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## Financial Report

2001-02

*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 2001-02 that reflect Oberlin as a strong, financially sound educational institution despite a weakened global economy. The net assets decreased by \$36.1 million to \$667.0 million for the year ending June 30, 2002. The slowing of the economy has not dampened the continued success of another extraordinary admissions season or our fundraising achievements. The completion of construction and subsequent opening of our impressive new Science Center building was a positive ending to our year.

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

- The College's general endowment decreased in market value by \$55.8 million to \$519.6 million. Gifts and other additions totaled \$7.1 million. The reductions in value during the year consisted of a negative 2.9% total return of \$16.8 million, support for operations was \$39.8 million and investment in capital projects accounted for \$6.3 million of the decrease.
- College fundraising had another successful year with contributions totaling just over \$25 million, as compared to nearly \$24 million last year. This year's total includes an anonymous unrestricted charitable gift annuity of \$6.4 million.
- "The New Oberlin Century" Capital Campaign success continues, having generated \$136 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 2002	4,924	36%	37%
	Fall 2001	4,570	39%	35%
	Fall 2000	4,193	48%	33%
<b>Conservatory</b>	Fall 2002	1,010	29%	44%
	Fall 2001	976	27%	49%
	Fall 2000	991	29%	45%

The College was able to balance its operating revenues and expenditures with additional support from the endowment. Despite factors that place conflicting strains on the finances, Oberlin must balance the need to maintain its strong financial condition through endowment growth with the pressures to maintain competitive levels of faculty and staff compensation, provide adequate financial aid to a diverse student body, and support an expanding physical plant. Oberlin College will continue to exercise fiscal responsibility as it weathers the effects of the current economic downturn.



Board of Trustees  
Oberlin College  
Oberlin, Ohio

Independent Auditors' Report

We have audited the accompanying statement of financial position of Oberlin College as of June 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Oberlin College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Oberlin College as of June 30, 2001 and for the year then ended, were audited by other auditors whose report dated November 12, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oberlin College as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Hausser + Taylor LLP*

Cleveland, Ohio  
November 8, 2002

**Oberlin College**  
**Statements of Financial Position**  
**As of June 30, 2002 and 2001**  
**(dollars in thousands)**

<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 15,567	\$ 3,265
Short-term investments	169	311
Accounts receivable, net	2,773	4,319
Inventories	277	253
Deposits and prepaid expenses	<u>1,583</u>	<u>1,587</u>
<b>Total current assets</b>	<b>\$ 20,369</b>	<b>\$ 9,735</b>
<b>Pledges Receivable and Bequests in Probate</b>	<b>\$ 24,924</b>	<b>\$ 12,672</b>
<b>Long-Term Receivables</b>		
Student loans	\$ 10,561	\$ 10,863
Allowance for doubtful loans	<u>(1,273)</u>	<u>(1,273)</u>
<b>Total long-term receivables</b>	<b>\$ 9,288</b>	<b>\$ 9,590</b>
<b>Long-Term Investments</b>		
Assets restricted to investment in land, buildings and equipment	\$ 7,808	\$ 30,291
Endowment funds	521,714	605,985
Annuity and life income funds	49,897	45,606
Funds held in trust by others	<u>14,712</u>	<u>19,568</u>
<b>Total long-term investments</b>	<b>\$ 594,131</b>	<b>\$ 701,450</b>
<b>Property, Plant and Equipment</b>		
Land, buildings and equipment	\$ 304,673	\$ 236,348
Construction in progress	1,997	39,985
Less: accumulated depreciation	<u>(129,876)</u>	<u>(120,774)</u>
<b>Total property, plant and equipment</b>	<b>\$ 176,794</b>	<b>\$ 155,559</b>
<b>TOTAL ASSETS</b>	<b>\$ 825,506</b>	<b>\$ 889,006</b>

**Oberlin College**  
**Statements of Financial Position**  
**As of June 30, 2002 and 2001**  
**(dollars in thousands)**

	<u>2002</u>	<u>2001</u>
<b><u>LIABILITIES and NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 5,727	\$ 36,389
Current portion of bonds payable	1,390	1,355
Deposits and agency funds	3,399	2,548
Accrued payroll and other liabilities	1,889	1,869
<b>Total current liabilities</b>	<u>\$ 12,405</u>	<u>\$ 42,161</u>
<b>Other Liabilities</b>		
Accruals for staff benefit programs	17,747	17,368
Annuity obligations	28,810	25,556
Federal student loan funds	6,143	5,972
Notes payable		30
Bonds payable, net	93,398	94,782
<b>Total liabilities</b>	<u>\$ 158,503</u>	<u>\$ 185,869</u>
<b>Net Assets</b>		
<b>Unrestricted -</b>		
Current operations	\$ (7,801)	\$ (11,028)
Designated for specific purposes	12,927	12,061
Unexpended plant and facility funds	2,060	(4,070)
Invested in plant facilities	53,000	52,323
Quasi-endowment funds	219,675	251,997
<b>Total unrestricted</b>	<u>\$ 279,861</u>	<u>\$ 301,283</u>
<b>Temporarily Restricted -</b>		
Donor designated for specific purposes	\$ 11,430	\$ 9,939
Annuity and life income funds	4,859	4,918
Unexpended plant and facility funds	5,143	12,977
Unamortized contributions for long-lived assets	32,172	20,654
Quasi-endowment funds	165,774	195,716
<b>Total temporarily restricted</b>	<u>\$ 219,378</u>	<u>\$ 244,204</u>
<b>Permanently Restricted -</b>		
Student loan funds	\$ 2,024	\$ 1,692
Annuity and life income funds	2,994	2,670
Funds held in trust by others	14,712	19,567
Endowment funds	148,034	133,721
<b>Total permanently restricted</b>	<u>\$ 167,764</u>	<u>\$ 157,650</u>
<b>Total net assets</b>	<u>\$ 667,003</u>	<u>\$ 703,137</u>
<b>TOTAL LIABILITIES and NET ASSETS</b>	<u><u>\$ 825,506</u></u>	<u><u>\$ 889,006</u></u>

# Oberlin College

## Statement of Activities

For the year ended June 30, 2002

(dollars in thousands)

	2002			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Operating Revenues</b>				
Tuition and fees	\$ 73,605	\$ 433		\$ 74,038
Auxiliary enterprises	17,230			17,230
Government grants and contributions		2,885		2,885
Private gifts and grants	4,062	2,507		6,569
Investment earnings and gain	18,899	21,511	\$ 408	40,818
Other sources	2,333	58		2,391
Net assets released from restrictions	26,570	(26,570)		
<b>Total operating revenues</b>	<b>\$ 142,699</b>	<b>\$ 824</b>	<b>\$ 408</b>	<b>\$ 143,931</b>
<b>Operating Expenses</b>				
Instruction	\$ 41,422			\$ 41,422
Research	439			439
Student aid	32,601			32,601
Academic support	8,994			8,994
Student services	9,197			9,197
Institutional support	15,335			15,335
Facilities:				
Operations	7,195			7,195
Depreciation	8,091			8,091
Interest expense	1,287			1,287
Auxiliary enterprises:				
Operations	14,753			14,753
Depreciation	2,246			2,246
Interest expense	1,139			1,139
<b>Total operating expenses</b>	<b>\$ 142,699</b>			<b>\$ 142,699</b>
<b>Change in net assets from operating activities</b>	<b>\$</b>	<b>\$ 824</b>	<b>\$ 408</b>	<b>\$ 1,232</b>
<b>Non-operating Activities</b>				
Investment earnings and gain	\$ (17,440)	\$ (23,448)	\$ 756	\$ (40,132)
Unrealized gain (loss)	(8,434)	(6,121)	(2,847)	(17,402)
Capital and deferred gifts	6,701	2,420	6,962	16,083
Pledges and bequests	3,228	2,112	6,912	12,252
Change in annuity obligations	(3,437)	325	(142)	(3,254)
Payments to beneficiaries	(2,173)	(585)	(445)	(3,203)
Redesignated funds and other	(588)	368	(1,490)	(1,710)
Net assets released from restrictions	721	(721)		
<b>Change in net assets from non-operating activities</b>	<b>\$ (21,422)</b>	<b>\$ (25,650)</b>	<b>\$ 9,706</b>	<b>\$ (37,366)</b>
Net change in net assets	(21,422)	(24,826)	10,114	(36,134)
Net assets at beginning of year	\$ 301,283	\$ 244,204	\$ 157,650	\$ 703,137
<b>Net assets at end of year</b>	<b>\$ 279,861</b>	<b>\$ 219,378</b>	<b>\$ 167,764</b>	<b>\$ 667,003</b>



# Oberlin College

## Statement of Activities

For the year ended June 30, 2001

(dollars in thousands)

	2001			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Operating Revenues</b>				
Tuition and fees	\$ 71,926	\$ 445		\$ 72,371
Auxiliary enterprises	17,133			17,133
Government grants and contributions		2,539		2,539
Private gifts and grants	5,929	3,427		9,356
Investment earnings and gain	15,532	16,365	\$ 337	32,234
Other sources	1,983	30		2,013
Net assets released from restrictions	21,663	(21,663)		
<b>Total operating revenues</b>	<b>\$ 134,166</b>	<b>\$ 1,143</b>	<b>\$ 337</b>	<b>\$ 135,646</b>
<b>Operating Expenses</b>				
Instruction	\$ 38,529			\$ 38,529
Research	325			325
Student aid	31,093			31,093
Academic support	8,601			8,601
Student services	8,621			8,621
Institutional support	14,820			14,820
Facilities:				
Operations	6,853			6,853
Depreciation	6,853			6,853
Interest expense	1,360			1,360
Auxiliary enterprises:				
Operations	13,702			13,702
Depreciation	2,177			2,177
Interest expense	1,230			1,230
<b>Total operating expenses</b>	<b>\$ 134,164</b>			<b>\$ 134,164</b>
<b>Change in net assets from operating activities</b>	<b>\$ 2</b>	<b>\$ 1,143</b>	<b>\$ 337</b>	<b>\$ 1,482</b>
<b>Non-operating Activities</b>				
Investment earnings and gain	\$ 29,920	\$ 14,720	\$ 1,620	\$ 46,260
Unrealized gain (loss)	(45,347)	(34,913)	(2,858)	(83,118)
Capital and deferred gifts	502	1,948	9,497	11,947
Pledges and bequests	216	861	(3,549)	(2,472)
Change in annuity obligations	(185)	(202)	210	(177)
Payments to beneficiaries	(1,948)	(623)	(442)	(3,013)
Redesignated funds and other	(3,899)	675	(8)	(3,232)
Net assets released from restrictions	839	(839)		
<b>Change in net assets from non-operating activities</b>	<b>\$ (19,902)</b>	<b>\$ (18,373)</b>	<b>\$ 4,470</b>	<b>\$ (33,805)</b>
Net change in net assets	(19,900)	(17,230)	4,807	(32,323)
Net assets at beginning of year	\$ 321,183	\$ 261,434	\$ 152,843	\$ 735,460
<b>Net assets at end of year</b>	<b>\$ 301,283</b>	<b>\$ 244,204</b>	<b>\$ 157,650</b>	<b>\$ 703,137</b>

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

**Oberlin College**  
**Statements of Cash Flows**  
**For the years ended June 30, 2002 and 2001**  
**(dollars in thousands)**

	<u>2002</u>	<u>2001</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (36,134)	\$ (32,323)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,343	9,038
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	1,546	(275)
Short-term investments	142	23
Inventories and prepaid expenses	(20)	639
Pledges receivable and bequests in probate	(12,252)	2,472
Accounts payable and accrued expenses	(1,031)	1,131
Deposits and deferred revenues	851	(869)
Accruals for staff benefits	379	380
Net adjustment of annuity obligations	3,254	177
Contributions restricted for long-term investments	(15,903)	(11,719)
Earnings restricted for long-term investment	1,683	902
Net realized and unrealized losses on long-term investments	57,534	36,859
Net cash provided by operating activities	<u>\$ 10,392</u>	<u>\$ 6,435</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of plant and equipment, net	\$ (31,572)	\$ (42,771)
Proceeds from student loans collected	1,061	864
Student loans issued	(791)	(804)
Purchases of investments	(718,086)	(779,717)
Proceeds from sales and maturities of investments	738,577	807,033
Other investing activities	(114)	348
Net cash used for investing activities	<u>\$ (10,925)</u>	<u>\$ (15,047)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from contributions for:		
Investment in endowment	\$ 6,130	\$ 9,234
Investment in long-lived assets	2,398	1,363
Investment in life income agreements	7,375	1,122
Earnings restricted for long-term investment	(1,683)	(902)
Payments on long-term debt	(1,355)	(1,280)
Payments on notes payable	(30)	(104)
Net cash provided by financing activities	<u>\$ 12,835</u>	<u>\$ 9,433</u>
Net increase in cash and cash equivalents	\$ 12,302	\$ 821
Cash and cash equivalents, beginning of year	<u>3,265</u>	<u>2,444</u>
Cash and cash equivalents, end of year	<u><u>\$ 15,567</u></u>	<u><u>\$ 3,265</u></u>

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

**Oberlin College**  
**Notes to Financial Statements**  
**June 30, 2002 and 2001**  
**(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. Temporarily restricted net assets consist primarily of gifts and income amounts used to support general instruction, scholarships, professorships, research, library operations and capital acquisition.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes. Permanently restricted net assets consist primarily of amounts whose income supports general instruction, scholarships, professorships and library funds.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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.

### **Financial Instruments**

The carrying amount of student accounts receivable, accounts payable and accrued liabilities approximates fair value because of the short maturity of these instruments. A reasonable estimate of fair value of loan notes receivable under donor restricted and federally sponsored loan programs could not be made because the notes are not salable, and are subject to significant restrictions as to their transfer and disposition.

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

Contributions of exhaustible long-lived assets, cash or other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets, are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released over the estimated useful lives of the long-lived assets using the institution's depreciation policies.

### **Collections and Works of Art**

The College has elected not to capitalize contributed collections under the provisions of SFAS No. 116. However, the College has capitalized collections that were purchased prior to SFAS 116 adoption and are included in the statements of financial position as a part of land, buildings and equipment. Recognizing works of art as an asset of the institution would result in a material increase in property, plant and equipment and a corresponding increase in net assets in the statements of financial position.

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

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

### **Inventories**

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

### **Funds Held in Trust**

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

### **Unrestricted Bequests**

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

## Reclassifications

Certain June 30, 2001 data have been reclassified to conform with the June 30, 2002 presentation.

## Depreciation

Depreciation on the property, plant and equipment owned by the College has been computed using the midyear convention under the following depreciation guidelines:

Buildings and additions	40 years
Building improvements and renovations	20 years
Library books and materials	15 years
Furniture and equipment	10 years

Using these guidelines, depreciation expense for fiscal years 2002 and 2001 was:

	<u>2002</u>	<u>2001</u>
Educational and general properties	\$ 6,764	\$ 5,601
Library books and materials	1,327	1,252
Auxiliary properties	<u>2,246</u>	<u>2,177</u>
	<u>\$ 10,337</u>	<u>\$ 9,030</u>

## Cash Flow Information

For financial statement purposes, the College considers all investments (not held for long-term investment) with original maturities of three months or less as cash equivalents. Cash payments for interest amounted to \$4,742 in 2002 and \$4,810 in 2001. Included in these totals is \$2,389 of capitalized interest for each fiscal year.

## Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Split Interest Agreements

The College is party to various split interest agreements, including perpetual trusts held by third parties, irrevocable charitable remainder trusts, charitable gift annuities, and pooled life income funds. Assets are invested by the College or by third-party trustees. Payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenues for split-interest agreements are recognized at the dates the agreements are established. Revenues are recorded at fair value, net of the present value of the estimated future payments to be made to donors and/or other beneficiaries.

## Tax Status

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

## 2. ASSETS FOR LONG-TERM INVESTMENT

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

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

	June 30, 2002		June 30, 2001	
	Cost Basis	Market Value	Cost Basis	Market Value
<b>ENDOWMENT AND SIMILAR FUNDS</b>				
<b>General Investment Pool</b>				
Fixed Income	\$ 65,818	\$ 65,695	\$ 109,862	\$ 109,839
Cash/Cash Equivalents	1,060	1,060	14,754	14,754
Equities	182,929	173,486	281,921	281,599
Venture Capital	218,376	263,776	131,894	181,612
Real Estate	2,545	2,869	1,009	590
Oil & Gas Investments	9,608	11,939	9,196	11,821
Accounts Receivable	1,374	1,374	5,260	5,260
Total General Investment Pool	<u>\$ 481,710</u>	<u>\$ 520,199</u>	<u>\$ 553,896</u>	<u>\$ 605,475</u>
<b>Non-Pooled Investments</b>				
Fixed Income	\$ 235	\$ 243	\$ 234	\$ 237
Cash/Cash Equivalents	15	15	15	15
Equities	66	257	66	258
Notes/Mortgages	1,000	1,000		
Total Non-Pooled Invested Funds	<u>\$ 1,316</u>	<u>\$ 1,515</u>	<u>\$ 315</u>	<u>\$ 510</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<u>\$ 483,026</u>	<u>\$ 521,714</u>	<u>\$ 554,211</u>	<u>\$ 605,985</u>
<b>ANNUITY AND LIFE INCOME FUNDS</b>				
<b>Pooled Income Fund Trusts</b>				
Fixed Income	\$ 1,051	\$ 1,052	\$ 1,105	\$ 1,085
Cash/Cash Equivalents	95	95	85	85
Accounts Receivable	1	1	1	1
Equities	814	850	830	853
Total Pooled Income Fund Trusts	<u>\$ 1,961</u>	<u>\$ 1,998</u>	<u>\$ 2,021</u>	<u>\$ 2,024</u>
<b>Gift Annuity Pool</b>				
Fixed Income	\$ 9,700	\$ 9,752	\$ 8,322	\$ 8,161
Cash/Cash Equivalents	1,448	1,448	1,412	1,412
Equities	27,465	26,016	22,778	22,803
Accounts Receivable	9	9	9	9
Total Gift Annuity Pool	<u>\$ 38,622</u>	<u>\$ 37,225</u>	<u>\$ 32,521</u>	<u>\$ 32,385</u>
<b>Annuity Trusts And Unitrusts</b>				
Fixed Income	\$ 3,487	\$ 3,450	\$ 3,406	\$ 3,289
Cash/Cash Equivalents	298	298	515	515
Equities	7,343	6,913	7,004	6,986
Real Estate	8	8	377	377
Accounts Receivable	5	5	30	30
Total Annuity Trusts and Unitrusts	<u>\$ 11,141</u>	<u>\$ 10,674</u>	<u>\$ 11,332</u>	<u>\$ 11,197</u>
<b>TOTAL ANNUITY AND LIFE INCOME FUNDS</b>	<u>\$ 51,724</u>	<u>\$ 49,897</u>	<u>\$ 45,874</u>	<u>\$ 45,606</u>
<b>RESTRICTED FOR PLANT FACILITIES</b>				
Fixed Income	\$ 2,866	\$ 3,523	\$ 4,260	\$ 4,931
Cash/Cash Equivalents	1,374	1,374	21,842	21,842
Mortgages	29	29	464	464
Real Estate	2,882	2,882	2,833	2,833
Accounts Receivable			221	221
<b>TOTAL RESTRICTED FOR PLANT FACILITIES</b>	<u>\$ 7,151</u>	<u>\$ 7,808</u>	<u>\$ 29,620</u>	<u>\$ 30,291</u>
<b>FUNDS HELD IN TRUST BY OTHERS</b>	<u>\$ 14,186</u>	<u>\$ 14,712</u>	<u>\$ 16,346</u>	<u>\$ 19,568</u>
<b>TOTAL ASSETS FOR LONG-TERM INVESTMENT</b>	<u>\$ 556,087</u>	<u>\$ 594,131</u>	<u>\$ 646,051</u>	<u>\$ 701,450</u>

### 3. BONDS PAYABLE

Bonds payable at June 30, 2002 and 2001 consisted of the following:

	<u>2002</u>	<u>2001</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 4.0% to 5.25%, net of bond premium of \$832 and \$874 at June 30, 2002 and 2001, respectively.	\$ 79,707	\$ 79,749
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 5.0% to 5.375%, net of bond discount of \$439 and \$487 at June 30, 2002 and 2001, respectively.	15,081	15,938
Seeley G. Mudd Center Bonds dated October 1, 1971, with an interest rate of 4%, matured on October 1, 2001.	<u>0</u>	<u>450</u>
<b>Total Bonds Payable, Net</b>	<u>\$ 94,788</u>	<u>\$ 96,137</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 were 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.

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 were secured by the pledge of certain securities in the *General Investment Pool* having a market value of \$1,658 at June 30, 2001. As these bonds have matured, there are no securities pledged at June 30, 2002.

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

2002-03	\$ 1,390
2003-04	1,475
2004-05	710
2005-06	750
2006-07	3,150
Thereafter	86,920

Additionally, the College had \$30 of various notes payable at June 30, 2001, related to properties purchased through the Gift Real Estate Program. These notes matured during the current year.

The estimated fair market value of all outstanding long-term obligations at June 30, 2002 is \$95,028.

### 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>2002</u>	<u>2001</u>
In one year or less	\$ 15,618	\$ 3,028
Between one year and five years	9,341	10,899
Greater than five years	3,835	212
Less discount and allowance for uncollectable pledges	<u>(3,870)</u>	<u>(1,467)</u>
	<u>\$ 24,924</u>	<u>\$ 12,672</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 hired after June 30, 1996 become eligible to participate in the plan if they retire from the College after reaching age 52, with 10 years of service. The plan is contributory, with retiree contributions adjusted annually. The accounting for the plan anticipates future cost-sharing changes to the written plan that are consistent with the College's announced policy that annual minimum retiree contributions will be set at an amount equal to 33.3% of the College's estimated cost before considering the contribution.

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, 2002 and 2001:

Accumulated Postretirement Benefit Obligation	<u>2002</u>	<u>2001</u>
Retirees	\$ 8,383	\$ 8,687
Other fully eligible participants	3,344	3,125
Other active participants	<u>762</u>	<u>320</u>
	12,489	12,132
Unrecognized excess prior service cost	3,778	4,233
Unrecognized actuarial loss	<u>(2,165)</u>	<u>(2,198)</u>
Accrued postretirement health care cost liability	<u>\$ 14,102</u>	<u>\$ 14,167</u>

Net postretirement health care cost for the years ended June 30, 2002 and 2001 included the following components:

Accumulated Postretirement Benefit Obligation	<u>2002</u>	<u>2001</u>
Service cost - benefits attributed to service during the period	\$ 419	\$ 414
Interest cost on accumulated postretirement benefit obligation	818	744
Net amortization and deferral	(455)	(455)
Net (Gain) or Loss	<u>64</u>	<u>0</u>
Net postretirement health care cost	<u>\$ 846</u>	<u>\$ 703</u>

For measurement purposes, a 7.5 percent annual rate of increase in the per capita cost of covered health care claims was assumed for 2002; 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, 2002 by \$701. The aggregate of the service and interest cost components of net postretirement health care cost for the year then ended would increase by \$74. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7 percent.



## **6. RETIREMENT PLAN**

The College has a contributory defined contribution retirement plan with the Teachers Insurance and Annuity Association – College Retirement Equities Fund. The College makes contributions based on a percentage of an eligible employee's earnings. Contributions for the years ended June 30, 2002 and 2001 were \$4,724 and \$4,253, respectively.

## **7. 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.

