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Financial Report

2002-03

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

We are pleased to present the financial statements for the fiscal year 2002-03 that reflect Oberlin as an institution that is successfully weathering the impact of a weakened economy. The net assets decreased by just \$6.5 million to \$660.5 million for the year ending June 30, 2003. While the economy has begun to show some signs of recovery, the beneficial effects on the College have been limited to this point.

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

- The College's general endowment increased in market value by \$2.4 million to \$522.0 million. Gifts and other additions totaled \$17.4 million. The positive 3.8% total return of \$17.0 million supplemented current year gifts, while reductions in value during the year consisted of support for operations (\$32.0 million) and investment in capital projects (\$1.2 million).
- College fundraising had another successful year with contributions totaling roughly \$35 million, as compared to nearly \$25 million last year. This year's total includes a bequest from the Loretta Kearns estate of more than \$11 million.
- "The New Oberlin Century" Capital Campaign success continues; the Campaign has generated \$156 million in gifts and pledges by June 30, 2003, and should easily achieve the goal of \$165 million by June of 2004.

Enrollment statistics continued a very positive trend with increases in the applicant pool and a strong admit rate and yield:

		<u>Applications</u>	<u>% of Admitted</u>	<u>Yield</u>
College of A&S	Fall 2003	4,934	39%	35%
	Fall 2002	4,924	36%	37%
	Fall 2001	4,570	39%	35%
	Fall 2000	4,193	48%	33%
Conservatory	Fall 2003	1,028	33%	39%
	Fall 2002	1,010	29%	44%
	Fall 2001	976	27%	49%
	Fall 2000	991	29%	45%

The College has thus far successfully maintained its strong financial condition. The economic downturn has not had a significant effect upon levels of faculty and staff compensation, financial aid for our diverse student body, or upon the physical plant. Oberlin was able to balance its operating revenues and expenditures in the current fiscal year without additional support from the endowment. Oberlin will continue to exercise fiscal responsibility as it awaits the positive impacts of economic recovery.

Board of Trustees
Oberlin College
Oberlin, Ohio

Independent Auditors' Report

We have audited the accompanying statements of financial position of Oberlin College as of June 30, 2003 and 2002, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 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, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hausser + Taylor LLC

Cleveland, Ohio
November 12, 2003

Oberlin College
Statements of Financial Position
As of June 30, 2003 and 2002
(dollars in thousands)

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Current Assets		
Cash and cash equivalents	\$ 14,152	\$ 15,567
Short-term investments	2,118	169
Accounts receivable, net	2,691	2,773
Inventories	279	277
Deposits and prepaid expenses	<u>1,834</u>	<u>1,583</u>
Total current assets	\$ 21,074	\$ 20,369
Pledges Receivable and Bequests in Probate	\$ 12,717	\$ 24,924
Long-Term Receivables		
Student loans	\$ 10,082	\$ 10,561
Allowance for doubtful loans	<u>(1,273)</u>	<u>(1,273)</u>
Total long-term receivables	\$ 8,809	\$ 9,288
Long-Term Investments		
Assets restricted to investment in land, buildings and equipment	\$ 4,626	\$ 7,808
Endowment funds	525,482	521,714
Annuity and life income funds	50,662	49,897
Funds held in trust by others	<u>14,056</u>	<u>14,712</u>
Total long-term investments	\$ 594,826	\$ 594,131
Property, Plant and Equipment		
Land, buildings and equipment	\$ 323,239	\$ 304,673
Construction in progress	2,693	1,997
Less: accumulated depreciation	<u>(141,628)</u>	<u>(129,876)</u>
Total property, plant and equipment	\$ 184,304	\$ 176,794
TOTAL ASSETS	\$ 821,730	\$ 825,506

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

Oberlin College
Statements of Financial Position
As of June 30, 2003 and 2002
(dollars in thousands)

	<u>2003</u>	<u>2002</u>
<u>LIABILITIES and NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 6,751	\$ 5,727
Current portion of bonds payable	1,475	1,390
Deposits and agency funds	3,445	3,399
Other current liabilities	1,762	1,889
Total current liabilities	<u>\$ 13,433</u>	<u>\$ 12,405</u>
Other Liabilities		
Accruals for staff benefit programs	18,294	17,747
Annuity obligations	29,376	28,810
Federal student loan funds	6,192	6,143
Notes payable	2,000	
Bonds payable, net	91,926	93,398
Total liabilities	<u>\$ 161,221</u>	<u>\$ 158,503</u>
Net Assets		
Unrestricted -		
Current operations	\$ (9,371)	\$ (7,801)
Designated for specific purposes	12,962	12,927
Unexpended plant and facility funds	(2,626)	2,060
Invested in plant facilities	54,566	53,000
Quasi-endowment funds	212,327	219,675
Total unrestricted	<u>\$ 267,858</u>	<u>\$ 279,861</u>
Temporarily Restricted -		
Donor designated for specific purposes	\$ 15,882	\$ 11,430
Annuity and life income funds	5,216	4,859
Unexpended plant and facility funds	4,307	5,143
Unamortized contributions for long-lived assets	33,350	32,172
Quasi-endowment funds	161,985	165,774
Total temporarily restricted	<u>\$ 220,740</u>	<u>\$ 219,378</u>
Permanently Restricted -		
Student loan funds	\$ 2,363	\$ 2,024
Annuity and life income funds	2,806	2,994
Funds held in trust by others	14,056	14,712
Endowment funds	152,686	148,034
Total permanently restricted	<u>\$ 171,911</u>	<u>\$ 167,764</u>
Total net assets	<u>\$ 660,509</u>	<u>\$ 667,003</u>
TOTAL LIABILITIES and NET ASSETS	<u><u>\$ 821,730</u></u>	<u><u>\$ 825,506</u></u>

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

Oberlin College
Statement of Activities
For the year ended June 30, 2003
(dollars in thousands)

	2003			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Revenues				
Tuition and fees	\$ 77,572	\$ 495		\$ 78,067
Auxiliary enterprises	18,322			18,322
Government grants and contributions		3,179		3,179
Private gifts and grants	7,574	5,903		13,477
Investment earnings and gain	16,166	18,982	\$ 413	35,561
Other sources	2,771	67		2,838
Net assets released from restrictions	24,380	(24,380)		
Total operating revenues	\$ 146,785	\$ 4,246	\$ 413	\$ 151,444
Operating Expenses				
Instruction	\$ 41,863			\$ 41,863
Research	471			471
Student aid	33,797			33,797
Academic support	8,459			8,459
Student services	8,771			8,771
Institutional support	14,698			14,698
Facilities:				
Operations	7,272			7,272
Depreciation	9,448			9,448
Interest expense	3,647			3,647
Auxiliary enterprises:				
Operations	14,992			14,992
Depreciation	2,305			2,305
Interest expense	1,058			1,058
Total operating expenses	\$ 146,781			\$ 146,781
Change in net assets from operating activities	\$ 4	\$ 4,246	\$ 413	\$ 4,663
Non-operating Activities				
Investment earnings and gain	\$ (15,344)	\$ (19,400)	\$ (54)	\$ (34,798)
Unrealized gain (loss)	10,033	13,038	(173)	22,898
Capital and deferred gifts	1,746	3,197	13,746	18,689
Pledges and bequests	(1,593)	(1,479)	(9,135)	(12,207)
Change in annuity obligations	(264)	(220)	(82)	(566)
Payments to beneficiaries	(2,598)	(564)	(461)	(3,623)
Redesignated funds and other	(3,987)	2,544	(107)	(1,550)
Change in net assets from non-operating activities	\$ (12,007)	\$ (2,884)	\$ 3,734	\$ (11,157)
Net change in net assets	(12,003)	1,362	4,147	(6,494)
Net assets at beginning of year	\$ 279,861	\$ 219,378	\$ 167,764	\$ 667,003
Net assets at end of year	\$ 267,858	\$ 220,740	\$ 171,911	\$ 660,509

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

Oberlin College
Statement of Activities
For the year ended June 30, 2002
(dollars in thousands)

	2002			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Revenues				
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)		
Total operating revenues	\$ 142,699	\$ 824	\$ 408	\$ 143,931
Operating Expenses				
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
Total operating expenses	\$ 142,699			\$ 142,699
Change in net assets from operating activities	\$	\$ 824	\$ 408	\$ 1,232
Non-operating Activities				
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)		
Change in net assets from non-operating activities	\$ (21,422)	\$ (25,650)	\$ 9,706	\$ (37,366)
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
Net assets at end of year	\$ 279,861	\$ 219,378	\$ 167,764	\$ 667,003

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

Oberlin College

Statements of Cash Flows

For the years ended June 30, 2003 and 2002

(dollars in thousands)

	<u>2003</u>	<u>2002</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (6,494)	\$ (36,134)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,756	10,343
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	82	1,546
Short-term investments	(1,949)	142
Inventories and prepaid expenses	(253)	(20)
Pledges receivable and bequests in probate	12,207	(12,252)
Accounts payable and accrued expenses	946	(1,031)
Deposits and deferred revenues	46	851
Accruals for staff benefits	547	379
Net adjustment of annuity obligations	566	3,254
Contributions restricted for long-term investments	(18,437)	(15,903)
Earnings restricted for long-term investment	(186)	1,683
Net realized and unrealized losses on long-term investments	11,900	57,534
Net cash provided by operating activities	<u>\$ 10,731</u>	<u>\$ 10,392</u>
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	\$ (19,263)	\$ (31,572)
Proceeds from student loans collected	1,309	1,061
Student loans issued, net	(830)	(759)
Purchases of investments	(252,609)	(718,086)
Proceeds from sales and maturities of investments	240,014	738,431
Net cash used for investing activities	<u>\$ (31,379)</u>	<u>\$ (10,925)</u>
Cash Flows From Financing Activities		
Proceeds from contributions for:		
Investment in endowment	\$ 12,984	\$ 6,130
Investment in long-lived assets	2,442	2,398
Investment in life income agreements	3,011	7,375
Earnings restricted for long-term investment	186	(1,683)
Payments on long-term debt	(1,390)	(1,355)
Proceeds (payments) on notes payable	2,000	(30)
Net cash provided by financing activities	<u>\$ 19,233</u>	<u>\$ 12,835</u>
Net increase in cash and cash equivalents	\$ (1,415)	\$ 12,302
Cash and cash equivalents, beginning of year	15,567	3,265
Cash and cash equivalents, end of year	<u>\$ 14,152</u>	<u>\$ 15,567</u>

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

Oberlin College
Notes to Financial Statements
June 30, 2003 and 2002
(dollars in thousands)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Basis of Presentation and Accounting

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. Investment return is distributed for operations on a unit share basis as authorized by the Board of Trustees, and is reflected in investment earnings and gain and net assets released from restriction in the statement of activities.

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 using a rate commensurate with the risks involved (7 percent at June 30, 2003 and 2002). 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. Fundraising expenses of approximately \$3,381 and \$3,473 are reflected within institutional support in the statement of activities for the years ended June 30, 2003 and 2002, respectively.

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, 2002 data have been reclassified to conform with the June 30, 2003 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 years ended June 30, 2003 and 2002 was:

	<u>2003</u>	<u>2002</u>
Educational and general properties	\$ 8,072	\$ 6,764
Library books and materials	1,405	1,327
Auxiliary properties	<u>2,276</u>	<u>2,246</u>
	<u>\$ 11,753</u>	<u>\$ 10,337</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 \$4,723 in 2003 and \$4,742 in 2002. Included in the 2002 total is \$2,389 of capitalized interest.

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. The present value of payments to beneficiaries under split-interest agreements has been calculated using a discount rate of 7 percent at June 30, 2003 and 2002.

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, 2003		June 30, 2002	
	Cost Basis	Market Value	Cost Basis	Market Value
ENDOWMENT AND SIMILAR FUNDS				
General Investment Pool				
Fixed Income	\$ 37,802	\$ 38,643	\$ 65,818	\$ 65,695
Cash/Cash Equivalents	10,570	10,570	1,060	1,060
Equities	196,225	200,315	182,929	173,486
Venture Capital	37,280	22,104	59,969	50,477
Hedge Funds	101,759	163,883	140,980	198,773
Alternative Investments	65,849	70,743	17,427	14,526
Real Estate/Oil & Gas	12,185	16,355	12,153	14,808
Accounts Receivable	1,149	1,149	1,374	1,374
Total General Investment Pool	<u>\$ 462,819</u>	<u>\$ 523,762</u>	<u>\$ 481,710</u>	<u>\$ 520,199</u>
Non-Pooled Investments				
Fixed Income	\$ 284	\$ 296	\$ 235	\$ 243
Cash/Cash Equivalents	-	-	15	15
Equities	89	274	66	257
Notes/Mortgages	1,150	1,150	1,000	1,000
Total Non-Pooled Invested Funds	<u>\$ 1,523</u>	<u>\$ 1,720</u>	<u>\$ 1,316</u>	<u>\$ 1,515</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 464,342</u>	<u>\$ 525,482</u>	<u>\$ 483,026</u>	<u>\$ 521,714</u>
ANNUITY AND LIFE INCOME FUNDS				
Pooled Income Fund Trusts				
Fixed Income	\$ 1,035	\$ 1,069	\$ 1,051	\$ 1,052
Cash/Cash Equivalents	70	70	95	95
Accounts Receivable	1	1	1	1
Equities	881	906	814	850
Total Pooled Income Fund Trusts	<u>\$ 1,987</u>	<u>\$ 2,046</u>	<u>\$ 1,961</u>	<u>\$ 1,998</u>
Gift Annuity Pool				
Fixed Income	\$ 9,021	\$ 9,488	\$ 9,700	\$ 9,752
Cash/Cash Equivalents	1,397	1,397	1,448	1,448
Equities	28,201	26,465	27,465	26,016
Accounts Receivable	7	7	9	9
Total Gift Annuity Pool	<u>\$ 38,626</u>	<u>\$ 37,357</u>	<u>\$ 38,622</u>	<u>\$ 37,225</u>
Annuity Trusts And Unitrusts				
Fixed Income	\$ 3,154	\$ 3,255	\$ 3,487	\$ 3,450
Cash/Cash Equivalents	181	181	298	298
Equities	7,850	7,376	7,343	6,913
Real Estate	8	8	8	8
Accounts Receivable/Other	439	439	5	5
Total Annuity Trusts and Unitrusts	<u>\$ 11,632</u>	<u>\$ 11,259</u>	<u>\$ 11,141</u>	<u>\$ 10,674</u>
TOTAL ANNUITY AND LIFE INCOME FUNDS	<u>\$ 52,245</u>	<u>\$ 50,662</u>	<u>\$ 51,724</u>	<u>\$ 49,897</u>
RESTRICTED FOR PLANT FACILITIES				
Fixed Income	\$ 1,187	\$ 2,242	\$ 2,866	\$ 3,523
Cash/Cash Equivalents	-	-	1,374	1,374
Mortgages	-	-	29	29
Real Estate	2,384	2,384	2,882	2,882
Accounts Receivable, Net	-	-	-	-
TOTAL RESTRICTED FOR PLANT FACILITIES	<u>\$ 3,571</u>	<u>\$ 4,626</u>	<u>\$ 7,151</u>	<u>\$ 7,808</u>
FUNDS HELD IN TRUST BY OTHERS	<u>\$ 13,747</u>	<u>\$ 14,056</u>	<u>\$ 14,186</u>	<u>\$ 14,712</u>
TOTAL ASSETS FOR LONG-TERM INVESTMENT	<u>\$ 533,905</u>	<u>\$ 594,826</u>	<u>\$ 556,087</u>	<u>\$ 594,131</u>

3. BONDS PAYABLE

Bonds payable at June 30, 2003 and 2002 consisted of the following:

	<u>2003</u>	<u>2002</u>
Ohio Higher Educational Facility Commission		
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 \$789 and \$832 at June 30, 2003 and 2002, respectively.	\$ 79,664	\$ 79,707
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 5.1% to 5.375%, net of bond discount of \$394 and \$439 at June 30, 2003 and 2002, respectively.	<u>13,736</u>	<u>15,081</u>
Total Bonds Payable, Net	<u><u>\$ 93,401</u></u>	<u><u>\$ 94,788</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 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.

Future principal payments on the College's outstanding bonds at June 30, 2003 are as follows:

2003-04	1,475
2004-05	710
2005-06	750
2006-07	3,150
2007-08	3,295
Thereafter	83,625

The estimated fair market value of all outstanding long-term obligations at June 30, 2003 is \$98,116.

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>2003</u>	<u>2002</u>
In one year or less	\$ 5,228	\$ 15,618
Between one year and five years	7,074	9,341
Greater than five years	3,279	3,835
Less discount and allowance for uncollectable pledges	<u>(1,967)</u>	<u>(3,870)</u>
	<u><u>\$ 13,614</u></u>	<u><u>\$ 24,924</u></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, 2003 and 2002:

Accumulated Postretirement Benefit Obligation	2003	2002
Retirees	\$ 8,049	\$ 8,383
Other fully eligible participants	3,258	3,344
Other active participants	546	762
	<u>11,853</u>	<u>12,489</u>
Unrecognized excess prior service cost	3,918	3,778
Unrecognized actuarial loss	(1,652)	(2,165)
Accrued postretirement health care cost liability	<u>\$ 14,119</u>	<u>\$ 14,102</u>

Net postretirement health care cost for the years ended June 30, 2003 and 2002 included the following components:

Accumulated Postretirement Benefit Obligation	2003	2002
Service cost - benefits attributed to service during the period	\$ 448	\$ 419
Interest cost on accumulated postretirement benefit obligation	841	818
Net amortization and deferral	(455)	(455)
Net (Gain) or Loss	60	64
Net postretirement health care cost	<u>\$ 894</u>	<u>\$ 846</u>

For measurement purposes, an 11 percent annual rate of increase in the per capita cost of covered health care claims was assumed for 2003; the rate was assumed to decrease gradually to 5 percent by 2011 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, 2003 by \$324. The aggregate of the service and interest cost components of net postretirement health care cost for the year then ended would increase by \$23. 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, 2003 and 2002 were \$5,008 and \$4,724, respectively.

7. NOTES PAYABLE

The College has a \$10,000 unsecured bank line of credit with interest at LIBOR plus 1.00% renewable on April 30, 2004. The balance outstanding on the line of credit at June 30, 2003 and 2002 was \$2,000 and \$0, respectively.

8. 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.

9. SUBSEQUENT EVENT

In September 2003, the Ohio Higher Educational Facility Commission issued \$40 million in revenue bonds to finance the purchase, renovation and construction of dormitories and academic buildings, to acquire and install a new phone system and to refund outstanding principal of the June 1993 Revenue Bonds. The College has entered into a lease agreement with the Commission on the properties financed with proceeds of the bonds. Payments due under the lease agreement represent the principal and interest due on the bonds, and repayment of the bonds is guaranteed by the College. The maturity schedule for these bonds is as follows:

\$18,155	5.125%	Due October 1, 2024
\$21,845	5.000%	Due October 1, 2033

