

OBERLIN COLLEGE FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022



2021-2022

Financial Report

We are pleased to present Oberlin College’s Annual Financial Report for the year ended June 30, 2022. This report includes our independent auditor’s report, audited consolidated financial statements and related footnotes to the statements.

To provide the users of these financial statements with a better understanding of the College’s financial position and operations, we include an overview of the institution’s financial condition and operating results for the year. We also look ahead to 2023 and note items of significance that have occurred in the first part of the new fiscal year.

These statements include the consolidation of College Properties of Northern Ohio which includes the Gateway Complex Project. A discussion of this project in greater detail can be found in the related footnotes to our audited consolidated financial statements.

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Financial Condition

Total Assets & Total Net Assets

Oberlin's total assets on June 30, 2022, were \$1,812.8 million, an increase of \$9.2 million, or 0.5%, from the previous fiscal year's \$1,803.6 million. Total liabilities as of June 30, 2022, were \$397.7 million, an increase of \$67.5 million from the prior year's \$330.2 million. Total net assets for the College were \$1,415.1 million, compared to \$1,473.3 million as of June 30, 2021, a decrease of 4.0%. The following chart reflects the total net assets of Oberlin College on June 30, 2022, and for the previous five fiscal years.

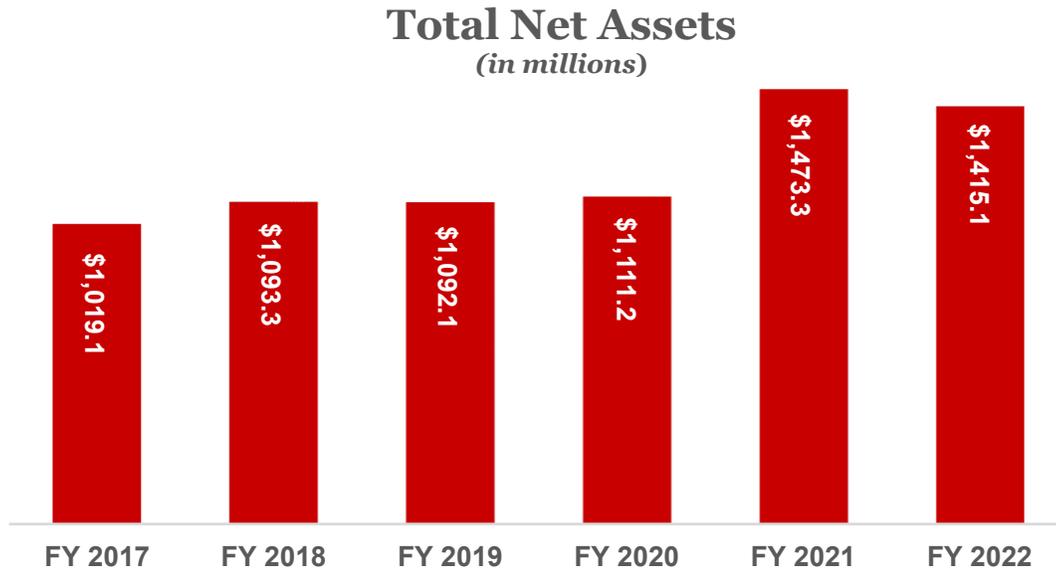


Chart 1: Total Net Assets (in millions)

The majority of the College's net assets are within its endowed funds and plant funds. The increases and decreases in the College's total assets, as well as total net assets, are primarily the result of investment returns and the spending of cumulative earnings of the College's endowed funds.

Endowed Funds

Total pooled endowed funds as of June 30, 2022, were \$1,183.7 million, as compared to \$1,273.0 million the previous year, a decrease of \$89.3 million. In comparison, total endowed funds increased by \$335.8 million in the fiscal year ended June 30, 2021, from \$936.6 million on June 30, 2020.

Like most private liberal arts schools, the endowment is the financial cornerstone of the College. Nearly all of Oberlin's 1,700 endowed funds are invested within the General Investment Pool. The College's Pooled Endowment was \$1,183.2 million on June 30, 2022, versus \$1,272.4 million on June 30, 2021, a decrease of \$89.2 million. The change in the total value from year to year is the result of changes in the market values of our pooled investments and the many donor-designated and board-designated gifts received from generous alumni and friends during the fiscal year, offset by the distribution of cumulative investment earnings. Such distributions of investment earnings from our endowment provide long-term funding for student financial aid, support faculty compensation and fund academic programs, and totaled \$36.4 million for operations. Capital and deferred gifts totaled \$13.6 million fiscal year 2022, of which \$13.5 million were donor-restricted endowed gifts. In fiscal year 2021, capital and deferred gifts totaled \$7.7 million, including \$6.9 million of donor-restricted

endowed gifts. In fiscal year 2022, the College’s net total investment return for the General Investment Pool was (4.9%) as compared to a total net return in fiscal year 2021 of 42.8%.

Over the past 20 years, the pooled endowment has grown from \$523.8 million to \$1,183.2 million. Oberlin College’s spending and investment policies have provided substantial levels of financial support for operations. The annual distributions are critical in supporting our academic mission while preserving endowment purchasing power for future generations.

Oberlin College’s endowment has a highly diversified portfolio with allocations to hedge funds, private equity and real assets, which include venture capital, private real estate, private energy and other alternative investments. Our allocations to alternative investments have been higher than many other endowments our size. Historically, our relatively higher allocations have both increased investment returns and decreased volatility.

The following is the College’s long-term strategic target and actual endowment portfolio allocation for the year ending June 30, 2022. The College’s Investment Office staff adjusts our actual portfolio allocations in response to market conditions as directed by our Board’s Investment Committee.

Actual investment balances on June 30, 2022, and 2021 are reflected in Footnote 2 to the financial statements. It should be noted that the College’s Investment Office often rebalances endowment portfolio allocations at quarter end, which can result in higher than targeted levels of cash and larger investment proceeds receivable balances.

Table 1: Target and Actual Endowment Portfolio Allocation

Asset Allocation	Strategic Target	Actual
Cash and Cash Equivalents	5.0%	3.8%
Developed Markets Equity	29.0%	24.8%
Emerging Markets Equity	9.0%	5.7%
Total Equity	38.0%	30.5%
Hedge Funds	20.0%	18.0%
Private Equity	15.0%	15.0%
Venture Capital	17.0%	28.0%
Real Assets	5.0%	4.7%
Total Alternatives	57.0%	65.7%
Total	100.0%	100.0%

Liquidity

The Investment Committee has increased liquidity in the endowment in recent years to avoid the risk of being forced to sell securities in highly distressed markets and manage potential needs related to the pandemic. The following chart depicts the total investment liquidity of the \$1,196.4 million General Investment Pool, which includes non-endowment investments. The endowment has ample monthly and quarterly liquidity to meet projected cash needs for the next three years.

Total Investment Liquidity as of June 30, 2022

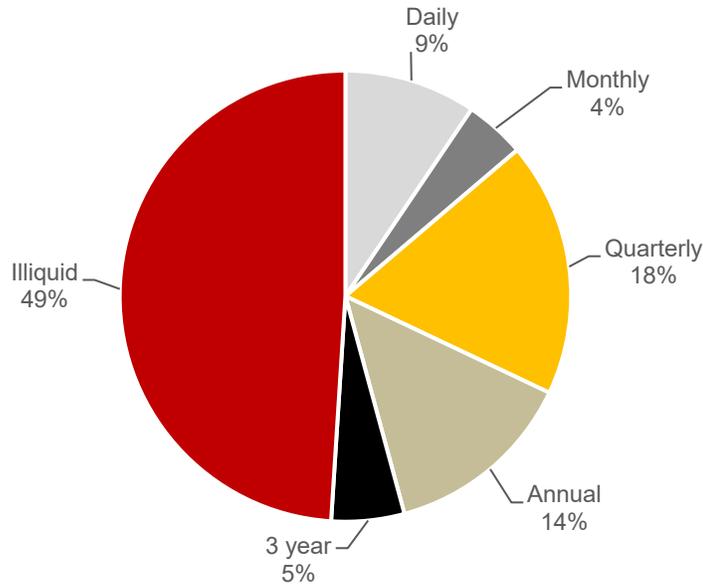


Chart 2: Total Investment Liquidity as of June 30, 2022

Plant Funds

The second largest component of the College's total net assets is net assets related to plant facilities totaling \$150.1 million on June 30, 2022, as compared to \$165.5 million on June 30, 2021. Plant related funds are reflected in net assets without donor restrictions and net assets with donor restrictions, including cumulative gifts received over the years in support of investment in plant. Gifts designated by donors were \$0.3 million for the year ended June 30, 2022 as compared to \$2.1 million for the year ended June 30, 2021. Plant related funds consist primarily of the College's property, plant and equipment assets, at cost, net of accumulated depreciation and capital-related debt.

The College capitalized \$69.1 million to its land, buildings and equipment assets in the year ended June 30, 2022. During fiscal year 2022, capital expenditures focused on deferred maintenance projects such as student housing improvements and upgrades, classroom upgrades, and improvements in the Science Center, as well as numerous other building improvements, equipment purchases and library acquisitions. During fiscal year 2022, the College continued work on the multi-phased Sustainable Infrastructure Program (SIP) supporting ongoing efforts toward carbon neutrality. The SIP is a multi-year, campus-wide project focused on upgrading the century-old heating infrastructure serving campus to a hot water system. The work will enable a large-scale geothermal system, add cooling to buildings and implement other building improvements that will increase student and faculty comfort year-round. Phases I and II begun in prior fiscal years are substantially complete and have focused on the distribution systems and building conversions to support the new geothermal system. The College will begin Phase III in calendar year 2023.

Debt

The College has \$260.4 million of net outstanding bonded debt on June 30, 2022. In July 2021, the College issued \$111.0 million of taxable bonds to finance the first two phases of the College's Sustainable Infrastructure Program (SIP) and to refinance a portion of the principal of bonds within the debt portfolio as well as the termination payment for an interest rate

swap. The bonds issued for the SIP received certification by the Climate Bonds Initiative. Oberlin is only the second institution of higher education to receive this designation worldwide.

Effective and responsible debt portfolio management enables Oberlin to execute major strategic initiatives while preserving working capital. The Oberlin College Board of Trustees' Budget and Finance Committee and finance staff oversee the management of our long-term debt, utilizing both revenue bonds and derivative transactions to optimize our debt portfolio.

Oberlin's prudent debt portfolio management is designed to achieve the following objectives:

- Ensure that an appropriate mix of funding sources is used.
- Limit the overall debt to a level that, when combined with the College's strategic initiatives, will help preserve strong credit ratings over the long term.
- Achieve a low risk-adjusted cost of capital while balancing that effort appropriately with the College's exposure to market shifts.
- Manage working capital, short-term investments and debt service requirements in a coordinated manner to optimize overall funding and investment return strategies.

The College's derivative transactions are described within Footnote 8 to the financial statements. In summary, the College used derivative transactions to limit the debt portfolio's exposure to long-term interest rate fluctuations as well as to lower the College's cost of capital at fixed rates well below historical levels.

During fiscal year 2020, the College elected to establish a sinking fund to generate the necessary funds for future debt retirement. On June 30, 2022, the sinking fund value was \$13.1 million as compared to \$9.5 million at June 30, 2021.

Operating Results for Fiscal Year 2022

Oberlin College's Consolidated Statement of Activities presents the results of operations of the College and the net income or loss of its "tax credit" subsidiary. Oberlin experienced an unconsolidated unrestricted surplus of \$24.01 million from college operations before consolidation in fiscal year 2022, as compared to \$2.9 million operating surplus last fiscal year. The College's subsidiary, College Properties of Northern Ohio, had an accounting loss of \$1.0 million. Depreciation and interest expenses were offset by an operating surplus of \$0.9 million. In summary, the College's consolidated Statement of Activities reflects an unrestricted operating net surplus of \$30.4 million.

Results of Unconsolidated Operating Surplus

As noted above, Oberlin College had an unconsolidated unrestricted operating surplus of \$24.01 million for fiscal year 2022. For the ten-year period ended June 30, 2022, Oberlin has generated a cumulative unconsolidated operating surplus of \$31.8 million, excluding restructuring charges of \$1.9 million and \$8.4 million recorded in 2018 and 2016, respectively. It should also be noted that Oberlin has accomplished these surpluses while fully funding its depreciation each year, using the funded depreciation as a source for capital maintenance, equipment replacement and other capital investments.

Operating Revenues

Oberlin's consolidated total operating revenues were \$227.5 million for the year ended June 30, 2022, as compared to last year's \$191.3 million. The following chart depicts the various sources of operating revenue for the College and the relative percentages of each source to total operating revenues.

Net student income, comprised of tuition and fees, room and board, net of student financial aid, is the largest component of Oberlin’s operating revenues. In 2022, net student income totaled \$144.3 million versus \$100.8 million in the previous year. In the fiscal year 2021, in response to the pandemic, the College developed a comprehensive strategy to enable a safe on campus experience. A key element of that strategy was the development of a three-semester academic year calendar and the development of hybrid and online courses. The College elected to expand its traditional in-person two-semester model to include a third semester to de-densify the classrooms and establish single occupancy in student housing. The associated revenue, net of expenses, from the 2021 summer term was recognized in fiscal year 2022 and accounts for the increase in net student income. In fiscal year 2022, the first-year class was higher than the prior year’s with a total Fall 2021 headcount of 2,963, up from the total Fall 2020 headcount of 2,942. Tuition rates increased 2.9% in 2022, as compared to 3% in 2021. Total student financial aid increased by \$29.8 million in fiscal 2022, from \$67.1 million in fiscal year 2021 to \$96.9 million.

Consolidated Operating Revenue by Source Fiscal Year Ended June 30, 2022

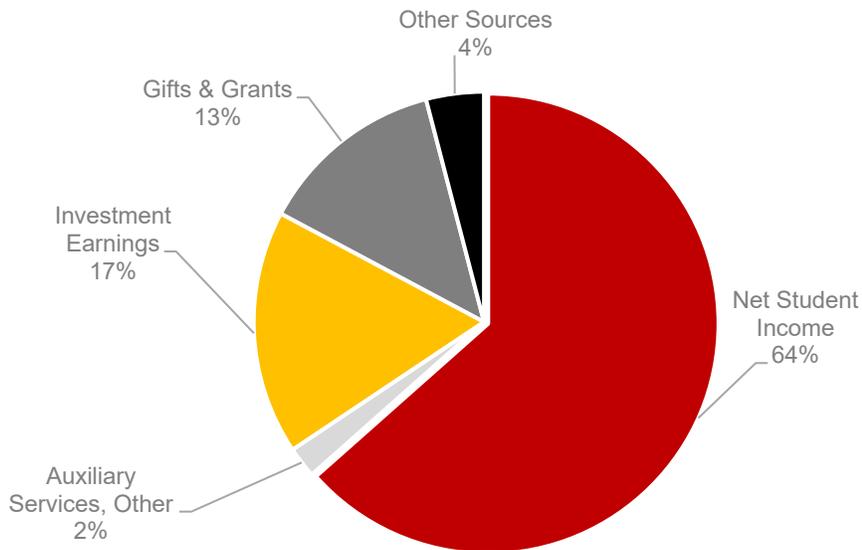


Chart 3: Consolidated Operating Revenue by Source, Fiscal Year Ended June 30, 2022

Earnings from endowment used in support of unrestricted operations are the second largest component of the College’s unrestricted operating revenues. In fiscal year 2022, \$13.9 million of unrestricted operating support was provided in accordance with the College’s endowment spending policy. This level of support compares to \$12.0 million in fiscal year 2021. Oberlin’s endowment spending policy strives to increase the real value of the endowment, provide a dependable stream of support to the College’s annual operating budget, and achieve earnings at a sustainable rate over the long-term while seeking to provide predictability and stability of endowment spending essential for long-range planning. The College continues to pursue its long-term objective of gradually reducing the payout rate of pooled endowment investments.

For fiscal year 2021, the College also distributed \$25.1 million in earnings from endowments that have a spending restriction. As depicted in the chart below, the majority of this restricted distribution was used to offset the cost of financial aid scholarships and to contribute toward the salaries and benefits of faculty and staff consistent with donor agreements.

Endowment Payout Distribution by Category Fiscal Year Ended June 30, 2022

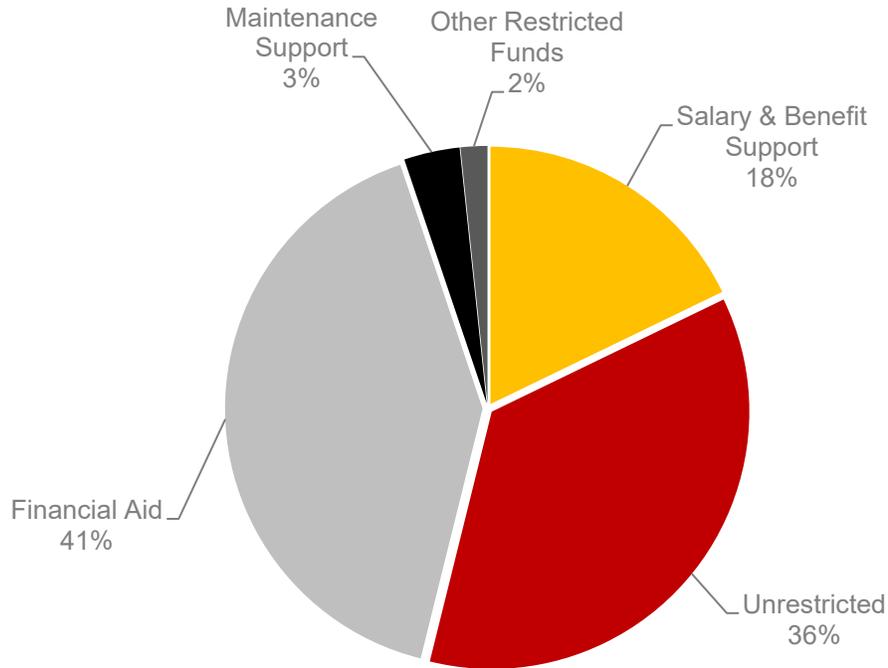


Chart 4: Endowment Payout Distribution by Category, Fiscal Year Ended June 30, 2022

The total fiscal year 2022 operating distribution of \$36.3 million equates to a spending rate of 3.4% of the 36-month weighted average of our general investment pool or 2.8% of the market value as of June 30, 2021. This compares to \$40.1 million distributed in fiscal year 2021, which equated to a spending rate of 4.5% of the 36-month weighted average, and 4.3% of the beginning market value of our general investment pool. Footnotes 1 and 2 to our financial statements further discuss the College’s endowment investment and endowment spending policies.

Oberlin’s third largest component of unrestricted operating revenues is support from unrestricted Private Gifts and Grants. The timing of the receipt of gifts, especially bequests, is unpredictable, and the varying size of such contributions can cause fluctuations in giving from year to year, as depicted in this chart (dollars in thousands).

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Undesignated Bequests	\$1,760	\$1,273	\$2,995	\$7,190	\$11,687
Unrestricted Giving	<u>3,640</u>	<u>3,528</u>	<u>3,480</u>	<u>3,679</u>	<u>4,450</u>
Total	\$5,400	\$4,801	\$6,475	\$10,869	\$16,137

Table 2: Undesignated Bequests and Unrestricted Giving (*in thousands*)

Operating Expenses

Oberlin's consolidated operating expenses, which includes expenses both with and without donor restrictions, totaled \$190.2 million for the year ended June 30, 2022; an increase of \$8.1 million from the prior year's operating expenses of \$182.1 million, or 4.4%.

While the audited financial statements present operating expenses by function, as required by the current accounting and reporting standards, the following chart reflects the fiscal year 2022 operating expenses by natural classification, to enable greater analysis of expenses and spending trends.

Consolidated Operating Expense by Natural Classification Fiscal Year Ended June 30, 2022

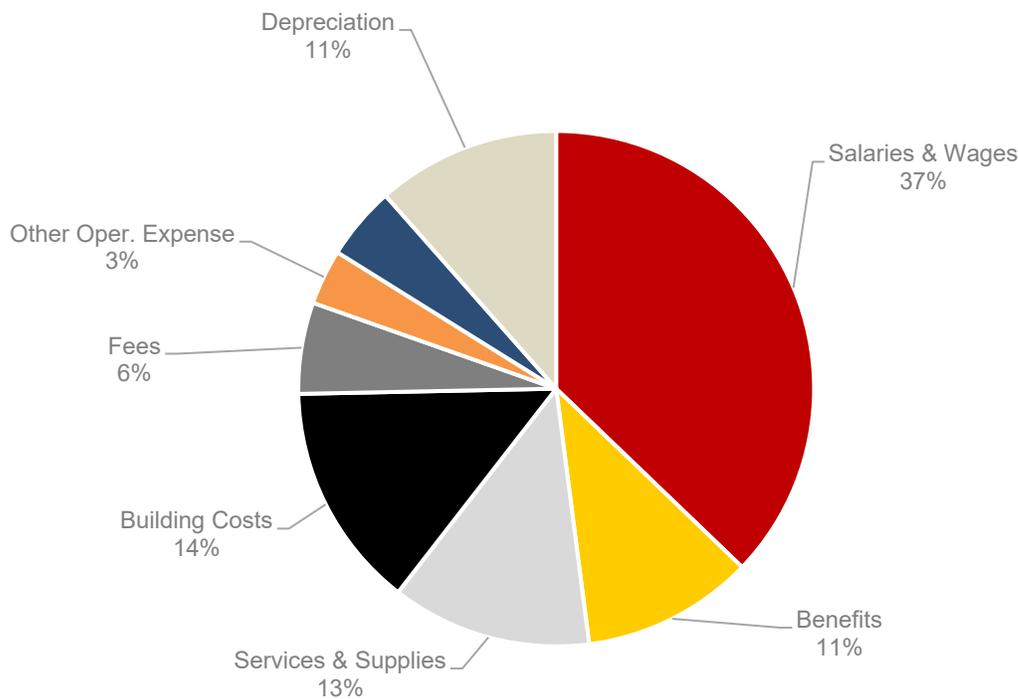


Chart 5: Consolidated Operating Expense by Natural Classification, Fiscal Year Ended June 30, 2022

Salaries and wages are by far our largest component of operating expense, totaling approximately \$70.7 million in fiscal year 2022. This represents a decrease from the fiscal year 2021 total of \$71.4 million. The slight decrease of \$0.7 million in salaries and wages from the prior year reflects savings attributed to vacancies.

Other operating expense, which includes utilities expense and food costs among others, is our second largest spending component, totaling approximately \$63.9 million in fiscal year 2022. This represents an increase of 14% from the fiscal year 2021 total of \$56.1 million primarily due to reestablishing services previously reduced such as travel, supplies and other operating costs avoided during fiscal year 2021 when the campus operations were disrupted by the pandemic.

Employee benefits expense is our third largest component of operating expense. This expense classification, which includes expenses associated with the College's 403(b) employee defined contribution plan and the College's health plans for active employees and retirees, in addition to other employee benefit expenses, totaled \$20.5 million in fiscal year 2022, compared with \$22.4 million in fiscal year 2021. During fiscal year 2022, the College provided additional support to employees via enhanced and accelerated employer contributions to employee health savings accounts.

Looking Ahead from Fiscal Year 2022

Enrollment

First-year enrollment statistics reflected in the chart below present another strong class with solid academic indicators and the addition of impressive talent to the Conservatory.

Table 3: First- Year Enrollment Statistics for the College of Arts & Sciences

COLLEGE OF ARTS AND SCIENCES									
Fall Year	Applications	Admitted		Enrolled		Double Degree	Average SAT Score		
		No.	% of Applications	No.	% of Admitted		Verbal	Math	Writing
2013	6,167	2,023	33%	683	34%	38	696	673	689
2014	6,038	2,094	35%	713	34%	34	690	671	683
2015	6,589	1,982	30%	690	35%	37	694	669	686
2016	7,257	2,093	29%	658	31%	35	688	676	678
2017	6,366	2,344	37%	644	27%	36	687	682	
2018	6,269	2,473	39%	713	29%	46	693	690	
2019	6,265	2,518	40%	697	28%	47	695	695	
2020	7,919	2,999	38%	579	19%	33	695	678	
2021	9,243	3,377	37%	777	23%	52			*
2022	10,340	3,609	35%	822	22%	38			

Table 4: First- Year Enrollment Statistics for the Conservatory of Music

CONSERVATORY OF MUSIC									
Fall Year	Applications	Admitted		Enrolled		Double Degree	Average SAT Score		
		No.	% of Applications	No.	% of Admitted		Verbal	Math	Writing
2013	1,271	341	27%	136	40%	38	643	641	644
2014	1,189	377	32%	118	31%	34	650	630	642
2015	1,195	359	30%	125	35%	37	652	626	639
2016	1,261	399	32%	139	35%	35	639	622	632
2017	1,396	388	28%	120	31%	36	667	642	
2018	1,256	412	33%	138	33%	46	679	657	
2019	1,444	420	29%	148	35%	47	658	637	
2020	1,386	417	30%	134	32%	33	663	644	
2021	1,353	413	31%	139	34%	52			*
2022	1,175	390	33%	99	25%	38			

* Oberlin College became test optional during the pandemic for a 3-year period. After three years, the College will determine whether or not to continue with the test optional policy.

Applications for the Fall 2022 incoming class increased again as compared to prior years. In addition, retention for our returning students exceeded expectations and prior year levels.

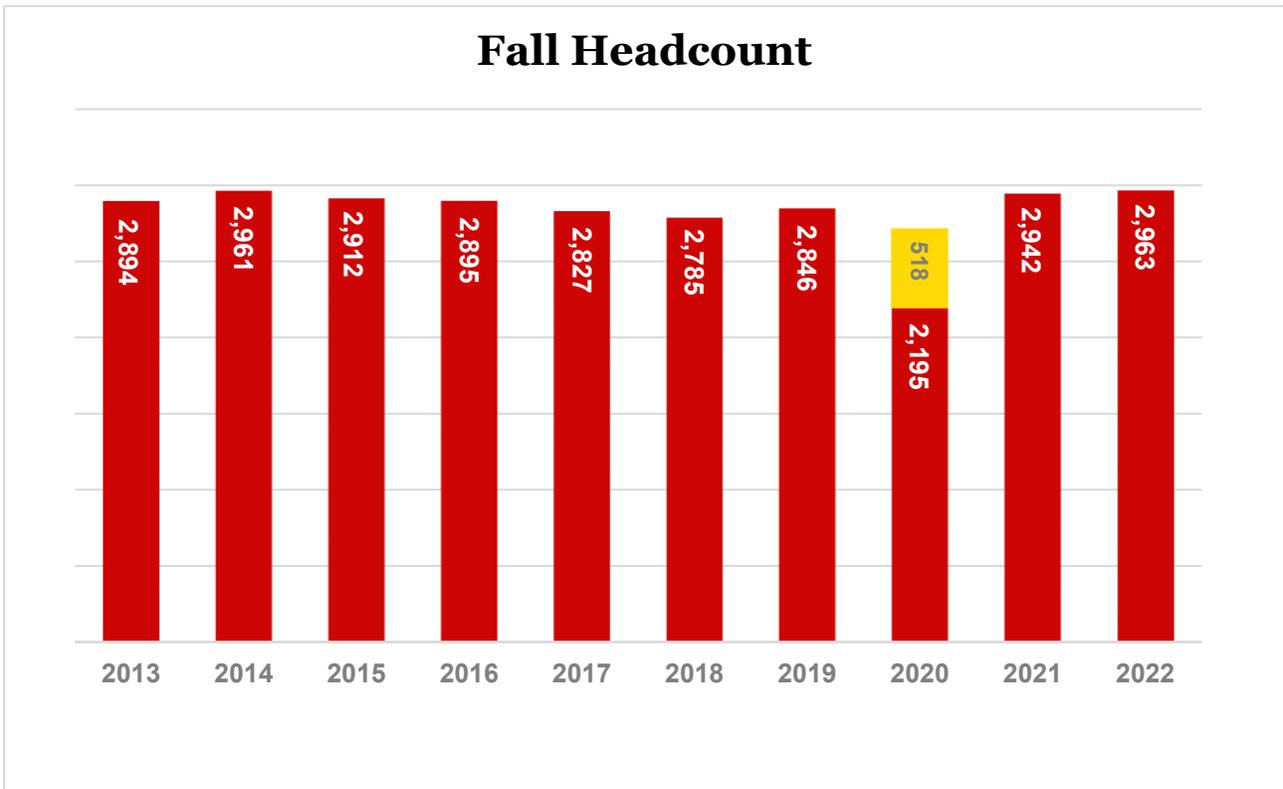


Chart 6: Fall 2021 Total Student Headcount

General Investment Pool

Overall, our General Investment Pool continues to perform positively and ended the fiscal year with a market value of \$1,196.4 million, which includes \$1,183.2 million of pooled endowment and \$13.1 million allocated to the Sinking Fund. The College elected to establish a sinking fund to generate the necessary funds for future debt retirement during fiscal year 2020. These funds are invested consistently within the General Investment Pool alongside the general endowment but are not endowed funds.

Bond Agency Ratings

Oberlin College has long maintained strong ratings with Standard & Poor's (S&P) and Moody's, allowing Oberlin to issue bonds and refinance debt at optimal interest rates (see Footnote 6). These ratings reflect our ongoing efforts to manage the College's finances in a challenging higher education market sector. In October 2022, S&P affirmed our AA- rating and changed the outlook to negative from stable. In July 2021, Moody's affirmed Oberlin's Aa3 rating and changed the outlook to stable from negative.

Summary

As noted previously, pre-pandemic threats to long-term financial sustainability existed in the higher education marketplace, especially among private liberal arts colleges. The One Oberlin report that was issued during fiscal year 2019 by an Academic and Administrative Program Review committee to address future challenges of the College was instrumental in providing the framework for preparedness for the realities of the on-going pandemic. The College continues to implement

the recommendations included in the report that will further align institutional resources to the College's mission and build upon academic excellence.

In the face of challenges in the higher education marketplace, and private liberal arts colleges in particular, we must continue to maintain fiscal discipline now and in the years ahead. We continue to seek out opportunities to enhance revenues and control spending while continuing to provide exceptional academic instruction and a rich and comprehensive residential experience to our students. We remain united in a vision of a sustainable institution of academic and artistic excellence.

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Independent Auditor's Report

RSM US LLP

Board of Trustees
Oberlin College

Opinion

We have audited the consolidated financial statements of Oberlin College (the College), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oberlin College as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of College Properties of Northern Ohio, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

RSM US LLP

Cleveland, Ohio
December 16, 2022

Oberlin College

Consolidated Statements of Financial Position
June 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 60,687	\$ 56,281
Restricted cash	45,679	-
Accounts receivable, net	2,082	2,145
Pledges receivable	16,598	2,309
Other current assets	2,023	2,592
Total current assets	<u>127,069</u>	<u>63,327</u>
Other assets:		
Pledges receivable, net	10,268	9,151
Student loans, net	6,457	7,181
Other long-term receivables	3,530	7,705
Total other assets	<u>20,255</u>	<u>24,037</u>
Long-term investments:		
Assets restricted to investment in land, buildings and equipment	4,947	4,941
Endowment funds	1,183,657	1,273,002
Sinking fund	13,148	9,474
Annuity and life income funds	38,532	48,561
Funds held in trust by others	18,168	22,459
Total long-term investments	<u>1,258,452</u>	<u>1,358,437</u>
Property, plant and equipment:		
Land, buildings and equipment	817,450	807,294
Construction in progress	75,817	14,830
Less: accumulated depreciation	(486,272)	(464,373)
Total property, plant and equipment	<u>406,995</u>	<u>357,751</u>
Total assets	<u>\$ 1,812,771</u>	<u>\$ 1,803,552</u>

See notes to consolidated financial statements.

Oberlin College

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(Dollars in Thousands)

	2022	2021
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 16,706	\$ 16,573
Loans payable	767	901
Deposits and agency funds	14,422	10,786
Other current liabilities	40,499	16,072
Total current liabilities	<u>72,394</u>	<u>44,332</u>
Other liabilities:		
Accrued postretirement benefit obligation	22,741	18,339
Annuity obligations	13,546	16,216
Federal student loan funds	1,104	2,084
Loans payable	18,801	25,482
Other non-current liabilities	8,735	59,271
Bonds payable, net	260,364	164,502
Total liabilities	<u>397,685</u>	<u>330,226</u>
Net Assets		
Without donor restrictions:		
Current operations	(15,824)	(39,036)
Non-operating	(102)	(15,878)
Legal contingency	(36,287)	(31,615)
Designated for specific purposes	4,932	11,457
Plant and facility funds	54,377	63,572
Amortized contributions for long-lived assets	73,231	77,016
Sinking fund	13,148	9,474
Board designated endowment funds	168,940	185,757
Total without donor restrictions	<u>262,415</u>	<u>260,747</u>
With donor restrictions:		
Donor designated for specific purposes	58,056	45,306
Annuity and life income funds	20,514	20,887
Student loan funds	6,998	6,563
Unexpended plant and facility funds	22,514	24,898
Funds held in trust by others	18,168	22,459
Endowment funds	1,026,421	1,092,466
Total with donor restrictions	<u>1,152,671</u>	<u>1,212,579</u>
Total net assets	<u>1,415,086</u>	<u>1,473,326</u>
Total liabilities and net assets	<u>\$ 1,812,771</u>	<u>\$ 1,803,552</u>

See notes to consolidated financial statements.

Oberlin College

Consolidated Statement of Activities
Year Ended June 30, 2022
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Student income (net of student aid totaling \$96,917)	\$ 144,343	\$ -	\$ 144,343
Auxiliary services, other	4,950	-	4,950
Government grants and contributions	-	8,103	8,103
Private gifts and grants	16,137	5,665	21,802
Investment earnings	13,926	25,149	39,075
Other sources	1,275	3,324	4,599
Net assets released from restrictions	39,922	(35,298)	4,624
Total operating revenues	220,553	6,943	227,496
Operating expenses:			
Instruction and research	83,116	-	83,116
Academic support	23,281	-	23,281
Student services	20,185	-	20,185
Institutional support	30,346	-	30,346
Auxiliary services, student and other	33,258	-	33,258
Total operating expenses	190,186	-	190,186
Change in net assets from operating activities	30,367	6,943	37,310
Non-operating activities:			
Investment earnings, net	13,160	59,337	72,497
Unrealized losses	(28,540)	(154,194)	(182,734)
Contributions, net	416	28,737	29,153
Change in annuities	456	252	708
Post-retirement benefit obligation adjustment	(4,402)	-	(4,402)
Change in fair value of swap contracts	1,623	-	1,623
Gain on new market tax credit	1,897	-	1,897
Legal contingency	(4,672)	-	(4,672)
Redesignated funds and other	(4,852)	(144)	(4,996)
Net assets released from restrictions	(3,785)	(839)	(4,624)
Change in net assets from non-operating activities	(28,699)	(66,851)	(95,550)
Change in net assets	1,668	(59,908)	(58,240)
Net assets at beginning of year	260,747	1,212,579	1,473,326
Net assets at end of year	\$ 262,415	\$ 1,152,671	\$ 1,415,086

See notes to consolidated financial statements.

Oberlin College

Consolidated Statement of Activities
Year Ended June 30, 2021
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Student income (net of student aid totaling \$67,085)	\$ 100,766	\$ -	\$ 100,766
Auxiliary services, other	1,628	-	1,628
Government grants and contributions	-	5,014	5,014
Private gifts and grants	10,869	5,620	16,489
Investment earnings	30,499	28,171	58,670
Other sources	3,025	1,085	4,110
Net assets released from restrictions	35,333	(30,737)	4,596
Total operating revenues	182,120	9,153	191,273
Operating expenses:			
Instruction and research	80,619	-	80,619
Academic support	26,884	-	26,884
Student services	18,261	-	18,261
Institutional support	26,480	-	26,480
Auxiliary services, student and other	29,860	-	29,860
Total operating expenses	182,104	-	182,104
Change in net assets from operating activities	16	9,153	9,169
Non-operating activities:			
Investment earnings, net	4,277	12,085	16,362
Unrealized gains	52,627	280,535	333,162
Contributions, net	542	2,880	3,422
Change in annuities	(1,054)	(2,727)	(3,781)
Post-retirement benefit obligation adjustment	3,769	-	3,769
Change in fair value of swap contracts	5,741	-	5,741
Gain on new market tax credit	833	-	833
Redesignated funds and other	(1,807)	(123)	(1,930)
Net assets released from restrictions	(3,462)	(1,134)	(4,596)
Change in net assets from non-operating activities	61,466	291,516	352,982
Change in net assets	61,482	300,669	362,151
Net assets at beginning of year	199,265	911,910	1,111,175
Net assets at end of year	\$ 260,747	\$ 1,212,579	\$ 1,473,326

See notes to consolidated financial statements.

Oberlin College

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (58,240)	\$ 362,151
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	21,899	25,240
Change in fair market value of interest rate swap arrangements	(1,623)	(5,741)
Net amortization of deferred financing costs	76	79
Gain on new market tax credit	(1,897)	(833)
Contributions restricted for long-term investments	(13,746)	(8,432)
Earnings restricted for long-term investment	(366)	(373)
Net realized and unrealized losses (gains) on long-term investments	75,852	(404,079)
Changes in assets and liabilities:		
Accounts receivable	63	3,158
Pledges receivable	(15,406)	5,010
Other current and non-current assets	569	(347)
Accounts payable, accrued expenses and other liabilities	(27,386)	4,281
Deposits and agency funds	3,636	(919)
Accrued postretirement benefit obligation	4,402	(2,328)
Net adjustment of annuity obligations	(2,670)	1,786
Net cash used in operating activities	(14,837)	(21,347)
Cash flows from investing activities:		
Purchases of plant and equipment	(69,090)	(18,429)
Net proceeds from student loans collected	724	772
Decrease in other long-term receivables	(23)	-
Purchases of investments	(834,419)	(244,535)
Proceeds from sales and maturities of investments	858,552	300,235
Net cash (used in) provided by investing activities	(44,256)	38,043
Cash flows from financing activities:		
Proceeds from contributions for:		
Investment in endowment	13,271	6,944
Investment in long-lived assets	321	742
Investment in life income agreements	154	746
Earnings restricted for long-term investment	366	373
Payments on bonds and loans payable	(15,909)	(4,381)
Proceeds from issuance of long-term debt	110,975	-
Net cash provided by financing activities	109,178	4,424
Net increase in cash, cash equivalents and restricted cash	50,085	21,120
Cash, cash equivalents and restricted cash:		
Beginning	56,281	35,161
Ending	\$ 106,366	\$ 56,281
Supplemental disclosures of noncash transactions		
Plant and equipment included in accounts payable	\$ 9,767	\$ 8,293

See notes to consolidated financial statements.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 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 consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States and accordingly they are presented on the accrual basis of accounting, focusing on the institution as a whole. These statements also reflect the assets, liabilities and operating activities of the College's wholly-owned entity, College Properties of Northern Ohio, Inc. (Gateway Complex Project), with the elimination of inter-company transactions and balances. 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:

Net assets without donor restrictions are net assets that are free of donor imposed restrictions as well as net assets designated by the governing board.

Net assets with donor restrictions include net assets from gifts subject to donor-imposed stipulations and cumulative earnings and gains, both realized and unrealized, that may or will be met by Board appropriation, the College satisfying the purpose restriction and/or the passage of time. These net assets are used to support general instruction, scholarships, professorships, research, library operations and capital acquisitions.

Also included in net assets with donor restrictions are net assets subject to donor-imposed restrictions that the corpus be maintained permanently by the College. The Board of Trustees has specifically resolved that in the absence of explicit donor stipulations to the contrary, an amount equal to the aggregate fair value of (a) each permanent endowment fund of the College at the time it became an endowment fund, (b) each subsequent donation to the fund at the time it is made, and (c) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund is deemed to be the amount that must be retained permanently consistent with applicable law. In general, the donors of these assets permit the use of all or part of the cumulative earnings and gain, both realized and unrealized, on related investments for general or specific purposes. These net assets consist primarily of amounts whose income supports general instruction, scholarships, professorships and library funds.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-restricted 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 gains and net assets released from restrictions in the consolidated statement of activities.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

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 stated at their net present value using an annual discount rate commensurate with the risks involved (7.0% for those intentions established prior to June 30, 2014 and 5.0% post July 1, 2014). 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. Based on prior history, no allowance is recorded at June 30, 2022 and 2021.

Income and realized net gains or losses on long-term investments are reported as increases or decreases, respectively, in net assets with donor restrictions if the terms of the gift require that they be added or subtracted from the principal of a permanent endowment fund or as funds held in trust by others; or, if the terms of the gift or state law impose restrictions on the use of the income. In all other cases, they are reported as increases or decreases in net assets with donor restrictions until the earnings have been appropriated for expenditure and any related purpose restriction is met.

Accounts receivable, net: The College uses the allowance method for accounts receivable. Management estimates the allowance and reserve based upon its assessment of historical collections and outstanding receivables. The allowance for doubtful accounts at June 30, 2022 and 2021 was \$2,150 and \$2,051, respectively.

Long-term investments: The College classifies its investments into the following categories:

Cash and cash equivalents: The College invests in cash and cash equivalents, short-term investments and other securities with quoted prices in active markets. Typical liquidity for these investments is daily.

Collateral cash: Cash overlay pools are used to provide the margin necessary to support the futures contracts. The size of the margin pool varies depending on the notional value of the future contracts. Futures contracts are used in the fixed income and equity categories to maintain investment policy allocation and/or gain investment exposure to specific markets. Typical liquidity for these investments is daily.

Fixed income: Fixed income investments include investments in government securities and corporate bonds via separate accounts, limited partnerships, commingled vehicles, and futures contracts. Typical liquidity for these investments is daily and monthly.

Funds held in trust by others: These investments represent resources neither in the possession nor under the control of the College, but rather held and administered by outside trustees, with the College paid income or a residual interest from the assets of such funds. The fair value of these funds is based on the College's proportionate interest in the fair market value of the trusts as determined by the trustee.

Gift annuities and trusts and investments restricted for plant facilities: These investments consist of annuity and life income funds and assets restricted to investment in land, buildings and equipment. The College invests in equities and fixed income securities with quoted prices in active markets.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Developed Markets Equity and Emerging Markets Equity: The College invests in public equity securities in various geographical areas including U.S. as well as developed and emerging markets. Public equity securities are owned either directly by the College or indirectly through investments in limited partnerships, limited liability companies, commingled vehicles and futures contracts. Fund liquidity is daily, monthly, quarterly, annually, and greater than one year, with approximately 50% of the net asset value being accessible within one quarter or less.

Hedge funds: Hedge funds seek to generate high long-term real returns and reduce volatility by exploiting market inefficiencies. Returns are achieved using various strategies including market neutral, long/short equity, credit, event driven, and global macro strategies. Typical liquidity for these investments is quarterly, annually, or greater than one year, with approximately 60% of the net asset value being accessible within one quarter.

Private equity and Venture Capital: These investments include buyouts, distressed debt, growth equity, private credit and venture capital limited partnerships. The College diversifies these investments by geography, sectors and stage. These investments are generally illiquid. Private credit limited partnerships are expected to generate and distribute interest cash flows throughout the vehicle's life, while other types of funds will make distributions as the underlying portfolio companies are sold in the market. On average the underlying investments in the limited partnership funds would be fully liquidated over the next four to 12 years.

Real assets: Real assets include commodities, energy, natural resource equities, real estate, Treasury Inflation-Protected Securities (TIPS) and Real Estate Investment Trusts (REITs). Real asset investments are made both via liquid public markets (commodities, natural resource equities, REITs and TIPS) and via illiquid private equity structured funds (private real estate and private energy). The private real estate and private energy funds are not redeemable. As these funds age in duration, distributions are received as the underlying portfolio companies are sold in the market. The underlying companies within the private funds would be fully liquidated over the next eight to 12 years.

Interest rate swap: The College entered into an interest rate swap agreement to reduce the costs of and exposure to significant, unanticipated fluctuations caused by interest-rate volatility on certain variable rate debt. The College's goal is to lower (whenever possible) the cost of its borrowed funds. In accordance with the *Accounting for Derivative Instruments* and *Hedging Activities* Topics of the ASC, the College recognizes its derivative financial instrument as either an asset or liability at fair value in the consolidated statements of financial position.

The fair market value of the interest swap arrangement is the estimated amount that the College would receive (or would be required to pay) to terminate this contract as of the fiscal year end. The swap arrangements currently carry no collateral requirement. The estimated cumulative fair value gain is included in long-term investments in the consolidated statements of financial position. The estimated cumulative fair value (loss) is included within other non-current liabilities in the consolidated statements of financial position. Changes in the fair value of these contracts are recorded as other non-operating items in the consolidated statement of activities. These agreements were entered into in order to manage interest rate exposures and qualify as fair value hedges.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Capital commitments and endowment liquidity: Investment funds in the private equity and real assets classes are typically organized as limited partnerships. A unique characteristic of these funds is that the investment manager requests (or 'calls') capital commitments from the investors as investment opportunities arise and distributes capital as investments are liquidated. Capital calls are typically made by the investment manager during years 1-5 of a fund's life while the majority of capital distributions do not occur until years 8-10 of a fund's life.

Due to the nature of alternative investments and the use of some limited partnerships and commingled vehicles in traditional asset classes (public equities and fixed income), the College contractually agrees to liquidity restrictions. The College, in response to this risk, closely monitors the liquidity of the portfolio. As of June 30, 2022, the following liquidity characteristics applied to the College's pooled endowment and board-designated endowment funds:

<u>Liquid within</u>	<u>% of Endowment</u>
1 year	46%
3 years	5%
Illiquid	49%

Illiquid investments represent those invested in real assets and private equity limited partnerships. There is a very limited secondary market for these interests and selling them would require considerable time. The College is not actively trying to sell any of its illiquid investments at this time.

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

Depreciation: Depreciation of the property, plant and equipment owned by the College and its subsidiaries has been computed using the mid-year convention and depreciated straight-line 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, 2022 and 2021 was:

	2022	2021
Educational and general properties	\$ 13,626	\$ 16,210
Library books and materials	2,419	2,424
Auxiliary properties	5,854	6,606
	<u>\$ 21,899</u>	<u>\$ 25,240</u>

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Release of restrictions on net assets for acquisition of land, building and equipment: Capital gifts to acquire or construct a long-lived asset are recorded as a donor restricted gift until the related asset is placed in service, at which time, the capital gift is released from net assets with donor restrictions to net assets without donor restrictions and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset. This amortization, which amounted to \$4,624 in fiscal year 2022 and \$4,596 in fiscal year 2021, is recorded as a transfer between the non-operating and operating sections of the change in net assets without donor restrictions on the consolidated statement of activities.

Collections and works of art: The College has elected not to capitalize contributed collections. All works of art and collections are held for public exhibition, education or research; are protected, kept unencumbered, cared for, and preserved; and are subject to policies governing their use. 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 consolidated statements of financial position.

Bequests: The College follows the policy of designating bequests without donor restrictions as additions to board-designated funds or plant and facility funds.

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 date the respective 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 an annual discount rate of 7.0% for those agreements entered into prior to June 30, 2014 and 5.0% post July 1, 2014.

Revenue recognition: The College recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

Revenue from student tuition and fees and room and board primarily relates to undergraduate and graduate programs offered at the College and is recognized ratably over each academic term. Tuition and fees collected that are applicable to a future academic term are reported as other current liabilities. Payment for each semester's tuition and fees must be made prior to enrollment, unless other payment arrangements are made. The College does, in certain instances, provide financing to students that allow for payments in excess of one year; however, the financing component is not deemed to be significant.

Student aid represents tuition reductions awarded to students to reduce the overall cost for tuition and fees. Scholarships are given to students in the course of providing educational services and the amounts, as well as the individual recipients, are determined by the College. Scholarships are reported as a reduction to tuition revenues, as the College does not receive any goods or services in exchange for the discount.

Revenue from auxiliary enterprises is recognized when goods or services are provided.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The College utilized the portfolio approach to apply Topic 606 to tuition and fees revenue and auxiliary enterprise revenue. The College has elected the practical expedient with respect to performance obligations under its contracts with students as all such contracts have original terms of less than one year.

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 \$8,253 in 2022 and \$7,946 in 2021. There is capitalized interest of \$2,143 in 2022 and \$0 in 2021. Interest expense, reflected in the consolidated statement of activities, was \$8,765 and \$8,512 for years ended June 30, 2022 and 2021, respectively. In addition, the College includes debt issuance costs as additional interest expense and amortizes those costs using the straight-line method over the term of the loan.

Restricted cash represents unspent bond proceeds. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	2022	2021
Cash and cash equivalents	\$ 60,687	\$ 56,281
Restricted cash	45,679	-
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 106,366</u>	<u>\$ 56,281</u>

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.

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. The College recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the College, the continued tax-exempt status of bonds issued by the College and various positions related to potential sources of unrelated taxable income. The College believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. As of June 30, 2022, the College's income tax years from 2017 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Operating and non-operating activities: For the purposes of the consolidated statements of activities, the College considers its changes in net assets without donor restriction to be operational changes, except for the College's realized and unrealized gains and losses on endowment investments in excess of the College's spending rate, which are reflected as non-operating activities. Contributions, changes in annuities, and investment return received or earned of a capital or endowment nature, that is, to be used for facilities and equipment or to be invested by the College to generate a return that will support operations, are included in non-operating activities. Additionally certain non-operating adjustments such as the fair value of derivatives and gains and losses on the sale, impairment or retirement of real estate or the financing transactions associated with real estate as well as infrequent transactions outside of the normal course of operations are also included as non-operating activities.

Adoption of recently issued accounting pronouncements: The College adopted the following Accounting Standards Updates (ASUs) for the year ended June 30, 2022:

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The adoption of this standard did not have a material effect on the consolidated financial statements.

Recently issued accounting pronouncements: In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications, subject to meeting certain criteria that reference LIBOR or another reference rate expected to be discontinued. The ASU is intended to help stakeholders during the global market-wide reference rate transition period. The standard may be applied for a limited time through December 31, 2022.

The College is currently evaluating the impact of the adoption of this new standard on their consolidated financial statements.

Subsequent events: The College has evaluated subsequent events for potential recognition and/or disclosure through December 16, 2022, the date the financial statements were available to be issued.

Oberlin College

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 2. Endowment and Other Long-Term Investments

Uniform Prudent Management of Institutional Funds Act: The College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Pooled endowment assets are comprised of Board-designated and donor restricted endowment funds. The following table reflects the College's change in the general pooled endowment assets for the year ended:

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, July 1, 2021	\$ 187,225	\$ 1,085,163	\$ 1,272,388
Realized gains	16,132	91,507	107,639
Unrealized gains (losses)	(25,645)	(141,671)	(167,316)
Investment return	(9,513)	(50,164)	(59,677)
Contributions and transfers, net	5,154	8,045	13,199
Endowment distributions	(13,926)	(28,762)	(42,688)
Endowment assets, June 30, 2022	<u>\$ 168,940</u>	<u>\$ 1,014,282</u>	<u>\$ 1,183,222</u>

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, July 1, 2020	\$ 138,094	\$ 798,482	\$ 936,576
Realized gains	33,792	36,688	70,480
Unrealized gains	48,528	270,887	319,415
Investment return	82,320	307,575	389,895
Contributions and transfers, net	(2,690)	9,001	6,311
Endowment distributions	(30,499)	(29,895)	(60,394)
Endowment assets, June 30, 2021	<u>\$ 187,225</u>	<u>\$ 1,085,163</u>	<u>\$ 1,272,388</u>

Endowment investment and spending policy: The College's endowment consists of donor restricted endowment funds and unrestricted board-designated or quasi endowment funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 2. Endowment and Other Long-Term Investments (Continued)

The College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanent endowments: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowments is classified as donor restricted in accordance with UPMIFA and donor stipulations. Also in accordance with the College's interpretation of UPMIFA and absent specific donor restrictions on an endowed fund, the Board may appropriate the realized and unrealized net appreciation in the fair value of the assets of that fund for uses and purposes of the fund.

The College's investment policies are designed to ensure the achievement of a rate of return that adequately supports the College's mission while minimizing risk to the greatest extent possible. The College seeks to minimize downside volatility and other risks while maximizing returns. The objective is to achieve a total return that exceeds a weighted average of individual asset class benchmarks as defined. Oberlin College's Endowment Spending Policy is set by the College's Board of Trustees. The Board of Trustees takes great care in developing the broad objectives and specific spending methodology, giving consideration to a number of factors, including preservation of the College's endowment for perpetuity, economic conditions and the possible impact of inflation and deflation, the College's historical total return on endowment, the expected total returns and the related investment policies and targeted allocations to achieve the expected returns, and the other financial resources of the College. The broad objectives of the Endowment Spending Policy are to increase the real value of the endowment, to provide a dependable stream of current earnings distribution from the endowment pool to the College, to release earnings at a rate sustainable over the long term, and to seek to provide predictability and stability of endowment spending essential for long range planning. These broad objectives, and the Board's frequent evaluation of the factors noted above, allow the College to establish its specific spending methodology. The College's specific spending methodology involves applying a targeted long-term spending rate applied to the 36-month weighted average as adjusted by board-imposed spending collars and also by a maximum spending rate applied to current market value. The actual payout rate for each fiscal year is approved annually by the Board of Trustees.

On occasion, unfavorable market fluctuations cause the fair value of assets associated with individual donor restricted endowment funds to fall below the level that the donor requires the College to retain as a fund of perpetual duration or the historical value of the original gift. For the year ended June 30, 2022, deficiencies of this nature exist in 34 donor-restricted endowment funds, which together have an original gift value of \$10,261, a current fair value of \$9,340 and a deficiency of \$921. For the year ended June 30, 2021, no deficiencies of this nature exist in the donor-restricted endowment funds. These deficiencies are reported in net assets with donor restrictions and resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain purposes that was deemed prudent by the Board of Trustees.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 2. Endowment and Other Long-Term Investments (Continued)

Investments in marketable equity and debt securities with readily determinable fair values are stated at the quoted market value based on the last trade price. The College has a substantial allocation to alternative investments, including hedge funds, private equity or real assets depending on the legal structure and investment strategy of the underlying manager. Nearly all of the valuations reported by alternative investment managers rely upon third-party administrators to objectively value positions and calculate net asset value. Asset managers in private equity structured funds internally calculate values according to agreed upon procedures and provide audited financial statements at calendar year end. Alternative investments are not readily marketable; therefore, the estimated fair value is subject to uncertainty and may differ from the value that would have been used had a ready market for such investments existed. The investment managers for these investments report their audited financial information as of December 31st of each calendar year. These investments are valued by the College as of June 30th at their estimated fair value based on the most recent unaudited quarterly financial reports provided by investment managers.

Investments are exposed to various risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment account balances and the amounts reported in the consolidated statements of financial position.

The College utilizes derivative financial instruments in pursuing its endowment investment objectives. Futures contracts are used to maintain asset class exposures in accordance with the College's asset allocation policy, as well as to obtain exposure to movements in equity prices. Futures contracts provide reduced counterparty risk to the endowment since futures are exchange-traded, and the exchange's clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default. The College uses a third-party advisor and has established policies and procedures to actively monitor and manage the market, credit and counter-party risks associated with these contracts. These financial instruments are valued at their notional exposure, net of leverage, as reflected in the following table (summarized by long-term investment asset class):

	2022	2021
U.S. equity futures—total notional	\$ 27,124	\$ 53,026
Collateral cash	37,301	53,205
Net leverage	\$ (10,177)	\$ (179)

Net realized and unrealized gains (losses) in market value of investments are reflected in the consolidated statement of activities.

The College is obligated to contribute \$140,921 and \$124,299 of additional investments at June 30, 2022 and 2021, respectively. These commitments will be satisfied over a five-year period from the maturities, and redemptions of existing investments of a similar nature.

Oberlin College**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 2. Endowment and Other Long-Term Investments (Continued)

Long-term investments as reflected in the consolidated statements of financial position are detailed as follows:

	Fair Value	
	June 30,	
	2022	2021
General investment pool:		
Cash and cash equivalents	\$ 27,343	\$ 70,686
Developed markets equity	310,508	347,041
Emerging markets equity	59,579	62,490
Hedge funds	219,952	259,877
Private equity	177,956	179,720
Venture capital	331,890	303,221
Real assets	55,994	49,353
Total general investment pool	<u>1,183,222</u>	<u>1,272,388</u>
Non-pooled endowment:		
Cash and cash equivalents	35	32
Developed markets	386	543
Fixed income	14	39
Total separately invested funds	<u>435</u>	<u>614</u>
Total endowment	1,183,657	1,273,002
Sinking fund:		
Cash and cash equivalents	434	895
Developed markets equity	3,425	1,969
Emerging markets equity	822	369
Hedge funds	2,372	2,103
Private equity	2,060	1,507
Venture capital	3,103	1,893
Real assets	932	738
Total sinking fund	<u>13,148</u>	<u>9,474</u>

Oberlin College

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 2. Endowment and Other Long-Term Investments (Continued)

	Fair Value	
	June 30,	
	2022	2021
Annuity and life income funds:		
Pooled income fund trusts:		
Cash and cash equivalents	\$ 67	\$ 77
Fixed income	1,163	1,346
International equity	136	163
Real assets	296	355
U.S. equity	330	402
Total pooled income fund trusts	<u>1,992</u>	<u>2,343</u>
Gift annuity pool:		
Cash and cash equivalents	188	20
Emerging markets equity	863	1,132
Fixed income	4,439	5,559
International equity	2,633	3,336
Real assets	2,475	3,088
U.S. equity	5,428	6,930
Total gift annuity pool	<u>16,026</u>	<u>20,065</u>
Annuity trusts and unitrusts:		
Cash and cash equivalents	691	643
Emerging markets equity	1,138	1,480
Fixed income	5,102	6,401
International equity	3,402	4,402
Real assets	3,094	3,982
U.S. equity	7,087	9,245
Total annuity trusts and unitrusts	<u>20,514</u>	<u>26,153</u>
Total annuity and life income funds	38,532	48,561
Assets restricted to investment in land, buildings and equipment:		
Cash and cash equivalents	10	4
Fixed income	4	4
Real assets	4,933	4,933
Total assets restricted to investment in land, buildings and equipment	<u>4,947</u>	<u>4,941</u>
Funds held in trust by others	<u>18,168</u>	<u>22,459</u>
Total assets for long-term investments	<u>\$ 1,258,452</u>	<u>\$ 1,358,437</u>

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 2. Endowment and Other Long-Term Investments (Continued)

An analysis of investment earnings is as follows for the year ended June 30:

	2022	2021
Investment earnings allocated to operations	\$ 39,075	\$ 58,670
Investment earnings in non-operating	72,497	16,362
Unrealized gains (losses)	(182,734)	333,162
Total	<u>\$ (71,162)</u>	<u>\$ 408,194</u>
Realized gains on sale of investments	\$ 106,882	\$ 70,917
Unrealized gains (losses) on investments	(182,734)	333,162
Interest and dividends, net	4,690	4,115
Total	<u>\$ (71,162)</u>	<u>\$ 408,194</u>

Note 3. Fair Value of Financial Instruments

The College follows FASB Topic 820, Fair Value Measurements, for its financial instruments measured at fair value on a recurring basis. Topic 820 provides a framework for measuring fair value, expands disclosure about fair value measurements, and establishes a three-level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 - Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active.

Level 3 - Uses inputs that are unobservable and are supported by little or no market activity, and reflects the use of significant management judgment. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions.

The College also holds investments in private equity funds, real estate and real estate funds, hedge funds and other investments that are not publicly traded but are valued as a practical expedient using a net asset value per unit, or its equivalent. The College records its portion of these funds at the reported net asset value (NAV) of its ownership interest in partner capital as reported by the general partner or fund manager, and as such, these investments are separately reported in the fair value hierarchy table. Due to the inherent uncertainty of valuation, the estimated fair values may differ from values that would have been used had a readily available market value for the investments existed, and such differences could be material.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 3. Fair Value of Financial Instruments (Continued)

The following table sets forth by level the College's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2022 and 2021. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The College's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the three levels.

	June 30, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Long-term investments:					
Developed markets equity	\$ 45,900	\$ -	\$ -	\$ 241,295	\$ 287,195
Emerging markets equity	11,847	-	-	48,554	60,401
Fixed income	14	-	-	-	14
Hedge funds	7,386	-	-	214,938	222,324
Private equity	336	-	-	179,680	180,016
Venture capital	10,903	-	-	324,090	334,993
Real assets	228	-	-	56,698	56,926
Interests in gift annuities and trusts	16,026	-	22,506	-	38,532
Investments restricted for plant facilities	4,947	-	-	-	4,947
Interests in funds held in trust by others	-	-	18,168	-	18,168
	<u>\$ 97,587</u>	<u>\$ -</u>	<u>\$ 40,674</u>	<u>\$ 1,065,255</u>	<u>1,203,516</u>
Cash and cash equivalents					27,812
U.S. equity futures					27,124
Total investments					<u>\$ 1,258,452</u>
	June 30, 2021				
	Level 1	Level 2	Level 3	NAV	Total
Long-term investments:					
Developed markets equity	\$ 43,063	\$ -	\$ -	\$ 253,464	\$ 296,527
Emerging markets equity	-	-	-	62,859	62,859
Fixed income	39	-	-	-	39
Hedge funds	2,882	-	-	259,098	261,980
Private equity	-	-	-	181,227	181,227
Venture capital	589	-	-	304,525	305,114
Real assets	66	-	-	50,025	50,091
Interests in gift annuities and trusts	20,065	-	28,496	-	48,561
Investments restricted for plant facilities	4,941	-	-	-	4,941
Interests in funds held in trust by others	-	-	22,459	-	22,459
	<u>\$ 71,645</u>	<u>\$ -</u>	<u>\$ 50,955</u>	<u>\$ 1,111,198</u>	<u>1,233,798</u>
Cash and cash equivalents					71,613
U.S. equity futures					53,026
Total investments					<u>\$ 1,358,437</u>

Oberlin College

**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 3. Fair Value of Financial Instruments (Continued)

The nature and risk of investments carried at net asset value as of June 30, 2022 and 2021 are as follows:

	Fair Value at June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Developed markets equity	\$ 241,295	\$ -	Quarterly	30 - 60 days
Emerging markets equity	48,554	-	Monthly, Quarterly, Annually	90 - 180 days
Hedge funds	214,938	-	Quarterly, Annually, >1 Year	45 - 366 days
Private equity	179,680	45,726	Illiquid	Not applicable
Venture capital	324,090	63,952	Illiquid	Not applicable
Real assets	56,698	31,243	Illiquid	Not applicable
	<u>\$ 1,065,255</u>	<u>\$ 140,921</u>		

	Fair Value at June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Developed markets equity	\$ 253,464	\$ -	Quarterly	30 - 60 days
Emerging markets equity	62,859	-	Monthly, Quarterly, Annually	90 - 180 days
Hedge funds	259,098	-	Quarterly, Annually, >1 Year	45 - 366 days
Private equity	181,227	53,222	Illiquid	Not applicable
Venture capital	304,525	57,186	Illiquid	Not applicable
Real assets	50,025	13,891	Illiquid	Not applicable
	<u>\$ 1,111,198</u>	<u>\$ 124,299</u>		

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	Balance at June 30, 2021	Contributions	Withdrawals	Change in Fair Value	Balance at June 30, 2022
Interests in gift annuities and trusts	\$ 28,496	\$ 2,010	\$ (2,644)	\$ (5,356)	\$ 22,506
Interests in funds held in trust by others	22,459	(60)		(4,231)	18,168
	<u>\$ 50,955</u>	<u>\$ 1,950</u>	<u>\$ (2,644)</u>	<u>\$ (9,587)</u>	<u>\$ 40,674</u>

	Balance at June 30, 2020	Contributions	Withdrawals	Change in Fair Value	Balance at June 30, 2021
Interests in gift annuities and trusts	\$ 22,765	\$ 2,214	\$ (1,475)	\$ 4,992	\$ 28,496
Interests in funds held in trust by others	17,884	1,267		3,308	22,459
	<u>\$ 40,649</u>	<u>\$ 3,481</u>	<u>\$ (1,475)</u>	<u>\$ 8,300</u>	<u>\$ 50,955</u>

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 4. Pledges Receivable

Unconditional promises to give and bequests in probate are included in the financial statements as pledges receivable, and as revenue within the appropriate net asset category. Promises to give that are to be received after one year are recorded after discounting to the present value of the future cash flows. Pledges of \$3,592 and \$3,779, due within one year, that are restricted for long-term purposes have been classified as non-current pledges on the consolidated statements of financial position at June 30, 2022 and 2021, respectively.

Unconditional promises to give are expected to be realized in the following periods:

	2022	2021
In one year or less	\$ 20,190	\$ 6,088
Between one year and five years	3,647	2,726
Greater than five years	7,052	6,606
Less discount	(4,023)	(3,960)
	<u>\$ 26,866</u>	<u>\$ 11,460</u>

Note 5. Student Loans, Net

Student loans receivable are carried at face value, less an allowance for doubtful accounts of \$1,383 at June 30, 2022 and 2021. The interest rate on federal student loans was 5.0% for the years ended June 30, 2022 and 2021. Maturity dates range up to 10 years.

The College participates with the U.S. Department of Education in the Federal Perkins Loan Program for the purpose of granting low interest loans to students demonstrating financial need. After a student's graduation or withdrawal, Perkins loans are to be repaid over a maximum of ten years. Perkins funds are ultimately refundable to the US Government to the extent funds are available from the program. Consequently, these funds are shown as a liability of \$1,104 and \$2,084 at June 30, 2022 and 2021, respectively. Under Federal law, the authority for schools to make new Perkins Loans ended on September 30, 2017 with the final loan disbursement permitted through June 30, 2018.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 6. Bonds Payable

Bonds payable, net of bond premium, bond discount and deferred financing costs, at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Ohio Higher Educational Facility Commission:		
Revenue Bonds dated September 12, 2013, maturing annually October 1, 2017 through 2038 in amounts ranging from \$910 to \$5,610 with an interest rate of 3% to 5%, plus unamortized bond premium of \$1,492 and \$1,670 and less unamortized deferred financing cost of \$260 and \$292 at June 30, 2022 and 2021, respectively	\$ 31,997	\$ 43,019
Revenue Bonds dated April 12, 2017, maturing annually October 1, 2018 through 2047 in amounts ranging from \$650 to \$10,955 with an interest rate of 2% to 5%, plus unamortized bond premium of \$2,564 and \$2,720 and less unamortized deferred financing cost of \$366 and \$388 at June 30, 2022 and 2021, respectively	36,827	40,061
Others:		
Taxable Refunding Bonds dated August 1, 2019, maturing on August 1, 2049 in the amount of \$82,065, with an interest rate of 3.685%, less unamortized deferred financing cost of \$620 and \$643 at June 30, 2022 and 2021, respectively	81,445	81,422
Taxable Refunding Bonds dated July 28, 2021, maturing on October 1, 2051 in the amount of \$110,975, with average interest rate of 2.89%, less unamortized deferred issuance and financing cost of \$880 at June 30, 2022.	110,095	-
Total bonds payable, net of bond premium, bond discount and deferred financing costs	<u>\$ 260,364</u>	<u>\$ 164,502</u>

In July 2021, the College issued \$110,975 taxable refunding bonds to finance the first phase of the College's Sustainable Infrastructure Program (SIP), to refinance a portion of the principal of the Series 2013 and 2017 Bonds and terminate the interest rate swap agreement associated with a 2008 bond issuance. Payments due under the agreement represent the principal and interest due on the bonds, and repayment of the bonds is guaranteed by the College. The Series 2021 Bond matures with a balloon payment due on October 1, 2051.

In August 2019, the College issued \$82,065 taxable refunding bonds to refinance the Series 2009 Bonds, the Series 2014A Bonds and the Series 2014B Bonds. Payments due under the agreement represent the principal and interest due on the bonds, and repayment of the bonds is guaranteed by the College. The Series 2019 Bond matures with a balloon payment due on August 1, 2049.

In April 2017, 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 \$39,765 plus a bond premium of \$3,455. A portion of these bonds (par value \$15,725) was used for an advance refunding of the outstanding principal of the October 2009 Revenue Bonds. The remaining funds were utilized to support campus capital improvement projects. The College 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 disclosed above, the College refinanced \$3,100 of the principal under a new 2021 bond issuance.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 6. Bonds Payable (Continued)

In September 2013, the Commission issued Higher Educational Facility Revenue Bonds on behalf of the College in the original principal amount of \$52,395 plus a bond premium of \$3,298. A portion of these bonds was used for a refunding of the outstanding principal of the September 2003 Revenue Bonds. The remaining funds were utilized to support construction of the new Austin E. Knowlton Athletics Complex and improvements to the Central Heating Plant. 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 disclosed above, the College refinanced \$10,875 of the principle under a new 2021 bond issuance.

The Bonds are unsecured general obligations of the College. Future principal payments on the College's outstanding bonds at June 30, 2022 are as follows:

2023	\$	-
2024		-
2025		-
2026		1,765
2027		1,850
Thereafter		254,819
	\$	<u>258,434</u>

Note 7. Loans Payable

The College has two unsecured bank lines of credit with two banks. The first is a demand line of credit with a stated maturity of August 14, 2023, that has a maximum principal amount of \$30,000, accrues interest at the secured overnight financing rate (SOFR) plus 115 basis points (1.15%) and 10 basis points (0.10%) on the portion of the line that is not encumbered. The second line of credit in the amount of \$10,000 expires July 20, 2023, it bears interest at SOFR plus 65 basis points (0.65%) and accrues interest at 15 basis points (0.15%) on the portion of the line that is not encumbered. The balance outstanding on these lines of credit is \$0 for both years.

During fiscal year 2014, the College secured a maximum commitment unsecured term note in the amount of \$18,000 from a local bank for construction purposes as part of the Gateway Complex Project, effective July 1, 2014 and terminating July 1, 2024. Interest accrues at 3-month LIBOR plus 70 basis points (0.70%). According to the terms of the note, the College made interest only payments between the closing date and July 1, 2017. Effective October 1, 2017, the notional amount of the term note amortizes by \$180 per quarter with a final balloon payment due on the termination date. The balance outstanding on this term note at June 30, 2022 and 2021 was \$14,580 and \$15,300, respectively. At June 30, 2022 and 2021, \$720 is reflected within other current liabilities and the remainder is reflected within loans payable on the consolidated statements of financial position.

Future principal payments on the College's maximum commitment term note at June 30, 2022 are as follows:

2023	\$	720
2024		720
2025		13,140
	\$	<u>14,580</u>

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 8. Interest Rate Swap Arrangements

The College entered into an interest rate swap arrangement in October 2007 with an initial notional amount of \$77,870, terminating October 1, 2048. This interest rate swap arrangement was amended and restated and fixed the notional amount at \$40,000, matching the 2008 bond issuance, effective April 18, 2008. The College terminated the swap under the new 2021 bond issuance.

The College entered into an interest rate swap arrangement in June 2014 with an initial notional amount of \$18,000, effective July 1, 2016 and terminating June 27, 2024. Under the terms of this swap arrangement, the College will make monthly interest payments at a fixed interest rate of 3.99%. The net settlement amount expensed was \$1,192 and \$558 for the year ended June 30, 2022 and 2021, respectively. The notional amount of the swap arrangement amortizes by \$180 per quarter, beginning fiscal year 2018, with a final balloon payment due on the termination date.

The fair market value of these arrangements, which are included in other non-current liabilities on the consolidated statements of financial position and is classified as Level 2 of the fair value hierarchy at June 30, are as follows:

	2022	2021
Interest rate swap arrangement effective April 18, 2008	\$ -	\$ (14,584)
Interest rate swap arrangement effective July 1, 2016	(102)	(1,294)
Total fair market value of interest rate swap arrangements	<u>\$ (102)</u>	<u>\$ (15,878)</u>

Note 9. Long-Term Receivables and Loans Payable

Gateway Complex Project: During fiscal year 2014, the College began development of the Gateway Complex Project. The project involves the acquisition, rehabilitation, and redevelopment of the Oberlin Inn to be known as the Gateway Complex. The property is held in College Properties of Northern Ohio, Inc., a wholly owned subsidiary and supporting nonprofit organization of the College. The project includes the construction of a new hotel with a conference center, retail space, and a wing for the College's Admissions operations and additional academic space at a cost of approximately \$40,000. The project contains a fundraising component, utilizes Federal New Market Tax Credit funding as well as funds to be advanced by the College. The College secured a maximum commitment term note in the amount of \$18,000 from a local bank (Note 7) and finalized three tax credit issues in connection with the project. The Hotel at Oberlin opened in 2016 and the remainder of the project was completed in the spring of 2017.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 9. Long-Term Receivables and Loans Payable (Continued)

To facilitate the first Federal New Market Tax Credit structure, on December 31, 2013, the College loaned \$2,076 in the form of a note to DVCI XVIII QEI, LLC ("QEI"), an unrelated entity. The note bears interest at the rate of 1.0524% per annum and is payable quarterly. The note matures December 31, 2038 with interest only payments to be paid quarterly until December 31, 2020 at which time principal and interest payments will be due in the amount of \$32 per quarter. At June 30, 2020 the College had a loan receivable in the amount of \$2,076 from QEI. QEI under similar terms made a loan to DVCI XVIII CDE, LLC ("CDE") an unrelated entity and CDE subsequently made a loan of \$2,076 under similar terms to CPNO as part of the two loans described in the following paragraph. On January 14, 2021, as part of the unwind of the Federal New Market Tax Credit structure, CDE assigned the note to QEI and QEI subsequently assigned the note to the College in the amount of \$2,076. The result of these assignments is that at June 30, 2022 and 2021 CPNO owed the College \$2,076 and as a result the amount is eliminated in consolidation.

College Properties of Northern Ohio, Inc. received two loans, one in the amount of \$2,076 and one in the amount of \$834 from CDE. The proceeds of the loans were used to purchase the Oberlin Inn property from the College. The loans bear interest at the rate of 1.0% per annum and are payable quarterly. The loans mature December 31, 2038 with interest only payments to be paid quarterly until December 31, 2020 at which time principal and interest payments will be due in the amount of \$44 per quarter. On January 14, 2021, the Federal NMTC structure, as noted above, was unwound and the \$2,076 loan was assigned from CDE to QEI and then assigned to the College. At the same time the \$834 loan being held by CDE was purchased by the College in the amount \$1, resulting in a gain to the College of \$833. The result of the assignments and the purchase is that at June 30, 2022 and 2021, the College had the receivable described in the preceding paragraph and the \$834 receivable described in this paragraph from CPNO which are eliminated in consolidation.

To facilitate the second Federal New Market Tax Credit structure, on September 23, 2014, the College loaned a total of \$4,175 in the form of a note to Chase NMTC Oberlin Gateway Investment Fund, LLC, an unrelated entity. The note bears interest at the rate of 1.0000% per annum and is payable quarterly. The note matures September 23, 2044 with interest only payments to be paid quarterly until December 15, 2021 at which time principal and interest payments will be due in the amount of \$51 per quarter. On September 24, 2021, as part of the unwind of the Federal New Market Tax Credit structure, CDE assigned the note to QEI and QEI subsequently assigned the note to the College in the amount of \$4,175. The result of these assignments is that at June 30, 2022 CPNO owed the College \$4,175 and as a result the amount is eliminated in consolidation.

College Properties of Northern Ohio, Inc. received two loans totaling \$2,700 from CNMC SUB-CDE 48, LLC, an unrelated entity, and two loans totaling \$3,395 from DVCI CDE XVI, LLC, an unrelated entity. The proceeds of the loans were used for the Gateway Complex Project. The loans bear interest at the rate of 0.8183% per annum and are payable quarterly. The loans mature September 23, 2044 with interest only payments to be paid quarterly until December 5, 2021 at which time principal and interest payments will be due in the amount of \$32 and \$41 per quarter, respectively. On September 24, 2021, the Federal NMTC structure, as noted above, was unwound and the \$4,175 loan was assigned from CDE to QEI and then assigned to the College. At the same time the \$1,920 loan being held by CDE was purchased by the College in the amount \$1, resulting in a gain to the College of \$1,919, less fees of \$21. The result of the assignments and the purchase is that at June 30, 2022, the College had the receivable described in the preceding paragraph and the \$1,920 receivable described in this paragraph from CPNO which are eliminated in consolidation.

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 9. Long-Term Receivables and Loans Payable (Continued)

To facilitate the third Federal New Market Tax Credit structure, on March 3, 2016, the College loaned a total of \$3,530 in the form of a note to Chase NMTC Oberlin Gateway 2 Investment Fund, LLC, an unrelated entity. The note bears interest at the rate of 1.0000% per annum and is payable quarterly. The note matures March 3, 2046 with interest only payments to be paid quarterly until June 15, 2023 at which time principal and interest payments will be due in the amount of \$43 per quarter. The related notes receivable balance is included in other long-term receivables on the consolidated statements of financial position.

College Properties of Northern Ohio, Inc. received two loans totaling \$4,988 from Western Reserve DF Affiliate IX, LLC, an unrelated entity. The proceeds of the loans were used for the Gateway Complex Project. The loans bear interest at the rate of 1.2342% per annum and are payable quarterly. The loans mature March 3, 2046 with interest only payments to be paid quarterly until June 5, 2023 at which time principal and interest payments will be due in the amount of \$44 and \$18 per quarter, respectively. These loans are included in loans payable on the consolidated statements of financial position.

Future principal payments on loans held by College Properties of Northern Ohio, Inc. at June 30, 2022 are as follows:

2023	\$	47
2024		189
2025		192
2026		194
2027		196
Thereafter		4,170
	\$	<u>4,988</u>

Note 10. Postretirement Benefits

The College sponsors an unfunded defined benefit postretirement health care plan that covers substantially all regular status 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. In 2017, the College supplemented this existing plan with a non-contributory stipend plan, whereby retirees instead receive a retiree health stipend that is intended to be equivalent to the College's expected annual contribution to the existing plan, allowing our retirees to utilize the stipend to pay premiums toward another retiree healthcare insurance plan providing either more or less coverage. Effective January 2020, the College moved to an Employer Group Waiver Plan (EGWP) design for Medicare eligible retirees.

The accounting for these postretirement healthcare benefits at June 30, 2022 and 2021 anticipated future cost-sharing changes to the existing plan consistent with the College's policy stating that annual minimum retiree contributions will be set at an amount equal to 21% of the College's estimated cost before considering the contribution.

Oberlin College

**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 10. Postretirement Benefits (Continued)

The weighted average assumptions used to determine net benefit obligation for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Discount rate	4.69%	7.00%
Health care trend rates – (Pre-65)		
Trend for next year	7.20%	6.20%
Ultimate trend	4.50%	4.50%
Year ultimate trend reached	2032	2032
Health care trend rates – (Post-65)		
Trend for next year	10.10%	6.50%
Ultimate trend	4.50%	4.50%
Year ultimate trend reached	2032	2032
Measurement date	June 30, 2022	June 30, 2021

The effects of a one percent change in the assumed health care cost trend rate in each year are summarized in the following table. With the change in design effective January 1, 2022, changes in health care cost trend rates have an opposite effect on benefit obligation change than the prior design. The change will have a delayed effect on the change in service cost and interest cost, since they are measured at the beginning of the year and benefit obligation is measured at the end of the year.

	2022	2021
Effect of an increase:		
On benefit obligation, end of year	\$ 336	\$ 438
On service cost and interest cost for year	54	48
Effect of a decrease:		
On benefit obligation, end of year	(352)	(486)
On service cost and interest cost for year	(58)	(51)

The following table reflects the change in accrued postretirement health care cost liability for the years ended June 30, 2022 and 2021:

	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 18,339	\$ 20,667
Service cost	438	541
Interest cost	1,230	1,390
Plan amendments	-	1,844
Actuarial loss	4,455	(5,535)
Benefits paid	(1,721)	(568)
Benefit obligation at end of year	\$ 22,741	\$ 18,339

Oberlin College

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 10. Postretirement Benefits (Continued)

In 2022, the mortality improvement scale used to calculate the benefit obligation for the College's defined benefit postretirement health care plan was updated to the MP-2021 mortality improvement scale from the MP-20120 mortality improvement scale used in 2021. The College believes that the updated mortality rates are the best estimate of future experience.

Net periodic postretirement health care cost for the years ended June 30, 2022 and 2021 included the following components:

	2022	2021
Net periodic postretirement benefit cost:		
Service cost – benefits attributed to service during the period	\$ 438	\$ 541
Interest cost on accumulated postretirement benefit obligation	1,230	1,390
Net amortization and deferral	161	88
Net loss	(53)	-
Net periodic postretirement benefit cost	<u>\$ 1,776</u>	<u>\$ 2,019</u>

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

	Total Claims	Medicare Reimbursement	Net Claims
2023	\$ 1,588	\$ -	\$ 1,588
2024	1,699	-	1,699
2025	1,798	-	1,798
2026	1,817	-	1,817
2027	1,857	-	1,857
2028-2032	9,618	-	9,618

Medicare reimbursements reflected above are based on the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Assuming retiree contributions of 21% to the existing plan, the College expects to contribute \$1,255 toward expected net claims of \$1,588 in fiscal year 2023. Medicare reimbursements ceased, effective for claims under the plan design effective January 1, 2020.

Note 11. Retirement Plan

The College has a contributory defined contribution retirement plan with TIAA. The College makes contributions based on a percentage of an eligible employee's earnings. Contributions were \$5,697 and \$6,350 at June 30, 2022 and 2021, respectively.

Note 12 Conditional Asset Retirement Obligation

The College recognizes 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 for these costs of approximately \$2,966 and \$2,781 at June 30, 2022 and 2021, respectively, within other non-current liabilities on the consolidated statements of financial position.

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Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 13. Commitments and Contingencies

At June 30, 2022, the College has outstanding commitments on various construction projects totaling approximately \$33,039.

On November 7, 2017, Gibson Bros., Inc., David Gibson, and Allyn W. Gibson (the "Plaintiffs") filed an eight-count complaint in the Lorain County (Ohio) Court of Common Pleas against the College and the Vice President and its Dean of Students (together, the "College"). The matter was captioned Gibson Bros., Inc., et al. v. Oberlin College, et al., No. 17CV193761 (Lorain Cty. C.P.).

On September 9, 2022, Oberlin paid the Plaintiffs \$36,594,905, which constituted the full amount of the judgment plus interest. Oberlin subsequently filed a Satisfaction of Judgment with the trial court.

The College has overlapping umbrella and excess insurance policies. Insurance coverage will be determined now that the matter has been resolved. As required by financial accounting standards, the College has recorded a liability of \$36,287 and \$31,615 at June 30, 2022 and June 30, 2021, respectively, which is included in other non-current liabilities on the consolidated statements of financial position.

Note 14. Functional Expenses

Expenses classified by natural and functional classification, for the year ended June 30, are summarized as follows:

	2022					
	Instruction and Research	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Total
Operating expenses:						
Salaries and benefits	\$ 54,964	\$ 9,165	\$ 10,876	\$ 14,801	\$ 1,395	\$ 91,201
Supplies and services	4,516	1,269	1,352	2,222	14,509	23,868
Building costs	1,673	440	3,699	7,701	13,443	26,956
Fees	2,366	1,675	1,566	4,294	996	10,897
Other	2,245	961	2,219	948	227	6,600
Interest	7,233	43	63	113	1,313	8,765
Depreciation	10,119	9,728	410	267	1,375	21,899
Total operating expenses	<u>\$ 83,116</u>	<u>\$ 23,281</u>	<u>\$ 20,185</u>	<u>\$ 30,346</u>	<u>\$ 33,258</u>	<u>\$ 190,186</u>
	2021					
	Instruction and Research	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Total
Operating expenses:						
Salaries and benefits	\$ 55,193	\$ 9,606	\$ 9,823	\$ 14,917	\$ 4,275	\$ 93,814
Supplies and services	1,689	760	926	1,172	9,643	14,190
Building costs	1,486	4,012	4,159	2,999	10,714	23,370
Fees	2,315	1,889	842	6,348	1,223	12,617
Other	554	781	2,049	682	295	4,361
Interest	6,775	47	49	94	1,547	8,512
Depreciation	12,607	9,789	413	268	2,163	25,240
Total operating expenses	<u>\$ 80,619</u>	<u>\$ 26,884</u>	<u>\$ 18,261</u>	<u>\$ 26,480</u>	<u>\$ 29,860</u>	<u>\$ 182,104</u>

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**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 14. Functional Expenses (Continued)

Fundraising expenses of \$4,674 and \$6,282 are included in the functional expense category of institutional support at June 30, 2022 and 2021, respectively. The College charges all costs that are directly attributable to a specific functional area to those functional areas. Costs attributable to more than one function are allocated using a variety of cost allocation techniques, such as the functional use of various buildings and total building square footage.

Note 15. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year of June 30:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 60,687	\$ 56,281
Restricted cash	45,679	-
Accounts receivable, net	2,082	2,145
Pledges, net	26,866	11,460
Student loans, net	6,457	7,181
Investments	1,258,452	1,358,437
Total financial assets as of June 30,	<u>1,400,223</u>	<u>1,435,504</u>
Less amounts not available to meet cash needs for general expenditure within one year:		
Contractional or donor restrictions:		
Restricted in perpetuity	396,387	379,367
Restricted cash	45,679	-
Accumulated endowment earnings	675,714	763,008
Restricted by time or purpose	80,570	70,204
Federal student loan funds	1,104	2,084
Board designated endowment funds	168,940	187,225
Board designated funds	18,080	20,931
Financial assets available to meet cash needs for general expenditures within one year	<u>13,749</u>	<u>12,685</u>
Liquidity resources:		
Budgeted appropriation of endowment funds	46,579	40,826
Anticipated receipt of pledge payments for general operations	16,598	6,088
Line of credit	40,000	40,000
Total financial assets and liquidity resources available within one year	<u>\$ 116,926</u>	<u>\$ 99,599</u>

The College regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

Oberlin College**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 16. Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following at June 30:

	2022	2021
Subject to expenditure for the following specified purposes:		
Academic/administrative support	\$ 49,594	\$ 30,969
Plant facilities and equipment	24,195	28,099
Scholarship and prizes	4,508	5,820
Lectureships	1,454	1,342
Library operations/acquisitions	259	225
Funds held in trust	220	178
Professorships	54	53
Other	286	3,518
	<u>80,570</u>	<u>70,204</u>
Endowments, subject to spending policy and appropriation:		
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	339,004	324,237
Accumulated endowment earnings	675,714	763,008
	<u>1,014,718</u>	<u>1,087,245</u>
Other net assets restricted in perpetuity:		
Split interest agreements	20,514	20,887
Student loan funds	6,998	6,563
Trusts held by others	18,168	22,459
Endowment contributions receivable	11,703	5,221
	<u>57,383</u>	<u>55,130</u>
Total net assets with donor restrictions	<u>\$ 1,152,671</u>	<u>\$ 1,212,579</u>

Endowments are restricted for the following purposes at June 30:

	2022	2021
Academic/administrative support	\$ 466,158	\$ 502,223
Scholarship and prizes	376,475	397,195
Professorships	120,313	127,042
Plant facilities and equipment	24,210	25,997
Library operations/acquisitions	17,580	19,090
Lectureships	6,394	7,041
Endowment contributions receivable	11,703	5,221
Other	3,588	8,657
	<u>\$ 1,026,421</u>	<u>\$ 1,092,466</u>

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Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 16. Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows as of June 30:

	2022	2021
Satisfaction of purpose or time restrictions:		
Scholarship and prizes	\$ 16,691	\$ 13,961
Academic/administrative support	7,444	4,819
Professorships	4,681	5,134
Government grants	3,820	4,322
Plant; facilities and equipment	1,228	1,134
Funds held in trust	986	826
Amortized contributions for long-lived assets	839	1,368
Other	214	183
Library operations/acquisitions	132	23
Lectureships	102	101
Total net assets released from donor restrictions	<u>\$ 36,137</u>	<u>\$ 31,871</u>

Note 17. COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and subsequently declared the COVID-19 outbreak a global pandemic in March 2020. The pandemic has adversely affected domestic and global economic activity and the full impact continues to evolve as of the date of this report. The extent to which the pandemic impacts the College will depend on uncertain future development which cannot be predicted.

During the year ended June 30, 2021, the College was awarded \$4,411 for the U.S. Department of Education/Higher Education Emergency Relief Fund (HEERF) and Coronavirus Relief Fund. This money was awarded to provide economic relief to support the costs of remote learning, grants to students, technology and other purposes related to the disruption of campus operations due to the COVID-19 pandemic. As of June 30, 2021, the College recognized HEERF revenue of \$3,971 which is included in government grants and contributions in the accompanying consolidated statement of activities.

During the year ended June 30, 2022, the College was awarded an additional \$3,824 for the U.S. Department of Education/Higher Education Emergency Relief Fund (HEERF). This money was awarded to provide economic relief to support the costs of remote learning, grants to students, technology and other purposes related to the disruption of campus operations due to the COVID-19 pandemic. As of June 30, 2022, the College recognized HEERF revenue of \$5,248 which is included in government grants and contributions in the accompanying consolidated statement of activities.