

OBERLIN

Oberlin College
Financial Report
Year Ended June 30, 2006

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Oberlin College
Financial Report
Year ended June 30, 2006

Ronald R. Watts, Vice President for Finance

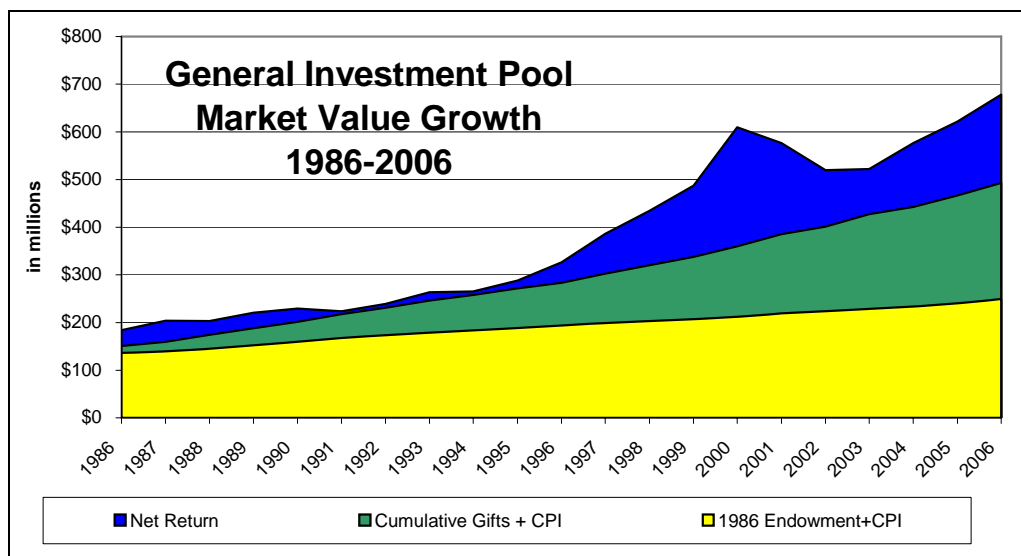
Mark R. Bates, Associate Vice President for Finance & Controller

We are pleased to present the financial statements for the fiscal year 2006 for Oberlin College, with results that once again are very encouraging as we look to the future. The Net Assets of the College are now at \$830 million, an increase of approximately \$60 million for the most recent fiscal year, following increases of \$44 million and \$66 million the previous two fiscal years. These increases have been the result of strong endowment performance, supplemented by our fundraising efforts, as discussed further below.

Enrollment data for Fall 2006 are quite comparable to Fall 2005, and reflects the continued long-term trend of improvements in Admissions:

		<u>Applications</u>	<u>% of Admitted</u>	<u>Yield</u>
College of A&S	Fall 2006	5,552	37%	31%
	Fall 2005	5,461	37%	32%
	Fall 2004	5,160	40%	30%
Conservatory	Fall 2006	1,132	27%	44%
	Fall 2005	1,124	26%	45%
	Fall 2004	1,073	30%	45%

The endowment is the financial keystone of the College providing long-term funding for student financial aid, faculty compensation, and academic programs. The general investment pool, which makes up the majority of Oberlin’s endowment assets, is composed of approximately 1,400 separate endowed funds. The endowment’s growth and the resulting income stream depend upon gifts from generous alumni and friends as well as prudent investment management. In fiscal year 2006, gifts and other additions total \$7.7 million versus \$10.5 million in fiscal year 2005.



The Oberlin College Board of Trustees' Investment Committee and Chief Investment Officer are responsible for oversight of the endowment. In fiscal year 2006, the net total return of the general endowment was 13.2% versus 11.8% in fiscal year 2005. The market value of the General Investment Pool increased \$56.6 million to \$678.3 million during the fiscal year 2006.

The College's endowment spending policy strives to increase the real value of the endowment; provide a dependable stream of current income to the College's annual operating budget; release income at a sustainable rate over the long term; while seeking to provide predictability and stability of endowment spending essential for long range planning. Accordingly, the College policy is to distribute between 5.0% and 6.0% of the 36 month weighted average of the market value of the endowment annually. In fiscal year 2006 the College distributed \$33.0 million to support operations, which equates to a spending rate of 5.9%. This is the first year of a multi-year plan to reduce the payout rate to 5.5% or below by fiscal year 2010.

During fiscal year 2006, the College issued \$75.3 million in Variable Rate Revenue Bonds through the Ohio Higher Educational Facilities Commission. The first series \$50.1 million was issued in December 2005 to advance refund a large portion of the 1999 series bonds. The second series \$25.2 million was issued in January 2006 to provide funding for various capital projects, including further improvement of the student housing program. In concert with the issuance of these bonds, the College also entered into three interest rate swap arrangements. These arrangements allowed the College to fix the interest rates on the 2005 and 2006 bonds at 3.63% and 3.70%, respectively, and lowered the overall cost of debt to below 4.0%.

Continuing donor support, strong investment management, and fiscal moderation will be required to ensure the endowment's future strength. The overall strong financial results for the third consecutive year reflect Oberlin's commitment to financial sustainability and sound endowment management. Our focus on implementation of our strategic financial plan will ensure Oberlin's future financial strength and academic success.

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, 2006 and 2005, 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, 2006 and 2005, 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 10, 2006

Oberlin College
Statements of Financial Position
As of June 30, 2006 and 2005
(dollars in thousands)

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Current Assets		
Cash and cash equivalents	\$ 8,334	\$ 9,666
Short-term investments	16,545	16,686
Accounts receivable, net	2,094	2,393
Other current assets	<u>3,118</u>	<u>2,779</u>
Total current assets	<u>\$ 30,091</u>	<u>\$ 31,524</u>
Pledges Receivable and Bequests in Probate	<u>\$ 10,580</u>	<u>\$ 7,524</u>
Long-Term Receivables		
Student loans	\$ 10,452	\$ 10,214
Allowance for doubtful loans	<u>(1,273)</u>	<u>(1,273)</u>
Total long-term receivables	<u>\$ 9,179</u>	<u>\$ 8,941</u>
Long-Term Investments		
Assets restricted to investment in land, buildings and equipment	\$ 32,477	\$ 16,277
Endowment funds	681,571	624,351
Annuity and life income funds	68,404	64,642
Funds held in trust by others	16,281	15,708
Interest rate swap arrangements	<u>2,694</u>	<u> </u>
Total long-term investments	<u>\$ 801,427</u>	<u>\$ 720,978</u>
Property, Plant and Equipment		
Land, buildings and equipment	\$ 371,653	\$ 349,906
Construction in progress	2,677	7,165
Less: accumulated depreciation	<u>(180,399)</u>	<u>(166,849)</u>
Total property, plant and equipment	<u>\$ 193,931</u>	<u>\$ 190,222</u>
TOTAL ASSETS	<u>\$ 1,045,208</u>	<u>\$ 959,189</u>

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

Oberlin College
Statements of Financial Position
As of June 30, 2006 and 2005
(dollars in thousands)

	<u>2006</u>	<u>2005</u>
<u>LIABILITIES and NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 4,896	\$ 7,744
Current portion of bonds payable	2,465	
Deposits and agency funds	4,471	4,193
Other current liabilities	1,452	2,189
Total current liabilities	<u>\$ 13,284</u>	<u>\$ 14,126</u>
Other Liabilities		
Accrued postretirement benefit obligation	14,009	14,267
Annuity obligations	30,389	30,500
Federal student loan funds	6,278	6,278
Other non-current liabilities	6,471	4,264
Bonds payable, net	144,832	119,432
Total liabilities	<u>\$ 215,263</u>	<u>\$ 188,867</u>
Net Assets		
Unrestricted -		
Current operations	\$ (6,011)	\$ (10,983)
Designated for specific purposes	24,632	21,537
Unexpended plant and facility funds	(7,014)	(2,268)
Invested in plant facilities	41,278	44,000
Quasi-endowment funds	277,952	253,576
Total unrestricted	<u>\$ 330,837</u>	<u>\$ 305,862</u>
Temporarily Restricted -		
Donor designated for specific purposes	\$ 14,642	\$ 15,214
Annuity and life income funds	8,075	7,030
Unexpended plant and facility funds	8,331	7,417
Unamortized contributions for long-lived assets	38,166	37,083
Quasi-endowment funds	239,557	210,850
Total temporarily restricted	<u>\$ 308,771</u>	<u>\$ 277,594</u>
Permanently Restricted -		
Student loan funds	\$ 3,007	\$ 2,795
Annuity and life income funds	5,004	5,265
Funds held in trust by others	16,281	15,708
Endowment funds	166,045	163,098
Total permanently restricted	<u>\$ 190,337</u>	<u>\$ 186,866</u>
Total net assets	<u>\$ 829,945</u>	<u>\$ 770,322</u>
TOTAL LIABILITIES and NET ASSETS	<u><u>\$ 1,045,208</u></u>	<u><u>\$ 959,189</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, 2006
(dollars in thousands)

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Revenues				
Tuition and fees	\$ 90,438	\$ 585		\$ 91,023
Room and board	18,248			18,248
Student aid	(36,453)			(36,453)
Net student income	72,233	585		72,818
Auxiliary services, other	4,373			4,373
Government grants and contributions		2,653		2,653
Private gifts and grants	6,267	3,946		10,213
Investment earnings and gain	14,738	19,261	\$ 196	34,195
Other sources	3,138	88		3,226
Net assets released from restrictions	27,820	(27,820)		
Total operating revenues	\$ 128,569	\$ (1,287)	\$ 196	\$ 127,478
Operating Expenses				
Instruction	\$ 60,919			\$ 60,919
Research	515			515
Academic support	17,251			17,251
Student services	10,810			10,810
Institutional support	17,577			17,577
Auxiliary services, student and other	21,491			21,491
Total operating expenses	\$ 128,563			\$ 128,563
Change in net assets from operating activities	\$ 6	\$ (1,287)	\$ 196	\$ (1,085)
Non-operating Activities				
Investment earnings and gain	\$ 3,691	\$ (1,278)	\$ 1,567	\$ 3,980
Unrealized gain	23,801	29,962	62	53,825
Capital and deferred gifts	247	2,351	4,147	6,745
Pledges and bequests	2,070	2,175	(1,190)	3,055
Change in annuity obligations	635	(624)	100	111
Payments to beneficiaries	(2,736)	(808)	(559)	(4,103)
Non-recurring bond defeasance charge	(2,652)			(2,652)
Redesignated funds and other	(87)	686	(852)	(253)
Change in net assets from non-operating activities	\$ 24,969	\$ 32,464	\$ 3,275	\$ 60,708
Net change in net assets	24,975	31,177	3,471	59,623
Net assets at beginning of year	\$ 305,862	\$ 277,594	\$ 186,866	\$ 770,322
Net assets at end of year	\$ 330,837	\$ 308,771	\$ 190,337	\$ 829,945

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

Oberlin College
Statement of Activities
For the year ended June 30, 2005
(dollars in thousands)

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Revenues				
Tuition and fees	\$ 85,818	\$ 528		\$ 86,346
Room and board	16,363			16,363
Student aid	(36,163)			(36,163)
Net student income	66,018	528		66,546
Auxiliary services, other	4,306			4,306
Government grants and contributions		2,353		2,353
Private gifts and grants	7,167	4,523		11,690
Investment earnings and gain	15,954	18,949	\$ 1,548	36,451
Other sources	2,855	89		2,944
Net assets released from restrictions	26,746	(26,746)		
Total operating revenues	\$ 123,046	\$ (304)	\$ 1,548	\$ 124,290
Operating Expenses				
Instruction	\$ 59,059			\$ 59,059
Research	482			482
Academic support	16,524			16,524
Student services	10,205			10,205
Institutional support	17,023			17,023
Auxiliary services, student and other	19,736			19,736
Total operating expenses	\$ 123,029			\$ 123,029
Change in net assets from operating activities	\$ 17	\$ (304)	\$ 1,548	\$ 1,261
Non-operating Activities				
Investment earnings and gain	\$ 1,936	\$ (998)	\$ 1,101	\$ 2,039
Unrealized gain	19,050	21,470	965	41,485
Capital and deferred gifts	343	2,815	7,787	10,945
Pledges and bequests	(1,910)	(4,063)	(191)	(6,164)
Change in annuity obligations	521	(830)	(576)	(885)
Payments to beneficiaries	(2,748)	(708)	(556)	(4,012)
Redesignated funds and other	(749)	1,572	(1,458)	(635)
Change in net assets from non-operating activities	\$ 16,443	\$ 19,258	\$ 7,072	\$ 42,773
Net change in net assets	16,460	18,954	8,620	44,034
Net assets at beginning of year	\$ 289,402	\$ 258,640	\$ 178,246	\$ 726,288
Net assets at end of year	\$ 305,862	\$ 277,594	\$ 186,866	\$ 770,322

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

Oberlin College

Statements of Cash Flows

For the years ended June 30, 2006 and 2005

(dollars in thousands)

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 59,623	\$ 44,034
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	13,120	12,821
Changes in assets and liabilities that provide (use) cash:		
Accounts receivable	299	(217)
Other current assets	(339)	(386)
Pledges receivable and bequests in probate	(3,056)	6,164
Accounts payable, accrued expenses and other liabilities	(1,378)	(2,029)
Deposits and agency funds	278	524
Accrued postretirement benefit obligation	(258)	(7)
Net adjustment of annuity obligations	(111)	885
Contributions restricted for long-term investments	(6,584)	(10,936)
Earnings restricted for long-term investment	(1,825)	(3,614)
Net realized and unrealized (gains) losses on long-term investments	(87,727)	(74,395)
Net cash used for operating activities	<u>\$ (27,958)</u>	<u>\$ (27,156)</u>
Cash Flows From Investing Activities		
Purchases of plant and equipment, net	\$ (17,259)	\$ (17,416)
Proceeds from student loans collected	1,293	1,094
Student loans issued, net	(1,531)	(1,454)
Decrease in short-term investments	141	7,569
Purchases of investments	(201,446)	(215,447)
Proceeds from sales and maturities of investments	208,724	244,470
Net cash (used for) provided by investing activities	<u>\$ (10,078)</u>	<u>\$ 18,816</u>
Cash Flows From Financing Activities		
Proceeds from contributions for:		
Investment in endowment	\$ 3,923	\$ 5,894
Investment in long-lived assets	1,532	2,039
Investment in life income agreements	1,129	3,003
Earnings restricted for long-term investment	1,825	3,614
Payments on long-term debt	(46,990)	
Proceeds from issuance of bonds, net	75,285	
Proceeds on notes payable		(2,000)
Net cash provided by financing activities	<u>\$ 36,704</u>	<u>\$ 12,550</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,332)	\$ 4,210
Cash and cash equivalents, beginning of year	9,666	5,456
Cash and cash equivalents, end of year	<u>\$ 8,334</u>	<u>\$ 9,666</u>

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

Oberlin College
Notes to Financial Statements
June 30, 2006 and 2005
(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, 2006 and 2005). 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 \$4,358 and \$4,238 are reflected within institutional support in the statement of activities for the years ended June 30, 2006 and 2005, 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 (included in other current assets) 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, 2005 data have been reclassified to conform with the June 30, 2006 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, 2006 and 2005 was:

	<u>2006</u>	<u>2005</u>
Educational and general properties	\$ 9,218	\$ 8,833
Library books and materials	1,622	1,552
Auxiliary properties	<u>2,711</u>	<u>2,551</u>
	<u>\$ 13,551</u>	<u>\$ 12,936</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 \$6,036 in 2006 and \$5,914 in 2005. Included in these amounts are \$402 and \$999 of capitalized interest, respectively.

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, 2006 and 2005.

Tax Status

The College is exempt from Federal income taxes under Internal Revenue Code Section 501(c)3. The College generates minor amounts of unrelated business income, annually files Form 990T and pays taxes on such income.

2. ASSETS FOR LONG-TERM INVESTMENT

Investments in marketable equity and debt securities are stated at market value based on the last trade price. Investments in real estate are stated at appraised market value, with certain real estate investments stated at cost on the date of acquisition (or fair market value at date of receipt, if gifted). Alternative investments, venture capital and hedge funds, and certain limited partnership investments for which there is no ready market (\$424,055 and \$379,801 at June 30, 2006 and 2005, respectively) are valued at fair value from reports provided by investment managers. Such fair values may differ significantly from values that would have been used had a ready market for these investments existed. Net realized and unrealized gains (losses) in market value of investments are reflected in the statement of activities. The College has committed to make \$51,671 of additional investments at June 30, 2006.

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

	June 30, 2006		June 30, 2005	
	Cost Basis	Market Value	Cost Basis	Market Value
ENDOWMENT FUNDS				
General Investment Pool				
Fixed Income	\$ 61,698	\$ 60,034	\$ 62,213	\$ 62,697
Cash/Cash Equivalents	29,554	28,317	53,271	53,283
Equities	127,171	154,331	103,216	125,717
Venture Capital	48,131	33,551	46,742	31,379
Hedge Funds	97,744	226,305	117,013	221,322
Alternative Investments	70,054	98,887	55,547	79,960
Real Estate/Oil & Gas	39,626	76,860	32,957	47,128
Accounts Receivable	-	-	210	210
Total General Investment Pool	<u>\$ 473,978</u>	<u>\$ 678,285</u>	<u>\$ 471,169</u>	<u>\$ 621,696</u>
Non-Pooled Investments				
Fixed Income	\$ 305	\$ 276	\$ 290	\$ 294
Equities	141	385	135	386
Notes/Mortgages	2,625	2,625	1,975	1,975
Total Non-Pooled Invested Funds	<u>\$ 3,071</u>	<u>\$ 3,286</u>	<u>\$ 2,400</u>	<u>\$ 2,655</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 477,049</u>	<u>\$ 681,571</u>	<u>\$ 473,569</u>	<u>\$ 624,351</u>
ANNUITY AND LIFE INCOME FUNDS				
Pooled Income Fund Trusts				
Fixed Income	\$ 1,608	\$ 1,562	\$ 1,262	\$ 1,272
Cash/Cash Equivalents	116	116	81	81
Accounts Receivable	-	-	1	1
Equities	943	1,260	719	1,017
Total Pooled Income Fund Trusts	<u>\$ 2,667</u>	<u>\$ 2,938</u>	<u>\$ 2,063</u>	<u>\$ 2,371</u>
Gift Annuity Pool				
Fixed Income	\$ 12,335	\$ 12,001	\$ 10,551	\$ 10,753
Cash/Cash Equivalents	1,397	1,397	1,804	1,804
Equities	28,480	36,097	27,822	34,986
Accounts Receivable	9	9	-	-
Total Gift Annuity Pool	<u>\$ 42,221</u>	<u>\$ 49,504</u>	<u>\$ 40,177</u>	<u>\$ 47,543</u>
Annuity Trusts and Unitrusts				
Fixed Income	\$ 4,661	\$ 4,485	\$ 4,190	\$ 4,200
Cash/Cash Equivalents	394	394	355	355
Equities	8,409	11,083	7,947	10,135
Real Estate	-	-	8	8
Accounts Receivable/Other	-	-	30	30
Total Annuity Trusts and Unitrusts	<u>\$ 13,464</u>	<u>\$ 15,962</u>	<u>\$ 12,530</u>	<u>\$ 14,728</u>
TOTAL ANNUITY AND LIFE INCOME FUNDS	<u>\$ 58,352</u>	<u>\$ 68,404</u>	<u>\$ 54,770</u>	<u>\$ 64,642</u>
RESTRICTED FOR PLANT FACILITIES				
Fixed Income	\$ 30,630	\$ 30,543	\$ 13,658	\$ 13,653
Real Estate	1,934	1,934	2,624	2,624
TOTAL RESTRICTED FOR PLANT FACILITIES	<u>\$ 32,564</u>	<u>\$ 32,477</u>	<u>\$ 16,282</u>	<u>\$ 16,277</u>
FUNDS HELD IN TRUST BY OTHERS	<u>\$ 14,598</u>	<u>\$ 16,281</u>	<u>\$ 14,206</u>	<u>\$ 15,708</u>
INTEREST RATE SWAP ARRANGEMENTS	<u>\$ -</u>	<u>\$ 2,694</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL ASSETS FOR LONG-TERM INVESTMENT	<u>\$ 582,563</u>	<u>\$ 801,427</u>	<u>\$ 558,827</u>	<u>\$ 720,978</u>

3. BONDS PAYABLE

Bonds payable at June 30, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</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 \$3,560, with interest ranging from 4.0% to 5.25%, plus bond premium of \$268 and \$704 at June 30, 2006 and 2005, respectively.	\$ 32,153	\$ 79,579
Revenue Bonds dated September 1, 2003, maturing in part on October 1, 2024 (\$18,155) and in part on October 1, 2034 (\$21,845), with interest ranging from 5.0% to 5.125%, less net bond discount of \$141 and \$147 at June 30, 2006 and 2005, respectively.	39,859	39,853
Variable-rate Revenue Bonds dated December 1, 2005, maturing annually on October 1, 2006 through 2029 in amounts ranging from \$110 to \$10,240.	50,115	-
Variable-rate Revenue Bonds dated January 1, 2006, maturing in part on October 1, 2010 through 2035 in amounts ranging from \$560 to \$1,525.	<u>25,170</u>	<u>-</u>
Total Bonds Payable, Net	<u><u>\$ 147,297</u></u>	<u><u>\$ 119,432</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. Bonds with a par value of \$46,990 were legally defeased with the December 2005 bond offering.

In September 2003, 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 \$40,000 less a net bond discount of \$157. A portion of these bonds was used to refund the outstanding principal of the June 1993 Revenue Bonds. The remaining funds are being used to finance the purchase, renovation and construction of dormitories and academic buildings and to finance the acquisition and installation of a new phone system. 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.

In December 2005, 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 \$50,115. These bonds were used to refund \$46,990 of the outstanding principal of the February 1999 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. As a result of the partial defeasance of the 1999 bonds, certain items (such as issuance costs, bond premium, etc.) associated with the defeased portion of the 1999 bonds were written-off and are reflected in the statement of activities.

In January 2006, 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 \$25,170. These bonds are being used to finance the purchase, renovation and construction of dormitories, academic buildings, including a new conservatory building, a new track and soccer field, and to finance the purchase of new central heating plant equipment and a new art museum HVAC system. 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.

Future principal payments on the College's outstanding bonds at June 30, 2006 are as follows:

2006-07	\$	2,465
2007-08		2,565
2008-09		2,670
2009-10		2,775
2010-2011		3,445
Thereafter		<u>133,250</u>
	\$	147,170

The estimated fair market value of all outstanding long-term obligations at June 30, 2006 is \$149,260.

4. INTEREST RATE SWAP ARRANGEMENTS

The College entered into an interest rate swap arrangement with an initial notional amount of \$71,885, effective December 2, 2005, and terminating October 1, 2033. Under the terms of this basis swap arrangement, the College receives semi-annual interest payments based on 68% of the 3-month London Interbank Offered Rate ("LIBOR") plus 45.2 basis points (0.452%), and makes semi-annual interest payments based on 100% of the variable Bond Market Association Municipal Swap Index interest rate. The notional amount of the swap arrangement, which amortizes to zero concurrent with the amortization of the 1999 and 2003 bonds, was \$71,885 at June 30, 2006. The net settlement amount earned under this swap arrangement for the year ended June 30, 2006 was \$243, and is included in operating income on the statement of activities.

The College entered into an interest rate swap arrangement on its 2005 bonds in the amount of \$50,115, effective December 14, 2005, and terminating October 1, 2029. Under the terms of this swap arrangement, the College receives monthly interest payments based on 68% of 3-month LIBOR, and makes monthly interest payments at a fixed interest rate of 3.632%. The notional amount of the swap arrangement, which amortizes over the term of the 2005 bonds, was \$50,115 at June 30, 2006. The net settlement amount expensed under this swap arrangement for the year ended June 30, 2006 was \$69, and is included in operating expense on the statement of activities.

The College entered into an interest rate swap arrangement on its 2006 bonds in the amount of \$25,170, effective October 1, 2009, and terminating October 1, 2035. Under the terms of this swap arrangement, the College will receive monthly interest payments based on 68% of 3-month LIBOR, and will make monthly interest payments at a fixed interest rate of 3.701%. The notional amount of the swap arrangement will amortize over the term of the 2006 bonds.

The fair value of interest swap arrangements is the estimated amount that the College would receive to terminate these contracts as of the fiscal year end. The estimated cumulative fair value gain is included in long-term investments in the statement of financial position. Changes in the fair value of these contracts are recorded as other non-operating items in the statement of activities. The fair value of these arrangements at June 30 is as follows:

	<u>2006</u>	<u>2005</u>
Interest rate swap arrangement effective December 1, 2005, maturing on October 1, 2033 in the amount of \$71,885.	\$ 1,792	\$ -
Interest rate swap arrangement effective December 14, 2005, maturing on October 1, 2029 in the amount of \$50,115.	370	-
Interest rate swap arrangement effective October 1, 2009, maturing on October 1, 2035 in the amount of \$25,170.	<u>532</u>	<u>-</u>
Total Fair Market Value of Interest Rate Swap Arrangements	<u>\$ 2,694</u>	<u>\$ -</u>

5. 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:

	2006	2005
In one year or less	\$ 3,642	\$ 2,749
Between one year and five years	5,992	3,623
Greater than five years	6,572	5,513
Less discount and allowance for uncollectible pledges	(5,626)	(4,361)
	<u>\$ 10,580</u>	<u>\$ 7,524</u>

6. 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 unrecognized excess prior service cost of \$6,509 to be amortized over 14.3 years, the average remaining service period for current employees at June 30, 1996. 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.

For measurement purposes, a 10 percent annual rate of increase in the per capita cost of covered health care claims was assumed for 2006; the rate was assumed to decrease gradually to 5 percent by 2012 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, 2006 by \$256. 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.

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, 2006 and 2005:

Accumulated Postretirement Benefit Obligation	2006	2005
Retirees	\$ 6,475	\$ 6,476
Other fully eligible participants	1,629	3,755
Other active participants	3,936	630
	<u>12,040</u>	<u>10,861</u>
Unrecognized excess prior service cost	2,335	2,862
Unrecognized actuarial loss	(366)	544
Accrued postretirement health care cost liability	<u>\$ 14,009</u>	<u>\$ 14,267</u>

Net periodic postretirement health care cost for the years ended June 30, 2006 and 2005 included the following components:

Accumulated Postretirement Benefit Obligation	2006	2005
Service cost - benefits attributed to service during the period	\$ 385	\$ 505
Interest cost on accumulated postretirement benefit obligation	811	720
Net amortization and deferral	(528)	(528)
Net (Gain) or Loss	-	-
Net periodic postretirement health care cost	<u>\$ 668</u>	<u>\$ 697</u>

The estimated future benefit claims expected to be paid in each of the next ten fiscal years are:

	<u>Total Claims</u>	<u>Medicare Reimbursement</u>	<u>Net Claims</u>
2007	1,121	204	917
2008	1,229	220	1,009
2009	1,294	217	1,077
2010	1,344	219	1,125
2011	1,393	225	1,168
2012-2016	7,770	1,151	6,619

Medicare reimbursements reflected above are based on the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). Recognition of the impact of the Act in the June 30, 2004 financial statements resulted in a decrease of the accumulated postretirement benefit obligation of \$449 and a \$60 reduction in the net periodic postretirement health care cost. With retiree contributions of 33.3%, the College expects to contribute \$612 toward expected net claims in fiscal 2007.

7. 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, 2006 and 2005 were \$5,963 and \$5,496, respectively.

8. NOTES PAYABLE

The College has a \$10,000 unsecured bank line of credit with interest at LIBOR plus 0.50% renewable on June 30, 2007. The balance outstanding on the line of credit at June 30, 2006 and 2005 was \$0.

9. CONDITIONAL ASSET RETIREMENT OBLIGATION

The College adopted Financial Accounting Standard Interpretation No. 47 (FIN47), Accounting for Conditional Asset Retirement Obligations, for its fiscal year ended June 30, 2006. FIN 47 requires the College to recognize the costs associated with the retirement of assets, which primarily are for the future remediation and removal of asbestos from College-owned property. Such costs are not material to the College, given the dates of construction for its buildings. However, the College has recorded an accrual of approximately \$2 million for these costs within other non-current liabilities on the statement of financial position.

10. 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.