,135
Other	154,601			139,344
Administration & General	458,030			466,663
Plant Operation & Maintenance	301,967			290,590
Mandatory Transfers	349,953			341,883
Discretionary Transfers	118,423			126,859
<b>Total</b>	<b>\$ 2,481,218</b>			<b>\$ 2,401,652</b>
Site-Rental Properties	425,743			376,007
Student Recreation	71,815	100		90,551
<b>TOTAL SUPPORTED AUXILIARY OPERATIONS</b>	<b>\$ 2,978,776</b>	<b>\$ 100</b>		<b>\$ 2,978,876</b>
<u>RESIDENCES &amp; DINING HALLS</u>				
Administration	\$ 801,468			\$ 781,164
Dining	3,959,096	83,756		3,970,909
Residential	648,536			665,494
Plant Operations & Maintenance	3,606,741			3,424,715
Mandatory Transfers	1,101,729			993,543
Discretionary Transfers	945,101			677,233
Conferences	625,845			590,427
<b>TOTAL RESIDENCES &amp; DINING HALLS</b>	<b>\$ 11,688,516</b>	<b>\$ 83,756</b>		<b>\$ 11,772,272</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$ 82,223,302</b>	<b>\$ 5,036,445</b>	<b>\$ 4,933,475</b>	<b>\$ 92,193,222</b>
				<b>\$ 86,144,681</b>

Statement of Revenue, Expenditures, and Transfers (continued)

	1995			1994
	Unrestricted Funds	Restricted Current Funds	Restricted Endowment Funds	Total
<b>CHANGES IN UNRESTRICTED FUND BALANCE</b>				
<b>EDUCATIONAL &amp; GENERAL</b>				
Regular Program	\$ (1,625,521)		\$ (1,625,521)	\$ (1,677,629)
Special Educational Programs	126,133		126,133	117,959
Sponsored Research	151,230		151,230	113,000
Total	<u>\$ (1,348,158)</u>		<u>\$ (1,348,158)</u>	<u>\$ (1,446,670)</u>
<b>SUPPORTED AUXILIARY OPERATIONS</b>				
Oberlin College Inn	\$ (113,626)		\$ (113,626)	\$ (196,090)
Site-Rental Properties	(27,202)		(27,202)	35,921
Student Recreation	(766)		(766)	(19,835)
Total	<u>\$ (141,594)</u>		<u>\$ (141,594)</u>	<u>\$ (180,004)</u>
<b>RESIDENCES &amp; DINING HALLS</b>				
	\$ 1,534,947		\$ 1,534,947	\$ 1,277,775
<b>NET CHANGE IN UNRESTRICTED FUND BALANCE</b>				
	\$ 45,195		\$ 45,195	\$ (348,899)

The Accompanying Notes to Financial Statements are an integral part of this statement.

# Statement of Changes in Unrestricted Fund Balances

For the years ended June 30, 1995 and 1994

	Academic						Residences and Dining Halls	Total
	Educational and General		Supported Auxiliary Operations		Total	Total		
	Regular Program	Special Programs	Educational	Research				
<b>BALANCE JUNE 30, 1993</b>								
<u>1993 - 94</u>								
Net Revenue and Transfers	\$ 59,872,046	\$ 1,293,494	\$ 113,000	\$ 2,688,106	\$ 63,966,646	\$ 2,270,319	\$ 569,015	
Expenditures and Transfers	61,549,675	1,175,535		2,868,110	65,593,320	11,011,294	76,604,614	
Net Change from Operations	\$ (1,677,629)	\$ 117,959	\$ 113,000	\$ (180,004)	\$ (1,626,674)	\$ 1,277,775	\$ (348,899)	
Cumulative effect of accounting change for Postretirement Benefits					\$ (7,466,332)	\$ (962,941)	\$ (8,429,273)	
<b>BALANCE JUNE 30, 1994</b>								
<u>1994 - 95</u>								
Net Revenue and Transfers	\$ 64,731,383	\$ 1,325,239	\$ 151,230	\$ 2,837,182	\$ 69,045,034	\$ 13,223,463	\$ 82,268,497	
Expenditures and Transfers	66,356,904	1,199,106		2,978,776	70,534,786	11,688,516	82,223,302	
Net Change from Operations	\$ (1,625,521)	\$ 126,133	\$ 151,230	\$ (141,594)	\$ (1,489,752)	\$ 1,534,947	\$ 45,195	
<b>BALANCE JUNE 30, 1995</b>								
					\$ (12,284,062)	\$ 4,120,100	\$ (8,163,962)	

*The Accompanying Notes To Financial Statements are an integral part of this statement.*

## Statement of Changes in Restricted Current Funds

For the years ended June 30, 1995 and 1994

	1995					1994	
	Current Operating Funds	Current Scholarship Funds	Restricted Endowment Earnings	Research Grant Funds	Other Current Funds	Total	Total
<b>BALANCE BEGINNING OF YEAR</b>	\$ 3,417,961	\$ 129,609	\$ 1,267,512	\$ (84,300)	\$ 27,642	\$ 4,758,424	\$ 4,275,111
<b>Additions</b>							
Gifts Designated by Donors	2,253,760	1,331,488		720,919	187,492	4,493,659	4,824,882
Unrestricted Gifts Assigned	20,948					20,948	
Student Activity Fees	386,640					386,640	319,858
Earnings of Funds Held in Trust	307,284	188,169				495,453	470,952
Investment Earnings and Gain	76,008		4,345,769			4,421,777	4,260,175
Investment Gain Distributed			2,505,814			2,505,814	2,249,436
Endowment Principal Transferred			549,104			549,104	637,951
Endowment Funds Transferred							16,453
Matured Life Income Funds Transferred	35,347					35,347	
Plant Funds Transferred	21,461					21,461	
Other Sources	12,913	9,170	3,238		10,560	35,881	25,636
<b>Deductions</b>							
E&G Expenditures	(2,796,849)	(1,504,771)	(4,933,475)	(651,068)		(9,886,163)	(9,447,876)
R&DH Expenditures	(83,756)					(83,756)	(92,191)
Annuity & Life Income Payments			(1,305,023)			(1,305,023)	(1,371,926)
Interest			(179,961)			(179,961)	(229,653)
Loss on Investment Transactions					(1)	(1)	(277,617)
Transferred to Unrestricted Revenue			(1,863)	(162,089)		(266,895)	(237,183)
Transferred to Student Loan Funds	(68,005)	(34,938)				(56,939)	(50,424)
Transferred to Endowment Principal	(5,000)		(51,939)			(540,359)	(379,751)
Transferred to Endowment Funds	(125,556)	(6,498)				(132,054)	(65,975)
Transferred to Plant Funds	(13,597)		(31,563)			(45,163)	(96,502)
Gifts In Kind Utilized					(168,358)	(168,358)	
Other	(17,843)		(12,483)		(30,002)	(60,328)	(72,932)
<b>Intra-fund Transactions</b>							
Intra-fund Transfers	(55,727)	59,584	(3,357)	(500)			
<b>TOTAL CHANGE FOR YEAR</b>	\$ (51,972)	\$ 42,204	\$ 343,902	\$ (92,738)	\$ (312)	\$ 241,084	\$ 483,313
<b>BALANCE END OF YEAR</b>	\$ 3,365,989	\$ 171,813	\$ 1,611,414	\$ (177,038)	\$ 27,330	\$ 4,999,508	\$ 4,758,424

The Accompanying Notes to Financial Statements are an integral part of this statement.



## Statement of Changes in Student Loan Funds

For the years ended June 30, 1995 and 1994

	1995		1994	
	Perkins Fund	College Funds	Total	Total
<b>BALANCE BEGINNING OF YEAR</b>	\$ 5,472,387	\$ 1,071,056	\$ 6,543,443	\$ 6,351,967
<b>Additions</b>				
Gifts Designated by Donors		\$ 15,013	\$ 15,013	\$ 13,450
Provision from Operations	\$ 11,955	60,000	71,955	18,000
Interest on Loans	113,355	18,861	132,216	111,378
Earnings of Funds Held in Trust		3,313	3,313	3,936
Government Allocation	49,760		49,760	56,012
Government Reimbursement for Cancellations	7,030		7,030	7,237
Recovery of Loans Charged Off		585	585	1,187
Restricted Current Funds Transferred		56,939	56,939	50,424
Other Sources	2,450	627	3,077	2,948
<b>Deductions</b>				
Loans Cancelled	(19,973)		(19,973)	(7,749)
Provision for Doubtful Loans		(60,000)	(60,000)	(18,000)
Collection & Administrative Expense	(55,723)	(391)	(56,114)	(47,347)
<b>Intra-fund Transactions</b>				
Institutional Matching Funds	4,631	(4,631)		
<b>TOTAL CHANGE FOR YEAR</b>	\$ 113,485	\$ 90,316	\$ 203,801	\$ 191,476
<b>BALANCE END OF YEAR</b>	\$ 5,585,872	\$ 1,161,372	\$ 6,747,244	\$ 6,543,443

*The Accompanying Notes To Financial Statements are an integral part of this statement.*

## Statement of Changes in Endowment and Similar Funds

For the years ended June 30, 1995 and 1994

	1995				1994
	Endowment & Similar Funds Investment Pool	Donor Retained Life Interest Funds	Irrevocable Third Party Trusts	Endowment & Similar Funds Other	Total
<b>BALANCE BEGINNING OF YEAR</b>	\$ 260,272,030	\$ 15,785,331	\$ 192,971	\$ 156,266	\$ 276,406,598
<b>Additions</b>					
Gifts Designated by Donors	\$ 1,913,055	\$ 1,466,265			\$ 3,379,320
Unrestricted Gifts Assigned	1,987,344				1,987,344
Gain on Investment Transactions	9,728,174			\$ 20,656	9,748,830
Restricted Earnings Transferred to Principal	484,025	55,343		991	540,359
Restricted Current Funds Transferred	132,054				132,054
Plant Funds Transferred	244,077			177,840	421,917
<b>Deductions</b>					
Loss on Investment Transactions			(95,933)		(95,933)
Investment Gain Distributed	(4,953,056)				(4,953,056)
Principal Transferred to Restricted Earnings		(549,104)			(549,104)
Matured Funds Transferred to Restricted Current Funds		(35,347)			(35,347)
Matured Funds Transferred to Plant Funds Transferred to Restricted Current Funds		(978,282)			(978,282)
Other					(615,737)
					(16,453)
					(653)
<b>Intra-fund Transactions</b>					
Matured Funds Transferred Separately Invested Funds Transferred	1,252,531	(1,252,531)			
	75,382			(75,382)	
<b>TOTAL CHANGE FOR YEAR</b>	\$ 10,863,586	\$ (1,389,589)		\$ 124,105	\$ 9,598,102
<b>BALANCE END OF YEAR</b>	\$ 271,135,616	\$ 14,395,742	\$ 192,971	\$ 280,371	\$ 286,004,700
					\$ 276,406,598

*The Accompanying Notes to Financial Statements are an integral part of this statement.*

# Statement of Changes in Plant Funds

For the years ended June 30, 1995 and 1994

	1995				1994	
	Gifts & Appropriations Invested In Plant	Plant & Equipment Funds	Renewal & Replacement Funds	Debt Service Funds	Total	Total
<b>BALANCE BEGINNING OF YEAR</b>	\$ 34,529,038	\$ 11,502,361	\$ 2,343,176	\$ 80,046	\$ 48,454,621	\$ 47,362,343
<b>Additions</b>						
Gifts Designated by Donors	\$ 2,413	\$ 320,355			\$ 322,768	\$ 923,158
Provision from Operations	991,095	1,069,026	\$ 3,611,173	\$ 3,296,488	7,976,687	6,290,447
Equipment Purchases Charged to Operations		837,550		1,868	839,418	787,536
Investment Earnings and Gain	3	44,960	200		45,163	884,557
Restricted Current Funds Transferred		978,282			978,282	96,502
Matured Life Income Funds Transferred	120,266				120,266	615,737
Proceeds From Sale Of Assets						
Other Sources		110,948			110,948	78,999
<b>Deductions</b>						
Cost of Assets Sold or Written-Off	(67,165)				(67,165)	(125,591)
Depreciation	(5,191,019)				(5,191,019)	(4,919,884)
Interest		(60,335)		(2,631,459)	(2,691,794)	(2,158,095)
Transferred to Restricted Current Funds	(21,461)				(21,461)	(924,838)
Transferred to Endowment Funds	(98,805)				(98,805)	(456,250)
Other			(128,459)		(128,459)	
<b>Intra-fund Transactions</b>						
Debt Service Financed by Plant Funds		(1,081,001)		1,081,001		
Construction Financed by Plant Funds	1,696,370	(1,696,370)				
Improvements Financed by Plant Funds	174,449	(174,449)				
Improvements Financed by Renewal Funds	2,625,052		(2,625,052)			
Equipment Financed by Plant Funds	983,797	(983,797)				
Equipment Financed by Renewal Funds	546,857		(546,857)			
Plant Fund Loans-Principal Payments	254,944			(254,944)		
Central Heating Plant Bonds Redeemed	500,000			(500,000)		
Seeley G. Mudd Center Bonds Redeemed	285,000			(285,000)		
December 1985 Bonds Redeemed	100,000			(100,000)		
June 1993 Bonds Redeemed	665,000			(665,000)		
Residences and Dining Hall Bonds Redeemed	23,000			(23,000)		
Intra-Fund Transfers		(139,499)	139,499			
<b>TOTAL CHANGE FOR YEAR</b>	\$ 3,589,796	\$ (1,204,771)	\$ 450,504	\$ (80,046)	\$ 2,755,483	\$ 1,092,278
<b>BALANCE END OF YEAR</b>	\$ 38,118,834	\$ 10,297,590	\$ 2,793,680	\$	\$ 51,210,104	\$ 48,454,621

The Accompanying Notes To Financial Statements are an integral part of this statement

# Notes to Financial Statements

## June 30, 1995 and 1994

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Oberlin College (the College) have been prepared on the accrual basis and in accordance with generally accepted accounting principles and the principles of fund accounting for educational institutions, with certain exceptions not regarded as material. Under fund accounting, the College maintains separate accounting records for College funds according to the purpose for which they were originally obtained. The College has four major fund groups: *Current Funds*, *Student Loan Funds*, *Endowment and Similar Funds*, and *Plant Funds*. *Current Funds* are further subdivided into *Unrestricted Funds* and *Restricted Funds*. While transfers and certain income flows occur between funds, each major fund group must retain its separate identity. In essence, the corporate entity called Oberlin College consists of the four subsidiary entities represented by the major fund groups.

*Current Funds* are comprised of the current operating accounts of the College, e.g., tuition, fees, unrestricted endowment income, salaries, plant operating expenses and the like. The unrestricted current funds balance at year-end represents the total of the operating surpluses or deficits accumulated during the life of the institution. The restricted current funds balance represents funds held by the institution which have not yet been expended for the restricted purpose for which they were intended. In the current funds operating statement, restricted current funds revenue is credited to income only as the qualifying expenditures are made. Thus, if a restricted gift or grant is not fully expended in the year in which it is received, the unexpended portion carries over to the following year and is included in the restricted funds balance on the balance sheet.

*Student Loan Funds* consist of Perkins Loans (NDSL), College Loan Funds, Parent Loan Program, and Federally Insured Student Loans (FISL). Perkins loans are provided 90% by federal government grants and FISL loans are backed by a government guarantee. Perkins and College Loan Funds are revolving funds which rely on new allocations and loan repayments for their sources of funding. FISL loans are no longer being issued by the College and existing loans are being retired by loan repayments.

The *Endowment and Similar Funds* of the College consist of more than one thousand individual endowed funds established by donors or the Board of Trustees. They may be for the general support of the College, e.g., unrestricted endowment, or a specific restricted purpose such as a scholarship fund or a lectureship fund. Most of these individual funds are commingled in the *General Investment Pool*, which accounts for about 95% of total endowment funds. Other endowment funds consist of life annuity funds whose income is payable in whole or in part to the donors of such funds during their lifetimes, and separately invested funds which are not commingled for investment purposes, usually because of donor restrictions.

Additions to endowment funds are primarily the result of gifts, net realized gains from investments, and reinvested earnings. Deductions from endowment funds typically represent transfers of matured life interest funds to other fund groups, withdrawal of principal to meet income or donor requirements, or net realized investment losses. Endowment assets are carried on the balance sheet at book value, i.e., cost basis of the asset. Market value of the endowment varies with the prevailing market price of investments and is the basis generally used for evaluating the endowment's performance over time.

After deducting investment management and custodial expense, investment income produced by the *General Investment Pool* is distributed pro rata to the income account of each individual endowed fund. Any restricted endowment income which is not fully expended each year accumulates in the income account of the fund.

The College follows a total return concept for the *General Investment Pool*, which allows investment of resources to achieve the greatest overall return, rather than relegating assets to a specific income requirement. The concept contemplates a distribution of capital gain when necessary to meet operating needs, while leading to an enhanced financial position in the long run.

The College operates its *General Investment Pool* on a market value basis, with the current yield and some investment gain distributed to participating funds on a fiscal year basis. The *Pooled Income Fund Trusts*, which are included in *Donor Retained Life Interest Funds*, are also operated on a market value basis, with only the current yield distributed to participating funds, on a calendar year basis.

*Plant Funds* consist of the College's investment in physical plant, renewal and replacement funds accumulated for major renovation and maintenance, debt service funds for the payment of principal and interest on plant indebtedness, and funds acquired for plant purposes but not yet expended. Additions to physical plant assets are funded primarily by gifts and debt financing. Renewal and replacement funds and debt service funds are funded primarily by provisions from current operations, i.e., transfers from *Current Funds*. Deductions from *Plant Funds* occur mainly as a result of depreciation, disbursements from debt service funds, and expenditures charged to renewal and replacement funds.

*Book Value of Investments:*

- Stocks and bonds are stated at purchase cost or, if received as a gift, at the fair value at the date of receipt.
- Real estate is stated substantially at cost, less amortization of improvements sufficient to recover the cost thereof over their estimated useful lives.
- Real estate mortgages, land contracts, etc., are carried at face amounts reduced for principal payments.

Realized gains and losses on investment transactions in the investment pools are recorded in the respective pool's undistributed realized gain account.

Beneficial interests in trusts (market value of approximately \$11,208,000 at June 30, 1995), from which the College is currently receiving income, are not recorded as assets of the College.

It is the policy of the College to capitalize additions and improvements to fixed assets. Plant assets are stated at cost less accumulated depreciation. Depreciation is computed on a straight line basis, starting in the first full year following the year of addition, using estimated lives for the asset classifications outlined below:

Buildings	40 years
Building Improvements	20 years
Equipment	10 years

In addition, building maintenance funds are being provided by transfers from current revenue to cover the cost of extraordinary repairs, improvements and needed property additions.

The Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 117 in June 1993. This new statement changes the format of the general-purpose external financial statements provided by not-for-profit organizations. The College is in the process of determining the overall impact of these new guidelines, which will be implemented in the fiscal year ended June 30, 1996. However, had the statement been adopted as of June 30, 1995, the College has estimated that the current unrestricted fund balance would be well in excess of \$100,000,000.

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure on contingent assets and liabilities at the date of the financial statements.

## 2. MARKET VALUE OF INVESTMENTS

The book and market values of the College's Endowment Fund assets, Plant Fund investments and Current Fund investments at June 30 were as follows:

	1995		1994	
	Book Value	Market Value	Book Value	Market Value
<b>Endowment Fund Assets</b>				
Fixed Income	\$ 79,022,587	\$ 78,700,851	\$ 64,325,811	\$ 61,829,563
Mortgages	2,387,501	1,490,339	2,387,501	1,108,751
Cash/Cash Equivalents	19,364,338	19,364,338	13,593,919	13,593,919
Equities	172,464,607	191,501,388	184,213,800	193,766,427
Real Estate	10,513,584	9,471,195	12,405,407	10,342,313
Other	4,132,868	4,496,514	4,493,578	5,288,745
Total Endowment Assets	<u>\$ 287,885,485</u>	<u>\$ 305,024,625</u>	<u>\$ 281,420,016</u>	<u>\$ 285,929,718</u>
<b>Plant Fund Investments</b>	<u>\$ 14,637,291</u>	<u>\$ 14,842,840</u>	<u>\$ 16,085,961</u>	<u>\$ 15,923,737</u>
<b>Current Fund Investments</b>	<u>\$ 12,104,662</u>	<u>\$ 12,286,747</u>	<u>\$ 5,786,356</u>	<u>\$ 5,710,377</u>

### 3. BONDS PAYABLE

Bonds payable at June 30, 1995 and 1994 consisted of the following:

	<u>June 30, 1995</u>	<u>June 30, 1994</u>
<b>Ohio Higher Educational Facility Commission</b>		
Revenue Bonds dated June 1, 1993, maturing annually on October 1 through 2007 in amounts ranging from \$760,000 to \$1,860,000, with interest ranging from 3.4% to 5.25% and \$21,070,000 maturing 2015 with an interest rate of 5.375%.	\$ 36,680,000	\$ 37,345,000
Variable Rate Demand Revenue Bonds dated December 9, 1985, maturing annually on October 1 through 2014 in amounts ranging from \$100,000 to \$300,000, with a final maturity of \$11,600,000 due October 1, 2015.	15,600,000	15,700,000
Seeley G. Mudd Center Bonds dated October 1, 1971, maturing annually on October 1 through 2001, in amounts ranging from \$305,000 to \$450,000, with interest ranging from 4% to 5.75%.	2,615,000	2,900,000
Central Heating Plant Bonds dated October 1, 1979, final payment of \$500,000 on October 1, 1994, with interest at 6.4%.	—	500,000
<b>U.S. Housing and Home Finance Administration</b>		
Barrows and Dascomb Bonds dated August 1, 1954, final payment of \$23,000 on August 1, 1994, with interest at 2.75%.	—	23,000
<b>Total</b>	<u>\$ 54,895,000</u>	<u>\$ 56,468,000</u>

In June 1993, the Ohio Higher Educational Facility Commission issued Higher Educational Facility Revenue Bonds on behalf of the College in the original principal amount of \$38,045,000, a portion of which was used to refinance the \$26,745,000 outstanding principal balance of the August 1985 Collateralized Revenue Bonds and the May 1989 Revenue Bonds. The remaining proceeds were used to establish a Bond Reserve Fund to guarantee payment of periodic debt service charges, and a Construction Fund of approximately \$2,400,000, primarily to renovate Carnegie, Peters and King-Rice academic buildings, allowing relocation of offices and creation of space for new classrooms.

The education facilities financed by the Refunded Bonds included completion of construction of Stevenson Hall, part of the construction costs for a neuroscience addition to the Kettering Hall of Science and renovation of a number of academic and dormitory buildings.

The Ohio Higher Educational Facility Commission leases the facilities financed with proceeds of the June 1993 Bonds and the Refunded Bonds under a Base Lease with the College. The Commission in turn leases the facilities back to the College for an amount equivalent to debt service requirements and related expenses of the Bond Trustee and the Commission.

In the case of bonds issued prior to June 1993, the Ohio Higher Educational Facility Commission holds title to the properties constructed or renovated with related bond proceeds. The Commission leases these facilities to the College for a charge equal to the amount required for annual interest and principal retirement. Following the retirement of all such bonds, the College will repurchase the facilities from the Commission for a token amount.

The Variable Rate Demand Revenue Bonds were issued for the purpose of refinancing existing endowment loans, to renovate certain academic and administrative buildings, and to begin construction of the North Campus Dining Facility (Stevenson Hall). The interest rate on these bonds is established weekly at the rate traded by J.P. Morgan Securities, Inc. (the Remarketing Agent). This rate, limited to a maximum of 15% per annum, was 4% on June 30, 1995, and 2.25% on June 30, 1994. Bondholders may require Morgan Guaranty Trust Company of New York (Tender Agent) to repurchase their bonds at fair value on any weekly remarketing date. Additionally, the Commission, at the direction of the College, has the option to call the bonds on any interest payment date, which is the first business day of each month. The bonds are backed by a Standby Bond Purchase Agreement dated June 1, 1994 between Morgan Guaranty Trust Company of New York (Liquidity Provider) and the College. The initial period of the agreement is five years; the Liquidity Provider is paid a fee of .30% per annum on the commitment amount. The Liquidity Facility requires the Liquidity Provider to provide funds for the payment of principal and interest and for redemption of the bonds if the Remarketing Agent is unable to remarket the bonds. Bonds redeemed using the liquidity facility shall be transferred to the Bank. At June 30, 1995, the Bank did not hold any bonds under this arrangement.

On January 7, 1994, the College entered into an interest rate swap agreement with Morgan Guaranty Trust Company of New York effective July 1, 1995 to limit the College's exposure to the variable interest rates on the December 1985 Bonds. The net effect of the swap retains the original amortization schedule of the outstanding principal amount of \$15,600,000 but at a fixed 5.40% rate until October 1, 2015. The College is exposed to credit risk in the event of nonperformance by Morgan Guaranty Trust Company of New York (Counterparty) to the interest rate swap agreement. However, the College does not anticipate nonperformance by the Counterparty.

The College has received an interest grant from the United States Office of Education which has the effect of reducing interest expense over the life of the Seeley G. Mudd Center Bonds from an average rate of 5.5% to 3.0%. These bonds are secured by the College's pledge of certain securities in the *General Investment Pool* having a market value of \$7,823,000 at June 30, 1995.

Future principal payments on the College's outstanding bonds are as follows:

1995-96	1,165,000
1996-97	1,215,000
1997-98	1,275,000
1998-99	1,335,000
1999-00	1,405,000
Thereafter	48,500,000

Additionally, the College has \$1,637,048 of various notes payable at June 30, 1995, related to properties purchased through the Gift Real Estate Program. These notes bear interest at approximately 9.25% to 10% per annum and mature over periods ranging from July 1996 to October 2001.

The estimated fair market value of all outstanding long-term obligations at June 30, 1995 is \$56,470,000.

#### 4. PLEDGES RECEIVABLE

Outstanding pledges made by individuals, foundations, etc., and related matching contributions pledged by corporations, are not recorded as assets of the College. At June 30, 1995, pledges receivable totaled \$3,101,000 and future bequests totaled \$24,800,000.

In June 1993, the Financial Accounting Standards Board issued its Statement of Financial Accounting Standards No. 116 which provides new guidance on accounting for pledges and contributions. The College is in the process of determining the impact of the statement, which will be implemented in the fiscal year ended June 30, 1996.

## 5. POSTRETIREMENT BENEFITS

The College sponsors an unfunded defined benefit postretirement health care plan that covers substantially all regular status employees. The plan pays stated percentages of most necessary medical expenses incurred by retirees, after subtracting payments by Medicare or other providers and after a stated deductible has been met. Participants become eligible for the benefits if they retire from the College after reaching age 62. 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 retiree contributions will be set at an amount equal to 33.3 percent of the College's estimated cost before considering the contribution.

The College adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" as of July 1, 1993. This new standard requires that the expected cost of these postretirement benefits must be charged to expense during the years that the employees render service. The College elected to recognize the transition obligation immediately as a cumulative effect of a change in accounting principle. Prior to 1994, the College recognized postretirement health care costs in the year that the benefits were paid. Actual postretirement health care costs paid in 1995 were \$342,411.

The following table reconciles the plan's funded status to the accrued postretirement health care cost liability as reflected on the balance sheet as of June 30, 1995:

Accumulated Postretirement Benefit Obligation	<u>June 30, 1995</u>
Retirees	\$ 4,850,228
Other fully eligible participants	1,533,690
Other active participants	<u>6,966,869</u>
	13,350,787
Unrecognized actuarial loss	<u>(397,199)</u>
Accrued postretirement health care cost liability	<u>\$ 12,953,588</u>

Net postretirement health care cost for 1995 included the following components:

Service cost - benefits attributed to service during the period	\$ 606,951
Interest cost on accumulated postretirement benefit obligation	<u>928,903</u>
Net postretirement health care cost	<u>\$ 1,535,854</u>

For measurement purposes, an 11 percent annual rate of increase in the per capita cost of covered health care claims was assumed for 1995; the rate was assumed to decrease gradually to 5 percent by 2005 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 rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 1995 by \$2,013,000 and the aggregate of the service and interest cost components of net postretirement health care cost for the year then ended by \$302,000. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8 percent.



## 6. BOARD DESIGNATED ENDOWMENT FUNDS

Certain unrestricted gifts received by the College are designated by Board of Trustee action as *Endowment and Similar Funds* to be retained for future investment purposes. These gifts amounted to \$1,987,000 in 1995 and \$1,697,000 in 1994. In addition, as part of a financial equilibrium concept, more than \$8,700,000 of restricted and unrestricted endowment earnings have been transferred in prior years to *Endowment and Similar Funds* to be retained for investment purposes. The total market value of such Board designated endowment funds as of June 30, 1995, was approximately \$56,428,000 from funds in the *General Investment Pool*, as shown by the table below.

	<u>General Investment Pool</u>		
	<u>Donor Designated</u>	<u>Board Designated</u>	<u>Total</u>
<b>Market Value</b>			
Unrestricted	\$ 122,476,000	\$ 33,739,000	\$ 156,215,000
Restricted	<u>109,213,000</u>	<u>22,689,000</u>	<u>131,902,000</u>
Total	<u>\$ 213,461,000</u>	<u>\$ 56,428,000</u>	<u>\$ 288,117,000</u>
 <b>Percent of Total</b>			
Unrestricted	42.51%	11.71%	54.22%
Restricted	<u>37.91%</u>	<u>7.87%</u>	<u>45.78%</u>
Total	<u>80.42%</u>	<u>19.58%</u>	<u>100.00%</u>

The Board designated endowment funds, as well as a significant portion of realized and unrealized gain applicable to unrestricted donor designated funds, can be made available for any legitimate College purpose at the discretion of the Board of Trustees. At June 30, 1995, the amount available for such purposes exceeds \$102,000,000.

## 7. CONTINGENCIES

The College is involved in litigation and is subject to certain claims which 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.

