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

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We are pleased to present the financial statements for the fiscal year 1999-00 that reflect a remarkably strong financial wellbeing. In this year, the College's total net assets rose an extraordinary \$134 million, driven largely by the investment performance of the College's endowment portfolio. This success was further supported by a truly wonderful admissions season, and by new fundraising achievements in the Capital Campaign. The opening of the Adam Joseph Lewis Center for Environmental Studies and the construction progress of the impressive new Science Center building also demonstrate the College's support of the institution's academic priorities.

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

- Our general endowment reached a new high, increasing more than \$122 million to a new total of \$609.7 million. The total return on the General Investment Pool was 28.3% net of fees.
- Fundraising for the College had another successful year with contributions totaling \$36.5 million, surpassing the previous record high of \$36.3 million set last year. The new watermark for giving was again spearheaded by an \$11.6 million anonymous unrestricted charitable gift annuity.
- "The New Oberlin Century" Capital Campaign continues on track. The Campaign to date has generated \$99.8 million in gifts and pledges toward a goal of \$165 million by June of 2004.

Enrollment statistics continued a very positive trend with improvements in the applicant pool, admit rate and yield.

|                           |           | <u>Applications</u> | <u>% of Admitted</u> | <u>Yield</u> |
|---------------------------|-----------|---------------------|----------------------|--------------|
| <b>College of A&amp;S</b> | Fall 2000 | 4,193               | 48%                  | 33%          |
|                           | Fall 1999 | 3,819               | 58%                  | 29%          |
|                           | Fall 1998 | 3,535               | 63%                  | 28%          |
| <b>Conservatory</b>       | Fall 2000 | 991                 | 29%                  | 45%          |
|                           | Fall 1999 | 1038                | 32%                  | 40%          |
|                           | Fall 1998 | 968                 | 25%                  | 47%          |

In summary, the College experienced perhaps its best financial results ever, our plans and expectations for the future are buoyed by this unusual performance. However, as we go forward, it is the College's ever enduring strength -- the commitment to an intellectually exciting educational mission -- that will sustain us.





**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, 2000 and 1999, 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 auditing standards generally accepted in the United States. 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, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

*Arthur Anderson LLP*

Cleveland, Ohio,  
October 20, 2000.

**Oberlin College**  
**Statements of Financial Position**  
**As of June 30, 2000 and 1999**  
**(dollars in thousands)**

| <u>ASSETS</u>   | <u>2000</u>       | <u>1999</u>       |
|---|-------------------|-------------------|
| <b>Current Assets</b>   |                   |                   |
| Cash and cash equivalents   | \$ 2,444          | \$ 2,026          |
| Short-term investments  | 334               | 2,555             |
| Accounts receivable, net  | 4,044             | 2,115             |
| Inventories   | 460               | 503               |
| Deposits and prepaid expenses                                       | <u>2,019</u>      | <u>2,198</u>      |
| <b>Total current assets</b>   | <b>\$ 9,301</b>   | <b>\$ 9,397</b>   |
| <b>Pledges Receivable and Bequests in Probate</b>                   | <b>\$ 15,144</b>  | <b>\$ 15,859</b>  |
| <b>Long-Term Receivables</b>  |                   |                   |
| Student loans   | \$ 11,373         | \$ 11,325         |
| Allowance for doubtful loans  | <u>(1,273)</u>    | <u>(1,273)</u>    |
| <b>Total long-term receivables</b>                                  | <b>\$ 10,100</b>  | <b>\$ 10,052</b>  |
| <b>Long-Term Investments</b>  |                   |                   |
| Assets restricted to investment<br>in land, buildings and equipment | \$ 58,312         | \$ 65,612         |
| Endowment funds   | 635,131           | 502,126           |
| Annuity and life income funds                                       | 45,167            | 32,635            |
| Funds held in trust by others                                       | <u>21,459</u>     | <u>20,592</u>     |
| <b>Total long-term investments</b>                                  | <b>\$ 760,069</b> | <b>\$ 620,965</b> |
| <b>Property, Plant and Equipment</b>                                |                   |                   |
| Land, buildings and equipment                                       | \$ 215,761        | \$ 203,834        |
| Construction in progress  | 17,801            | 8,756             |
| Less: accumulated depreciation                                      | <u>(111,745)</u>  | <u>(103,308)</u>  |
| <b>Total property, plant and equipment</b>                          | <b>\$ 121,817</b> | <b>\$ 109,282</b> |
| <b>TOTAL ASSETS</b>   | <b>\$ 916,431</b> | <b>\$ 765,555</b> |

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

**Oberlin College**  
**Statements of Financial Position**  
**As of June 30, 2000 and 1999**  
**(dollars in thousands)**

|   | <u>2000</u>       | <u>1999</u>       |
|---|-------------------|-------------------|
| <b><u>LIABILITIES and NET ASSETS</u></b>        |                   |                   |
| <b>Current Liabilities</b>                      |                   |                   |
| Accounts payable                                | \$ 29,828         | \$ 18,757         |
| Current portion of bonds payable                | 1,280             | 1,305             |
| Deposits and agency funds                       | 3,541             | 2,706             |
| Accrued payroll and other liabilities           | 1,767             | 2,521             |
| <b>Total current liabilities</b>                | <b>\$ 36,416</b>  | <b>\$ 25,289</b>  |
| <b>Other Liabilities</b>                        |                   |                   |
| Accruals for staff benefit programs             | 16,988            | 17,203            |
| Annuity obligations                             | 25,379            | 18,233            |
| Federal student loan funds                      | 5,926             | 6,009             |
| Notes payable                                   | 134               | 280               |
| Bonds payable, net                              | 96,128            | 97,418            |
| <b>Total liabilities</b>                        | <b>\$ 180,971</b> | <b>\$ 164,432</b> |
| <b>Net Assets</b>                               |                   |                   |
| <b>Unrestricted -</b>                           |                   |                   |
| Current operations                              | \$ (19,850)       | \$ (18,481)       |
| Designated for specific purposes                | 9,315             | 5,452             |
| Unexpended plant and facility funds             | 4,785             | 5,861             |
| Invested in plant facilities                    | 47,534            | 43,530            |
| Quasi-endowment funds                           | 276,989           | 222,768           |
| <b>Total unrestricted</b>                       | <b>\$ 318,773</b> | <b>\$ 259,130</b> |
| <b>Temporarily Restricted -</b>                 |                   |                   |
| Donor designated for specific purposes          | \$ 8,434          | \$ 8,400          |
| Annuity and life income funds                   | 7,850             | 5,647             |
| Unexpended plant and facility funds             | 18,716            | 17,058            |
| Unamortized contributions for long-lived assets | 13,685            | 12,765            |
| Quasi-endowment funds                           | 215,595           | 157,914           |
| <b>Total temporarily restricted</b>             | <b>\$ 264,280</b> | <b>\$ 201,784</b> |
| <b>Permanently Restricted -</b>                 |                   |                   |
| Student loan funds                              | \$ 1,811          | \$ 1,568          |
| Annuity and life income funds                   | 2,436             | 3,170             |
| Funds held in trust by others                   | 21,459            | 20,592            |
| Endowment funds                                 | 126,701           | 114,879           |
| <b>Total permanently restricted</b>             | <b>\$ 152,407</b> | <b>\$ 140,209</b> |
| <b>Total net assets</b>                         | <b>\$ 735,460</b> | <b>\$ 601,123</b> |
| <b>TOTAL LIABILITIES and NET ASSETS</b>         | <b>\$ 916,431</b> | <b>\$ 765,555</b> |

# Oberlin College

## Statements of Activities

For the year ended June 30, 2000 with summarized totals for 1999

(dollars in thousands)

|   | 2000              |                        |                        | Total             | 1999              |
|---|-------------------|------------------------|------------------------|-------------------|-------------------|
|   | Unrestricted      | Temporarily Restricted | Permanently Restricted |                   | Total             |
| <b>Operating Revenues</b>                                   |                   |                        |                        |                   |                   |
| Tuition and fees  | \$ 68,850         | \$ 437                 |                        | \$ 69,287         | \$ 65,997         |
| Auxiliary enterprises                                       | 17,122            |                        |                        | 17,122            | 16,992            |
| Government grants and contributions                         |                   | 2,241                  |                        | 2,241             | 2,237             |
| Private gifts and grants                                    | 5,443             | 3,031                  |                        | 8,474             | 8,332             |
| Investment earnings and gain                                | 12,259            | 12,174                 | \$ 444                 | 24,877            | 21,478            |
| Other sources   | 2,309             | 55                     |                        | 2,364             | 2,101             |
| Net assets released from restrictions                       | 17,517            | (17,517)               |                        |                   |                   |
| <b>Total operating revenues</b>                             | <b>\$ 123,500</b> | <b>\$ 421</b>          | <b>\$ 444</b>          | <b>\$ 124,365</b> | <b>\$ 117,137</b> |
| <b>Operating Expenses</b>                                   |                   |                        |                        |                   |                   |
| Instruction   | \$ 34,635         |                        |                        | \$ 34,635         | \$ 32,362         |
| Research  | 361               |                        |                        | 361               | 237               |
| Student aid   | 28,720            |                        |                        | 28,720            | 27,534            |
| Academic support  | 7,510             |                        |                        | 7,510             | 7,140             |
| Student services  | 8,100             |                        |                        | 8,100             | 7,767             |
| Institutional support                                       | 13,351            |                        |                        | 13,351            | 11,843            |
| Facilities:   |                   |                        |                        |                   |                   |
| Operations  | 6,395             |                        |                        | 6,395             | 5,684             |
| Depreciation  | 6,355             |                        |                        | 6,355             | 6,023             |
| Interest expense  | 1,408             |                        |                        | 1,408             | 1,518             |
| Auxiliary enterprises:                                      |                   |                        |                        |                   |                   |
| Operations  | 13,338            |                        |                        | 13,338            | 12,489            |
| Depreciation  | 2,081             |                        |                        | 2,081             | 2,017             |
| Interest expense  | 1,244             |                        |                        | 1,244             | 1,276             |
| <b>Total operating expenses</b>                             | <b>\$ 123,498</b> |                        |                        | <b>\$ 123,498</b> | <b>\$ 115,890</b> |
| <b>Increase in net assets from operating activities</b>     | <b>\$ 2</b>       | <b>\$ 421</b>          | <b>\$ 444</b>          | <b>\$ 867</b>     | <b>\$ 1,247</b>   |
| <b>Non-operating Activities</b>                             |                   |                        |                        |                   |                   |
| Investment earnings and gain                                | \$ 33,935         | \$ 33,148              | \$ 3,689               | \$ 70,772         | \$ 33,170         |
| Unrealized gain(loss)                                       | 28,383            | 24,902                 | (2,466)                | 50,819            | 13,358            |
| Capital and deferred gifts                                  | 12,838            | 4,859                  | 8,066                  | 25,763            | 25,693            |
| Pledges and bequests  | (806)             | (1,297)                | 1,388                  | (715)             | 5,053             |
| Change in annuity obligations                               | (7,886)           | (527)                  | 1,267                  | (7,146)           | (6,555)           |
| Payments to beneficiaries                                   | (953)             | (231)                  | (558)                  | (1,742)           | (1,400)           |
| Redesignated funds and other                                | (6,293)           | 1,644                  | 368                    | (4,281)           | (3,443)           |
| Net assets released from restrictions                       | 423               | (423)                  |                        |                   |                   |
| <b>Increase in net assets from non-operating activities</b> | <b>\$ 59,641</b>  | <b>\$ 62,075</b>       | <b>\$ 11,754</b>       | <b>\$ 133,470</b> | <b>\$ 65,876</b>  |
| Net increase in net assets before extraordinary item        | 59,643            | 62,496                 | 12,198                 | 134,337           | 67,123            |
| Extraordinary bond defeasance charge                        |                   |                        |                        |                   | (2,171)           |
| Net increase in net assets                                  | 59,643            | 62,496                 | 12,198                 | 134,337           | 64,952            |
| Net assets at beginning of year                             | \$ 259,130        | \$ 201,784             | \$ 140,209             | \$ 601,123        | \$ 536,171        |
| <b>Net assets at end of year</b>                            | <b>\$ 318,773</b> | <b>\$ 264,280</b>      | <b>\$ 152,407</b>      | <b>\$ 735,460</b> | <b>\$ 601,123</b> |



**Oberlin College**  
**Statements of Cash Flows**  
**For the year ended June 30, 2000 and 1999**  
**(dollars in thousands)**

|  | <u>2000</u>        | <u>1999</u>        |
|--|--------------------|--------------------|
| <b>Cash Flows From Operating Activities</b>  |                    |                    |
| Change in net assets   | \$ 134,337         | \$ 64,952          |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                    |                    |
| Depreciation and amortization  | 8,448              | 8,153              |
| Changes in assets and liabilities that provide (use) cash:                                     |                    |                    |
| Accounts receivable  | (1,929)            | 2,004              |
| Short-term investments   | 2,221              | (2,215)            |
| Inventories and prepaid expenses   | 222                | (174)              |
| Pledges receivable   | 715                | (5,053)            |
| Accounts payable and accrued expenses  | 10,234             | 9,118              |
| Deposits and deferred revenues   | 835                | (121)              |
| Accruals for staff benefits  | (215)              | (66)               |
| Net adjustment of annuity obligations  | 7,146              | 6,554              |
| Contributions restricted for long-term investments   | (25,645)           | (24,244)           |
| Earnings restricted for long-term investment   | (1,223)            | (2,550)            |
| Net realized and unrealized gains on long-term investments                                     | (121,591)          | (46,528)           |
| Net cash provided by operating activities  | <u>\$ 13,555</u>   | <u>\$ 9,830</u>    |
| <b>Cash Flows From Investing Activities</b>  |                    |                    |
| Purchases of plant and equipment, net  | \$ (20,972)        | \$ (13,309)        |
| Proceeds from student loans collected  | 803                | 925                |
| Student loans issued   | (869)              | (1,017)            |
| Purchases of investments   | (359,357)          | (442,525)          |
| Proceeds from sales and maturities of investments  | 341,888            | 367,271            |
| Other investing activities   | (47)               | (40)               |
| Net cash used for investing activities   | <u>\$ (38,554)</u> | <u>\$ (88,695)</u> |
| <b>Cash Flows From Financing Activities</b>  |                    |                    |
| Proceeds from contributions for:   |                    |                    |
| Investment in endowment  | \$ 7,410           | \$ 9,427           |
| Investment in long-lived assets  | 3,919              | 1,385              |
| Investment in life income agreements   | 14,316             | 13,433             |
| Earnings restricted for long-term investment   | 1,223              | 2,550              |
| Proceeds from issuance of long-term debt   |                    | 79,855             |
| Payments on long-term debt   | (1,305)            | (31,780)           |
| Payments on notes payable  | (146)              | (198)              |
| Net cash provided by financing activities  | <u>\$ 25,417</u>   | <u>\$ 74,672</u>   |
| Net increase (decrease) in cash and cash equivalents   | \$ 418             | \$ (4,193)         |
| Cash and cash equivalents, beginning of year   | <u>2,026</u>       | <u>6,219</u>       |
| Cash and cash equivalents, end of year   | <u>\$ 2,444</u>    | <u>\$ 2,026</u>    |

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

**Oberlin College**  
**Notes to Financial Statements**  
**June 30, 2000 and 1999**  
**(dollars in thousands)**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Oberlin College is an independent, coeducational institution consisting of two major divisions. The College of Arts and Sciences offers a balanced curriculum in the humanities, social sciences, and natural sciences. The Conservatory of Music offers pre-professional training in music performance, composition, education, technology, theory, and history.

**Basis of Presentation and Accounting**

The financial statements are presented on the accrual basis of accounting, focusing on the institution as a whole. In accordance with the existence or absence of donor-imposed restrictions, fund balances and transactions are grouped into three classes of net assets - unrestricted, temporarily restricted, and permanently restricted.

| Fund Group                    | Net Asset Group   |
|-------------------------------|---|
| Unrestricted current funds    | Unrestricted  |
| Restricted current funds      | Temporarily restricted  |
| Annuity and life income funds | Unrestricted, temporarily restricted and permanently restricted |
| Long-term investments         | Unrestricted, temporarily restricted and permanently restricted |
| Plant funds                   | Unrestricted and temporarily restricted                         |
| Loan funds                    | Permanently restricted  |

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Unrestricted funds designated by the Board of Trustees for long-term investment are classified as quasi-endowment.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the College and/or the passage of time.

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 the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectable contributions receivable is provided based upon management's judgment, considering such factors as prior collection history, type of contribution and nature of fund-raising activity.

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, 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, 2000 and 1999.

#### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation.

#### **Inventories**

Inventories are stated at the lower of cost (first-in, first-out) or market.

#### **Funds Held in Trust**

Funds held in trust by others represent resources neither in the possession nor under the control of the institution, but held and administered by outside trustees, with the College deriving income or a residual interest from the assets of such funds. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the College is notified of its existence.

## 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 2000 and 1999 was:

|                                    | <u>2000</u>    | <u>1999</u>    |
|------------------------------------|----------------|----------------|
| Educational and general properties | \$5,174        | \$4,910        |
| Library books and materials        | 1,181          | 1,114          |
| Auxiliary properties               | <u>2,081</u>   | <u>2,016</u>   |
|                                    | <u>\$8,436</u> | <u>\$8,040</u> |

## 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 investments (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 \$5,529 in 2000 and \$2,153 in 1999.

## 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

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.

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

|  | June 30, 2000     |                   | June 30, 1999     |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Cost Basis        | Market Value      | Cost Basis        | Market Value      |
| <b>ENDOWMENT AND SIMILAR FUNDS</b>           |                   |                   |                   |                   |
| <b>General Investment Pool</b>               |                   |                   |                   |                   |
| Fixed Income                                 | \$ 133,514        | \$ 132,668        | \$ 66,714         | \$ 65,823         |
| Cash/Cash Equivalents                        | 13,292            | 13,291            | 9,085             | 9,085             |
| Equities                                     | 227,869           | 297,766           | 232,963           | 282,286           |
| Venture Capital                              | 119,184           | 180,047           | 102,596           | 135,671           |
| Real Estate                                  | 924               | 341               | 3,374             | 1,936             |
| Oil & Gas Investments                        | 5,967             | 8,742             | 3,813             | 2,713             |
| Accounts Receivable                          | 1,770             | 1,770             | 4,089             | 4,089             |
| Total General Investment Pool                | <u>\$ 502,520</u> | <u>\$ 634,625</u> | <u>\$ 422,634</u> | <u>\$ 501,603</u> |
| <b>Non-Pooled Investments</b>                |                   |                   |                   |                   |
| Fixed Income                                 | \$ 234            | \$ 232            | \$ 234            | \$ 235            |
| Cash/Cash Equivalents                        | 11                | 11                | 5                 | 5                 |
| Equities                                     | 66                | 263               | 65                | 283               |
| Total Non-Pooled Invested Funds              | <u>\$ 311</u>     | <u>\$ 506</u>     | <u>\$ 304</u>     | <u>\$ 523</u>     |
| <b>TOTAL ENDOWMENT FUNDS</b>                 | <u>\$ 502,831</u> | <u>\$ 635,131</u> | <u>\$ 422,938</u> | <u>\$ 502,126</u> |
| <b>ANNUITY AND LIFE INCOME FUNDS</b>         |                   |                   |                   |                   |
| <b>Pooled Income Fund Trusts</b>             |                   |                   |                   |                   |
| Fixed Income                                 | \$ 1,138          | \$ 1,099          | \$ 1,220          | \$ 1,214          |
| Cash/Cash Equivalents                        | 68                | 68                | 123               | 123               |
| Equities                                     | 886               | 908               | 875               | 936               |
| Total Pooled Income Fund Trusts              | <u>\$ 2,092</u>   | <u>\$ 2,075</u>   | <u>\$ 2,218</u>   | <u>\$ 2,273</u>   |
| <b>Gift Annuity Pool</b>                     |                   |                   |                   |                   |
| Fixed Income                                 | \$ 7,996          | \$ 7,635          | \$ 4,724          | \$ 4,578          |
| Cash/Cash Equivalents                        | 1,213             | 1,213             | 774               | 774               |
| Equities                                     | 22,481            | 22,866            | 13,213            | 13,169            |
| Accounts Receivable                          | 10                | 10                | 5                 | 5                 |
| Total Gift Annuity Pool                      | <u>\$ 31,700</u>  | <u>\$ 31,724</u>  | <u>\$ 18,716</u>  | <u>\$ 18,526</u>  |
| <b>Annuity Trusts And Unitrusts</b>          |                   |                   |                   |                   |
| Fixed Income                                 | \$ 4,053          | \$ 3,817          | \$ 5,179          | \$ 4,972          |
| Cash/Cash Equivalents                        | 256               | 255               | 332               | 332               |
| Equities                                     | 7,172             | 7,242             | 6,370             | 6,455             |
| Real Estate                                  | 48                | 46                | 71                | 69                |
| Accounts Receivable                          | 8                 | 8                 | 8                 | 8                 |
| Total Annuity Trusts and Unitrusts           | <u>\$ 11,537</u>  | <u>\$ 11,368</u>  | <u>\$ 11,960</u>  | <u>\$ 11,836</u>  |
| <b>TOTAL ANNUITY AND LIFE INCOME FUNDS</b>   | <u>\$ 45,329</u>  | <u>\$ 45,167</u>  | <u>\$ 32,894</u>  | <u>\$ 32,635</u>  |
| <b>RESTRICTED FOR PLANT FACILITIES</b>       |                   |                   |                   |                   |
| Fixed Income                                 | \$ 6,714          | \$ 7,034          | \$ 8,167          | \$ 8,338          |
| Cash/Cash Equivalents                        | 47,449            | 47,449            | 53,641            | 53,641            |
| Mortgages                                    | 506               | 506               | 562               | 562               |
| Real Estate                                  | 2,819             | 2,819             | 2,269             | 2,269             |
| Accounts Receivable                          | 504               | 504               | 802               | 802               |
| <b>TOTAL RESTRICTED FOR PLANT FACILITIES</b> | <u>\$ 57,992</u>  | <u>\$ 58,312</u>  | <u>\$ 65,441</u>  | <u>\$ 65,612</u>  |
| <b>FUNDS HELD IN TRUST BY OTHERS</b>         | <u>\$ 15,355</u>  | <u>\$ 21,459</u>  | <u>\$ 11,955</u>  | <u>\$ 20,592</u>  |
| <b>TOTAL ASSETS FOR LONG-TERM INVESTMENT</b> | <u>\$ 621,507</u> | <u>\$ 760,069</u> | <u>\$ 533,228</u> | <u>\$ 620,965</u> |

### 3. BONDS PAYABLE

Bonds payable at June 30, 2000 and 1999 consisted of the following:

|   | <u>2000</u>             | <u>1999</u>             |
|---|-------------------------|-------------------------|
| <b>Ohio Higher Educational Facility Commission</b>  |                         |                         |
| Revenue Bonds dated February 1, 1999, maturing annually on October 1, 2006 through 2029 in amounts ranging from \$2,355 to \$10,000, with interest ranging from 4.00% to 5.25%, net of bond premium of \$917. | \$ 79,792               | \$ 79,855               |
| Revenue Bonds dated June 1, 1993, maturing annually on October 1 through 2015 in amounts ranging from \$710 to \$2,220, with interest ranging from 4.7% to 5.375%, net of bond discount of \$538 in 2000.     | 16,746                  | 17,603                  |
| Seeley G. Mudd Center Bonds dated October 1, 1971, maturing annually on October 1 through 2001, in amounts ranging from \$420 to \$450, with interest rate of 4%.   | <u>870</u>              | <u>1,265</u>            |
| <b>Total Bonds Payable, Net</b>   | <u><u>\$ 97,408</u></u> | <u><u>\$ 98,723</u></u> |

In February 1999, the Ohio Higher Educational Facility Commission (the Commission) issued Higher Educational Facility Revenue Bonds on behalf of the College in the original principal amount of \$78,875 plus a bond premium of \$980. A portion of these bonds was used for an advanced legal defeasance of the remaining Variable Rate Demand Revenue Bonds dated December 1985 and a portion of the outstanding Revenue Bonds dated June 1993. The remaining funds will be used to construct a new science center and other academic facilities. As a result of the extinguishment of the 1985 bonds and a portion of the 1993 bonds, certain capitalized costs were written-off including issuance costs and the retirement of bond discount. Also, certain expenses were incurred related to the termination of the interest rate swap agreement on the December 1985 bonds. These charges totaled \$2,171 during the year ended June 30, 1999 and are reflected as the extraordinary bond defeasance charge on the Statements of Activities.

The June 1993 Revenue Bonds had an original principal amount of \$38,045 which were used to refinance Collateralized Revenue Bonds from August 1985, refinance Revenue Bonds from May 1989, to establish a Bond Reserve Fund and to renovate certain academic buildings. Under the terms of the base lease, the Commission leases the facilities financed with the bond proceeds from 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.

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 \$7,425 at June 30, 2000.

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

|            |        |
|------------|--------|
| 2000-01    | 1,280  |
| 2001-02    | 1,355  |
| 2002-03    | 1,390  |
| 2003-04    | 1,475  |
| 2004-05    | 710    |
| Thereafter | 90,820 |

Additionally, the College has \$134 of various notes payable at June 30, 2000, related to properties purchased through the Gift Real Estate Program. These notes bear interest at approximately 9.25% to 10% per annum and maturing at various times through October 2001.

The estimated fair market value of all outstanding long-term obligations at June 30, 2000 is \$89,266.

#### 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:

|   | <u>2000</u>      | <u>1999</u>      |
|---|------------------|------------------|
| In one year or less                                   | \$ 6,245         | \$ 5,991         |
| Between one year and five years                       | 9,893            | 7,933            |
| Greater than five years                               | 922              | 4,630            |
| Less discount and allowance for uncollectable pledges | <u>(1,916)</u>   | <u>(2,695)</u>   |
|   | <u>\$ 15,144</u> | <u>\$ 15,859</u> |

## 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, 2000 and 1999:

| Accumulated Postretirement Benefit Obligation     | 2000      | 1999      |
|---|-----------|-----------|
| Retirees  | \$ 6,117  | \$ 5,691  |
| Other fully eligible participants                 | 3,550     | 2,734     |
| Other active participants                         | 281       | 732       |
|   | 9,948     | 9,157     |
| Unrecognized excess prior service cost            | 4,688     | 5,143     |
| Unrecognized actuarial (loss) or gain             | (239)     | 270       |
| Accrued postretirement health care cost liability | \$ 14,397 | \$ 14,570 |

Net postretirement health care cost for 2000 included the following components:

|   |        |
|---|--------|
| Service cost - benefits attributed to service during the period | \$ 440 |
| Interest cost on accumulated postretirement benefit obligation  | 620    |
| Net amortization and deferral                                   | (455)  |
| Net postretirement health care cost                             | \$ 605 |

For measurement purposes, an 8.5 percent annual rate of increase in the per capita cost of covered health care claims was assumed for 2000; 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 rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 2000 by \$469. The aggregate of the service and interest cost components of net postretirement health care cost for the year then ended would increase by \$36. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.75 percent.

## 6. CONTINGENCIES

The College is involved in litigation and is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the College's operations or financial position.