Table of Contents

Oberlin College
Financial Report
Year ended June 30, 1996

Financial Report 1995-96

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

Higher education in the 1990's has been besieged by change. Tighter finances, changing family incomes, and higher student and parent expectations are challenges to higher education administrators. While rapid change is not easy to accomplish in academic institutions, Oberlin is fortunate in that consultation, involvement, debate, and commitment are part of the college's ethos. When we realized that our long-term commitments were outstripping our ability to pay in a structural way, there was real advantage to asking our most valuable assets, the college's employees and its students, to participate in achieving a solution to eliminate a $3 million structural deficit.

More than 150 employees volunteered their time to participate in small discussion groups--focus groups--contributing their ideas for strengthening the financial health of the institution. Their understanding of issues, their reflection on what is positive about this community, and their willingness to move forward on difficult decisions, including the reduction of 29 positions, were enormously helpful. Students participated in large information sharing sessions. The element that distinguished this process from others was that it had a component of strategic planning and was collaborative. We were engaged jointly in a process to strengthen the institution.

In addition to this major accomplishment, we were able to moderate tuition increases, begin to restructure work in divisions, and raise faculty salaries. Some of this past year's most significant financial and administrative achievements included:

- Our endowment reached a record high, increasing $38 million dollars to a new total of $328 million. The total return on the General Investment Pool was 16.8% net of fees.
- Funding commitments for the Environmental Studies Center of $5.1 million were achieved, permitting the college to engage architects to design this unique facility.
- Total giving to the college continued to improve resulting in a 9.4% increase in contributions during the fiscal year.
- Renovation of Peters Hall, one of our most historical and cherished buildings on campus, was completed on time and within the budget of $5.7 million.

The financial statements have undergone a metamorphosis for the 1996 fiscal year. The college has adopted the long-awaited new Financial Accounting Standards Board (FASB) accounting pronouncements that have dramatically altered the form and content of our external financial reports. In response to changes in reporting guidelines, the "Notes to Financial Statements" have been completely revised and expanded. These notes are an integral part of the financial statements and are helpful in explaining the terminology and methodology that are employed in the new financial format.

This was a fully satisfying first year as Vice President for Finance. Under the leadership of Nancy Dye, the college has made a concerted effort to improve its financial stability. We look forward to the challenges that lay ahead.

ARTHUR ANDERSEN LLP

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees
of Oberlin College:

We have audited the accompanying statements of financial position of Oberlin College (an Ohio corporation, not for profit) as of June 30, 1996 and 1995, and the related statements of activities and cash flows for the year ended June 30, 1996. 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 audits 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 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, 1996 and 1995, and the results of its operations and its cash flows for the year ended June 30, 1996 in conformity with generally accepted accounting principles.

As explained in Note 1 to the financial statements, the College has given retroactive effect to the changes in accounting for contributions received and certain investments held by not-for-profit organizations and applied newly established financial reporting standards for not-for-profit organizations.

Arthur Andersen LLP

Cleveland, Ohio,
September 24, 1996.

Oberlin College

Statements of Financial Position

As of June 30, 1996 and 1995
(dollars in thousands)

ASSETS	1996	1995
Current Assets		
Cash and cash equivalents	$ 1,087	$ 4,077
Short-term investments	8,331	5,690
Accounts receivable, net	2,288	2,637
Inventories	524	870
Deposits and prepaid expenses	1,394	1,434
Total current assets	$ 13,624	$ 14,708
Pledges Receivable and Bequests in Probate	$ 4,455	$ 5,091
Long-Term Receivables		
Student loans	$ 10,731	$ 10,166
Allowance for doubtful loans	(1,266)	(1,136)
Total long-term receivables	$ 9,465	$ 9,030
Long-Term Investments		
Assets restricted to investment in land, buildings and equipment	$ 18,255	$ 17,315
Endowment funds	328,291	290,339
Annuity and life income funds	13,685	14,473
Funds held in trust by others	12,734	11,215
Total long-term investments	$ 372,965	$ 333,342
Property, Plant and Equipment		
Land, buildings and equipment	$ 176,765	$ 164,766
Construction in progress	534	1,524
Less: accumulated depreciation	(80,156)	(73,417)
Collections and works of art (note 1)	-	-
Total property, plant and equipment	$ 97,143	$ 92,873
TOTAL ASSETS	$ 497,652	$ 455,044

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

Oberlin College

Statements of Financial Position

As of June 30, 1996 and 1995
(dollars in thousands)

LIABILITIES and NET ASSETS	1996	1995
Current Liabilities		
Accounts payable	$ 2,850	$ 3,434
Current portion of bonds payable	1,215	1,165
Deposits and agency funds	1,735	1,252
Accrued payroll and other liabilities	1,364	1,157
Total current liabilities	$ 7,164	$ 7,008
Other Liabilities		
Accruals for staff benefit programs	16,207	15,116
Annuity obligations	7,831	6,973
Federal student loan funds	5,860	5,810
Notes payable	1,537	1,637
Bonds payable, net	51,675	52,830
Total liabilities	$ 90,274	$ 89,374
Net Assets		
Unrestricted -		
Current operations	$ (11,055)	$ (8,294)
Designated for specific purposes	980	1,517
Unexpended plant and facility funds	8,121	6,135
Invested in plant facilities	34,031	30,017
Quasi-endowment funds	153,839	135,169
Total unrestricted	$ 185,916	$ 164,544
Temporarily Restricted -		
Donor designated for specific purposes	$ 6,183	$ 6,667
Annuity and life income funds	2,975	4,555
Unexpended plant and facility funds	7,641	7,161
Unamortized contributions for long lived assets	13,249	13,212
Quasi-endowment funds	86,525	70,148
Total temporarily restricted	$ 116,573	$ 101,743
Permanently Restricted -		
Student loan funds	$ 1,007	$ 937
Annuity and life income funds	1,900	1,429
Funds held in trust by others	12,734	11,215
Endowment funds	89,248	85,802
Total permanently restricted	$ 104,889	$ 99,383
Total net assets	$ 407,378	$ 365,670
TOTAL LIABILITIES and NET ASSETS	$ 497,652	$ 455,044

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

Oberlin College

Statements of Activities

For the year ended June 30, 1996 with summarized totals for 1995
(dollars in thousands)

	1996				1995
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Revenues					
Tuition and fees	$ 57,750	$ 402		$ 58,152	$ 54,538
Auxiliary enterprises	16,281			16,281	16,061
Government grants and contributions		2,419		2,419	2,855
Private gifts and grants	5,048	1,208		6,256	6,109
Investment earnings and gain	7,491	7,582	$ 315	15,388	13,675
Other sources	2,626	26		2,652	2,525
Net assets released from restrictions	11,700	(11,700)			
Total operating revenues	$ 100,896	$ (63)	$ 315	$ 101,148	$ 95,763
Operating Expenses					
Instruction	$ 28,516			$ 28,516	$ 26,284
Research	530			530	525
Student aid	19,752			19,752	16,473
Academic support	4,389			4,389	4,154
Student services	7,527			7,527	7,355
Institutional support	9,777			9,777	9,267
Facilities:					
Operations	5,821			5,821	5,411
Depreciation	4,991			4,991	4,571
Interest expense	1,560			1,560	1,471
Auxiliary enterprises:					
Operations	12,463			12,463	11,781
Depreciation	1,749			1,749	1,633
Interest expense	1,536			1,536	1,401
Total operating expenses	$ 98,611			$ 98,611	$ 90,326
Increase (decrease) in net assets from operating activities	$ 2,285	$ (63)	$ 315	$ 2,537	$ 5,437
Non-operating Activities					
Investment earnings and gain	$ 4,308	$ 9,478	$ 156	$ 13,942	$ 5,672
Unrealized gain	14,116	7,723	1,561	23,400	14,640
Matured life income agreements	1,055	(1,055)			
Capital and deferred gifts	1,312	1,145	2,530	4,987	3,613
Pledges and bequests	(1,019)	64	319	(636)	653
Change in annuity obligations	(740)	(229)	111	(858)	205
Payments to beneficiaries		(1,092)		(1,092)	(1,305)
Other	(713)	(350)	491	(572)	(214)
Redesignated funds		(23)	23		
Net assets released from restrictions	768	(768)			
Increase in net assets from non-operating activities	$ 19,087	$ 14,893	$ 5,191	$ 39,171	$ 23,264
Net increase in net assets	21,372	14,830	5,506	41,708	28,701
Net assets at beginning of year	164,544	101,743	99,383	365,670	336,969
Net assets at end of year	$ 185,916	$ 116,573	$ 104,889	$ 407,378	$ 365,670

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

Oberlin College

Statement of Cash Flows

For the year ended June 30, 1996
(dollars in thousands)

		1996
Cash Flows From Operating Activities		
Change in net assets	$	41,708
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		6,820
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable		349
Short-term investments		(2,641)
Inventories and prepaid expenses		386
Pledges receivable		636
Accounts payable and accrued expenses		(448)
Deposits and deferred revenues		554
Accruals for staff benefits		1,091
Net adjustment of annuity obligations		858
Contributions restricted for long-term investments		(5,090)
Earnings restricted for long-term investment		(2,011)
Net realized and unrealized gains on long-term investments		(35,332)
Net cash provided by operating activities	$	6,880
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	$	(11,009)
Proceeds from student loans collected		878
Student Loans issued		(1,457)
Purchases of investments		(233,441)
Proceeds from sales and maturities of investments		229,150
Other investing activities		173
Net cash used for investing activities	$	(15,706)
Cash Flows From Financing Activities		
Proceeds from contributions for:		
Investment in endowment	$	2,190
Investment in long-lived assets		951
Investment in life income agreements		1,949
Earnings restricted for long-term Investment		2,011
Payments on long-term debt		(1,165)
Payments on notes payable		(550)
Other financing activities		450
Net cash provided by financing activities	$	5,836
Net decrease in cash and cash equivalents	$	(2,990)
Cash and cash equivalents, beginning of year		4,077
Cash and cash equivalents, end of year	$	1,087

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

Oberlin College
Notes to Financial Statements
June 30, 1996 and 1995
(dollars in thousands)

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

During fiscal year 1996, the College adopted the provisions of three new Statements of the Financial Accounting Standards Board - Statements of Financial Accounting Standards ("SFAS") Nos. 116, 117, and 124 retroactive to July 1, 1994. All data presented in the financial statements reflect these adoptions. SFAS No. 116 requires that unconditional promises to give (contributions) be recorded as receivable and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 124 requires that all debt and certain equity securities with readily determinable fair values be reported in the statement of financial position at fair value with any realized or unrealized gains and losses reported in the statement of activities.

Note 6 presents a reconciliation of the total fund balances previously reported as of June 30, 1994 to the total net assets as restated for the effects of adopting SFAS Nos. 116, 117, and 124.

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 net assets.

Fund Group	Net Asset Group
Unrestricted current funds	Unrestricted
Restricted current funds	Unrestricted, 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 and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> Unrestricted net assets - Net assets not subject to donor-imposed stipulations.
>
> 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.
>
> 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.

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.

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 at an appropriate discount rate commensurate with the risks involved. Amortization of 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 including such factors as prior collection history, type of contribution and nature of fund-raising activity.

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.

The financial information shown for 1995 in the accompanying Statements of Activities is included to provide a basis for comparison with 1996 and presents summarized totals only.

Contributions with Restrictions Met in the Same Year

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset group.

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

Contributions of exhaustible long-lived assets, or of 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

All contributions of works of art, historical treasures and similar assets, whether held as part of a collection (for education, research or public exhibition rather than for sale) or for sale or other purposes, have not been recognized as an asset of the institution. In conjunction with the SFAS 116 implementation, the College is evaluating the fair market value of the collection and whether to recognize works of art for the year ended June 30, 1997. 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 is stated at cost less accumulated depreciation.

Investments

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 gain (or loss) in market value of investments are reflected in the statement of activities.

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.

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 fiscal years 1996 and 1995 was:

	1996	1995
Educational and general properties	$4,085	$3,752
Library books and materials	906	819
Auxiliary properties	1,749	1,633
	$6,740	$6,204

Unrestricted Bequests

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

Cash Flow Information

For financial statement purposes, the College considers all investment (not held for long-term investment) with original maturities of three months or less as cash equivalents. Cash payments for interest, net of amounts capitalized, amounted to $2,876 in 1996.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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.

New Financial Accounting Standards

The Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (SFAS 121), in March 1995. The College is not required to adopt this statement until its 1997 fiscal year.

SFAS 121 requires that long-lived assets to be held and used by the College be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The College is currently completing its review of the impact of Statement 121 on its financial statements.

2. ASSETS FOR LONG-TERM INVESTMENT

	June 30, 1996 Book Value	June 30, 1996 Market Value	June 30, 1995 Book Value	June 30, 1995 Market Value
ENDOWMENT AND SIMILAR FUNDS				
General Investment Pool				
Fixed Income	$ 63,226	$ 62,894	$ 67,020	$ 67,257
Mortgages	---	---	2,188	1,475
Cash/Cash Equivalents	3,379	3,379	19,434	19,434
Equities	162,872	195,737	126,864	144,087
Venture Capital	46,882	52,984	43,141	44,252
Real Estate	8,748	7,969	10,429	9,388
Oil & Gas Investments	3,425	4,961	3,940	4,105
Total General Investment Pool	$ 288,532	$ 327,924	$ 273,016	$ 289,998
Non Pooled Investments				
Fixed Income	$ 219	$ 219	$ 209	$ 209
Cash/Cash Equivalents	(1)	(1)	8	8
Equities	64	149	64	124
Total Non Pooled Invested Funds	$ 282	$ 367	$ 281	$ 341
TOTAL ENDOWMENT FUNDS	$ 288,814	$ 328,291	$ 273,297	$ 290,339
ANNUITY AND LIFE INCOME FUNDS				
Pooled Income Fund Trusts				
Fixed Income	$ 1,088	$ 1,068	$ 1,270	$ 1,287
Cash/Cash Equivalents	13	13	149	149
Equities	345	550	348	526
Total Pooled Income Fund Trusts	$ 1,446	$ 1,631	$ 1,767	$ 1,962
Gift Annuity Pool				
Fixed Income	$ 5,989	$ 5,629	$ 6,173	$ 5,785
Mortgages	200	15	200	15
Cash/Cash Equivalents	19	19	(226)	(226)
Total Gift Annuity Pool	$ 6,208	$ 5,663	$ 6,147	$ 5,574
Annuity Trusts And Unitrusts				
Fixed Income	$ 4,537	$ 4,500	$ 4,350	$ 4,341
Cash/Cash Equivalents	---	---	(1)	(1)
Equities	1,229	1,822	2,048	2,513
Real Estate	70	69	85	84
Total Annuity Trusts and Unitrusts	$ 5,836	$ 6,391	$ 6,482	$ 6,937
TOTAL ANNUITY AND LIFE INCOME FUNDS	$ 13,490	$ 13,685	$ 14,396	$ 14,473
RESTRICTED FOR PLANT FACILITIES				
Fixed Income	$ 9,568	$ 9,464	$ 9,512	$ 9,502
Cash/Cash Equivalents	5,954	5,954	5,013	5,013
Mortgages	698	698	713	713
Real Estate	2,139	2,139	1,871	2,087
TOTAL RESTRICTED FOR PLANT FACILITIES	$ 18,359	$ 18,255	$ 17,109	$ 17,315
FUNDS HELD IN TRUST BY OTHERS	$ 8,785	$ 12,734	$ 8,339	$ 11,215
TOTAL ASSETS FOR LONG-TERM INVESTMENT	$ 329,448	$ 372,965	$ 313,141	$ 333,342

3. BONDS PAYABLE

Bonds payable at June 30, 1996 and 1995 consisted of the following:

	1996	1995
Ohio Higher Educational Facility Commission		
Revenue Bonds dated June 1, 1993, maturing annually on October 1 through 2007 in amounts ranging from $790 to $1,860, with interest ranging from 3.9% to 5.25% and $21,070 maturing 2015 with an interest rate of 5.375%.	$ 35,920	$ 36,680
Variable Rate Demand Revenue Bonds dated December 9, 1985, maturing annually on October 1 through 2014 in amounts ranging from $100 to $300, with a final maturity of $11,600 due October 1, 2015.	15,500	15,600
Seeley G. Mudd Center Bonds dated October 1, 1971, maturing annually on October 1 through 2001, in amounts ranging from $325 to $450, with interest ranging from 4% to 5.75%.	2,310	2,615
Sub-Total	$ 53,730	$ 54,895
Less: bond discount	840	900
Total Bonds Payable, Net	$ 52,890	$ 53,995

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 a portion of which was used to refinance the $26,745 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 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 3.35% on June 30, 1996, and 4% on June 30, 1995. 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, 1996, 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 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 $8,089 at June 30, 1996.

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

1996-97	1,215
1997-98	1,275
1998-99	1,335
1999-00	1,405
2000-01	1,480
Thereafter	47,020

Additionally, the College has $1,537 of various notes payable at June 30, 1996, 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, 1996 is $53,860.

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:

	1996	1995
In one year or less	$ 4,015	$ 2,644
Between one year and five years	701	3,084
Less discount	(68)	(251)
Allowance for uncollectable pledges	(193)	(386)
	$ 4,455	$ 5,091

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 includes 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 reduce 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 now 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 percent of the College's estimated cost before considering the contribution.

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, 1996 and 1995:

Accumulated Postretirement Benefit Obligation	1996	1995
Retirees	$ 5,109	$ 4,850
Other fully eligible participants	2,197	1,534
Other active participants	408	6,967
	7,714	13,351
Unrecognized excess prior service cost	6,509	---
Unrecognized actuarial gain (loss)	155	(397)
Accrued postretirement health care cost liability	$ 14,378	$ 12,954

Net postretirement health care cost for 1996 included the following components:

Service cost - benefits attributed to service during the period	$ 684
Interest cost on accumulated postretirement benefit obligation	1,050
Net postretirement health care cost	$ 1,734

For measurement purposes, a 10.5 percent annual rate of increase in the per capita cost of covered health care claims was assumed for 1996; 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, 1996 by $458 and the aggregate of the service and interest cost components of net postretirement health care cost for the year then ended by $41. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.5 percent.

6. RECONCILIATION OF FUND BALANCES TO NET ASSETS

The following is a reconciliation of total June 30, 1994 fund balances as previously reported to the restated June 30, 1994 net asset balances (resulting from the adoption of the new accounting standards as described in Note 1):

	Fund Balances as of June 30, 1994, as Previously Reported	SFAS No. 117 Net Asset Categories: Unrestricted	Temporarily Restricted	Permanently Restricted
Fund Balances				
Current Unrestricted Fund	$ (8,209)	$ (8,209)	—	—
Current Restricted Fund	4,758	—	$ 4,758	—
Loan Funds	6,543	—	—	$ 6,543
Endowment Funds	78,402	—	—	78,402
Quasi-Endowment - Unrestricted	16,475	16,475	—	—
Quasi-Endowment - Restricted	13,811	—	13,811	—
Undistributed Net Gains/(Losses)	151,933	104,949	46,984	—
Life Income and Annuity Fund	15,786	5,372	5,581	4,833
Unexpended Plant Fund	13,926	5,623	8,303	—
Net Investment in Plant	34,529	34,529	—	—
Total Fund Balances	327,954	158,739	79,437	89,778
Add (deduct):				
Funds Held In Trust by Others	9,769	—	—	9,769
Pledges Receivable & Bequests	4,438	1,811	807	1,820
Unrealized Gains on Investments	4,120	2,621	1,818	(319)
Amortize Contributions for long lived assets	—	(12,437)	12,437	—
Perkins Loan - Gov't Contribution - Liability	(5,760)	—	—	(5,760)
Other Accruals, Net	(3,552)	(397)	(1,708)	(1,447)
Cumulative Effect of Change in Accounting Principles	9,015	(8,402)	13,354	4,063
Net assets as of June 30, 1994, as restated	$ 336,969	$ 150,337	$ 92,791	$ 93,841

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.