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Oberlin College
Financial Report
Year ended June 30, 1998

Financial Report 1997-98

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

The National Commission on the Cost of Higher Education recently released a report that concluded that the United States has a world-class system of higher education and that American colleges and universities are the envy of the world. Yet there is widespread public concern in this country about the rising price of higher education, how institutions set tuition prices, about the availability of financial aid, and how the spending priorities for teaching, research, and service are established.

During the fiscal year 1997-98 Oberlin College has been working to address these concerns by setting financial priorities for the recruitment and retention of faculty and by seeking a variety of cost-saving efforts to achieve a balanced budget. Cooperative agreements with other institutions to share support services, utilization of group purchasing power and contracting for services in more efficient and cost effective ways are strategies the College has employed to help control costs. A goal to make an Oberlin education more affordable requires moderating tuition and fee increases while increasing the commitment of financial aid to students.

Some of this past year's most significant and administrative achievements included:

- Our endowment reached a new high, increasing more than $48 million to a new total of $434 million. The total return on the General Investment Pool was 14.2% net of fees.
- Kaspick & Company was hired as the administrator and investment manager for Oberlin's deferred giving program. This will greatly increase Oberlin's ability to improve the program with expanded donor services, increased flexibility in investment options, improved reporting and policy development.
- Fundraising for the College enjoyed another successful year with contributions totaling $22.7 million, falling just short of the record high of $23.3 million set in 1996-97, which included an extraordinary $6 million anonymous gift.
- The College completed a limited master planning exercise based on the previous year's long range planning document "Broad Directions" in preparation for the upcoming capital campaign.
- The implementation of the financial and the human resources modules of the administrative systems upgrade (OPUS) was completed.

In summary, Oberlin College had a highly successful financial year with the net worth of the institution increasing by over $56 million. We look forward to the continued challenges of offering a premier education and strengthening the financial health of the institution.

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, 1998 and 1997, and the related statements of activities and cash flows for the years 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 audits.

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, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Cleveland, Ohio,
October 16, 1998.

Oberlin College

Statements of Financial Position

As of June 30, 1998 and 1997
(dollars in thousands)

ASSETS	1998	1997
Current Assets		
Cash and cash equivalents	$ 6,219	$ 2,701
Short-term investments	340	7,408
Accounts receivable, net	4,119	2,240
Inventories	560	596
Deposits and prepaid expenses	1,967	1,212
Total current assets	$ 13,205	$ 14,157
Pledges Receivable and Bequests in Probate	$ 10,806	$ 10,371
Long-Term Receivables		
Student loans	$ 11,249	$ 11,101
Allowance for doubtful loans	(1,273)	(1,266)
Total long-term receivables	$ 9,976	$ 9,835
Long-Term Investments		
Assets restricted to investment in land, buildings and equipment	$ 19,498	$ 18,335
Endowment funds	441,383	392,475
Annuity and life income funds	19,801	17,946
Funds held in trust by others	18,424	15,261
Total long-term investments	$ 499,106	$ 444,017
Property, Plant and Equipment		
Land, buildings and equipment	$ 195,242	$ 187,214
Construction in progress	4,039	746
Less: accumulated depreciation	(95,268)	(87,489)
Total property, plant and equipment	$ 104,013	$ 100,471
TOTAL ASSETS	$ 637,106	$ 578,851

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

Oberlin College

Statements of Financial Position

As of June 30, 1998 and 1997
(dollars in thousands)

LIABILITIES and NET ASSETS	1998	1997
Current Liabilities		
Accounts payable	$ 10,438	$ 9,335
Current portion of bonds payable	1,335	1,275
Deposits and agency funds	2,827	2,248
Accrued payroll and other liabilities	1,777	1,032
Total current liabilities	$ 16,377	$ 13,890
Other Liabilities		
Accruals for staff benefit programs	17,269	17,048
Annuity obligations	11,679	10,654
Federal student loan funds	5,954	5,890
Notes payable	477	976
Bonds payable, net	49,179	50,457
Total liabilities	$ 100,935	$ 98,915
Net Assets		
Unrestricted -		
Current operations	$ (15,540)	$ (12,628)
Designated for specific purposes	1,474	1,077
Unexpended plant and facility funds	5,371	5,613
Invested in plant facilities	41,902	38,875
Quasi-endowment funds	201,477	181,166
Total unrestricted	$ 234,684	$ 214,103
Temporarily Restricted -		
Donor designated for specific purposes	$ 7,907	$ 6,763
Annuity and life income funds	3,926	4,001
Unexpended plant and facility funds	14,578	12,451
Unamortized contributions for long lived assets	12,761	13,094
Quasi-endowment funds	135,935	115,864
Total temporarily restricted	$ 175,107	$ 152,173
Permanently Restricted -		
Student loan funds	$ 1,313	$ 1,181
Annuity and life income funds	2,443	2,215
Funds held in trust by others	18,424	15,261
Endowment funds	104,200	95,003
Total permanently restricted	$ 126,380	$ 113,660
Total net assets	$ 536,171	$ 479,936
TOTAL LIABILITIES and NET ASSETS	$ 637,106	$ 578,851

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

Oberlin College

Statements of Activities

For the year ended June 30, 1998 with summarized totals for 1997
(dollars in thousands)

	1998				1997
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Revenues					
Tuition and fees	$ 63,479	$ 438		$ 63,917	$ 60,717
Auxiliary enterprises	17,682			17,682	16,988
Government grants and contributions		2,260		2,260	2,031
Private gifts and grants	5,619	2,963		8,582	13,739
Investment earnings and gain	9,651	9,221	$ 469	19,341	17,698
Other sources	2,315	35		2,350	1,898
Net assets released from restrictions	12,722	(12,722)			
Total operating revenues	$ 111,468	$ 2,195	$ 469	$ 114,132	$ 113,071
Operating Expenses					
Instruction	$ 30,552			$ 30,552	$ 29,104
Research	339			339	417
Student aid	25,730			25,730	22,022
Academic support	6,679			6,679	6,117
Student services	7,765			7,765	7,206
Institutional support	11,267			11,267	9,670
Facilities:					
Operations	5,385			5,385	5,496
Depreciation	5,753			5,753	5,295
Interest expense	1,627			1,627	1,704
Auxiliary enterprises:					
Operations	12,898			12,898	12,621
Depreciation	2,026			2,026	2,046
Interest expense	1,334			1,334	1,367
Total operating expenses	$ 111,355			$ 111,355	$ 103,065
Increase in net assets from operating activities	$ 113	$ 2,195	$ 469	$ 2,777	$ 10,006
Non-operating Activities					
Investment earnings and gain	$ 24,373	$ 22,757	$ 920	$ 48,050	$ 20,657
Unrealized gain	(4,180)	(1,384)	2,610	(2,954)	33,772
Matured life income agreements	13	(13)			
Capital and deferred gifts	368	3,429	8,080	11,877	7,334
Pledges and bequests	794	(1,397)	1,038	435	5,916
Change in annuity obligations	(91)	(397)	(537)	(1,025)	(2,823)
Payments to beneficiaries		(1,308)		(1,308)	(1,132)
Other	(1,267)	(373)	23	(1,617)	(1,172)
Redesignated funds	34	(151)	117		
Net assets released from restrictions	424	(424)			
Increase in net assets from non-operating activities	$ 20,468	$ 20,739	$ 12,251	$ 53,458	$ 62,552
Net increase in net assets	20,581	22,934	12,720	56,235	72,558
Net assets at beginning of year	$ 214,103	$ 152,173	$ 113,660	$ 479,936	$ 407,378
Net assets at end of year	$ 234,684	$ 175,107	$ 126,380	$ 536,171	$ 479,936

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

Oberlin College

Statements of Cash Flows

For the year ended June 30, 1998 and 1997
(dollars in thousands)

	1998	1997
Cash Flows From Operating Activities		
Change in net assets	$ 56,235	$ 72,558
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,836	7,390
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	(1,879)	48
Short-term investments	7,068	923
Inventories and prepaid expenses	(720)	110
Pledges receivable	(435)	(5,916)
Accounts payable and accrued expenses	1,848	6,153
Deposits and deferred revenues	579	513
Accruals for staff benefits	222	841
Net adjustment of annuity obligations	1,025	2,823
Contributions restricted for long-term investments	(11,824)	(7,438)
Earnings restricted for long-term investment	(3,999)	(3,012)
Net realized and unrealized gains on long-term investments	(45,096)	(54,648)
Net cash provided by operating activities	$ 10,860	$ 20,345
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	$ (11,320)	$ (10,661)
Proceeds from student loans collected	804	900
Student loans issued	(1,058)	(1,278)
Purchases of investments	(372,915)	(246,703)
Proceeds from sales and maturities of investments	362,968	230,261
Other investing activities	130	76
Net cash used for investing activities	$ (21,391)	$ (27,405)
Cash Flows From Financing Activities		
Proceeds from contributions for:		
Investment in endowment	$ 7,629	$ 2,188
Investment in long-lived assets	2,660	1,253
Investment in life income agreements	1,535	3,997
Earnings restricted for long-term Investment	3,999	3,012
Payments on long-term debt	(1,275)	(1,215)
Payments on notes payable	(499)	(561)
Net cash provided by financing activities	$ 14,049	$ 8,674
Net increase (decrease) in cash and cash equivalents	$ 3,518	$ 1,614
Cash and cash equivalents, beginning of year	2,701	1,087
Cash and cash equivalents, end of year	$ 6,219	$ 2,701

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

Effective 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. SFAS No. 116 requires that unconditional promises to give (contributions) be recorded as receivables 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.

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	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.

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

The College has elected not to capitalize contributed collections under the provisions of SFAS No. 116. 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. 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. These assets amounted to approximately $7,308 at June 30, 1998 and 1997.

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 1998 and 1997 was:

	1998	1997
Educational and general properties	$4,705	$4,304
Library books and materials	1,048	991
Auxiliary properties	2,026	2,046
	$7,779	$7,341

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 $2,782 in 1998 and $2,882 in 1997.

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.

2. ASSETS FOR LONG-TERM INVESTMENT

	June 30, 1998 Book Value	June 30, 1998 Market Value	June 30, 1997 Book Value	June 30, 1997 Market Value
ENDOWMENT AND SIMILAR FUNDS				
General Investment Pool				
Fixed Income	$ 68,014	$ 68,575	$ 41,865	$ 41,741
Cash/Cash Equivalents	14,818	14,818	30,514	30,514
Equities	202,124	249,499	184,918	244,556
Venture Capital	82,134	99,688	54,325	63,167
Real Estate	7,979	7,146	8,437	7,659
Oil & Gas Investments	1,863	1,168	2,710	4,405
Total General Investment Pool	$ 376,932	$ 440,894	$ 322,769	$ 392,042
Non Pooled Investments				
Fixed Income	$ 232	$ 238	$ 230	$ 235
Cash/Cash Equivalents			(4)	(4)
Equities	65	251	64	202
Total Non-Pooled Invested Funds	$ 297	$ 489	$ 290	$ 433
TOTAL ENDOWMENT FUNDS	$ 377,229	$ 441,383	$ 323,059	$ 392,475
ANNUITY AND LIFE INCOME FUNDS				
Pooled Income Fund Trusts				
Fixed Income	$ 1,262	$ 1,269	$ 1,077	$ 1,060
Cash/Cash Equivalents	(6)	(6)	28	28
Equities	1,007	1,005	567	968
Total Pooled Income Fund Trusts	$ 2,263	$ 2,268	$ 1,672	$ 2,056
Gift Annuity Pool				
Fixed Income	$ 1,770	$ 1,761	$ 6,844	$ 6,671
Mortgages			200	15
Cash/Cash Equivalents	380	380	(229)	(220)
Equities	4,922	4,893		
Total Gift Annuity Pool	$ 7,072	$ 7,034	$ 6,815	$ 6,457
Annuity Trusts And Unitrusts				
Fixed Income	$ 3,393	$ 3,401	$ 5,467	$ 5,532
Cash/Cash Equivalents	394	394		
Equities	6,136	6,635	2,734	3,832
Real Estate	71	69	71	69
Total Annuity Trusts and Unitrusts	$ 9,994	$ 10,499	$ 8,272	$ 9,433
TOTAL ANNUITY AND LIFE INCOME FUNDS	$ 19,329	$ 19,801	$ 16,759	$ 17,946
RESTRICTED FOR PLANT FACILITIES				
Fixed Income	$ 9,989	$ 11,082	$ 9,760	$ 10,085
Cash/Cash Equivalents	5,504	5,504	5,310	5,310
Mortgages	601	601	649	649
Real Estate	2,311	2,311	2,291	2,291
TOTAL RESTRICTED FOR PLANT FACILITIES	$ 18,405	$ 19,498	$ 18,010	$ 18,335
FUNDS HELD IN TRUST BY OTHERS	$ 9,761	$ 18,424	$ 9,004	$ 15,261
TOTAL ASSETS FOR LONG-TERM INVESTMENT	$ 424,724	$ 499,106	$ 366,832	$ 444,017

3. BONDS PAYABLE

Bonds payable at June 30, 1998 and 1997 consisted of the following:

	1998	1997
Ohio Higher Educational Facility Commission		
Revenue Bonds dated June 1, 1993, maturing annually on October 1 through 2007 in amounts ranging from $865 to $1,860, with interest ranging from 4.4% to 5.25% and $21,070 maturing 2015 with an interest rate of 5.375%.	$ 34,305	$ 35,130
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.	15,300	15,400
Seeley G. Mudd Center Bonds dated October 1, 1971, maturing annually on October 1 through 2001, in amounts ranging from $370 to $450, with interest ranging from 4% to 5.75%.	1,635	1,985
Sub-Total	$ 51,240	$ 52,515
Less: bond discount	726	783
Total Bonds Payable, Net	$ 50,514	$ 51,732

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% on June 30, 1998, and 4% on June 30, 1997. 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, 1998, 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 5.4% 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 $6,879 at June 30, 1998.

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

1998-99	1,335
1999-00	1,405
2000-01	1,480
2001-02	1,555
2002-03	1,590
Thereafter	43,875

Additionally, the College has $477 of various notes payable at June 30, 1998, 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 1998 to October 2001.

The estimated fair market value of all outstanding long-term obligations at June 30, 1998 is $53,271.

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:

	1998	1997
In one year or less	$ 6,979	$ 8,405
Between one year and five years	5,283	2,435
Less discount	(1,356)	(358)
Allowance for uncollectable pledges	(100)	(111)
	$ 10,806	$ 10,371

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 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, 1998 and 1997:

Accumulated Postretirement Benefit Obligation	1998	1997
Retirees	$ 5,845	$ 5,116
Other fully eligible participants	2,555	2,583
Other active participants	300	260
	8,700	7,959
Unrecognized excess prior service cost	5,598	6,054
Unrecognized actuarial gain	286	516
Accrued postretirement health care cost liability	$ 14,584	$ 14,529

Net postretirement health care cost for 1998 included the following components:

Service cost - benefits attributed to service during the period	$ 389
Interest cost on accumulated postretirement benefit obligation	578
Net amortization and deferral	(455)
Net postretirement health care cost	$ 512

For measurement purposes, a 9.5 percent annual rate of increase in the per capita cost of covered health care claims was assumed for 1998; 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, 1998 by $533 and the aggregate of the service and interest cost components of net postretirement health care cost for the year then ended by $43. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7 percent.

6. 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.