

Audited Consolidated Financial Statements and Other Financial
Information

Kenyon College

For the Years ended June 30, 2000 and 1999 with Report of Independent Auditors

Kenyon College

Audited Consolidated Financial Statements
and Other Financial Information

For the years ended June 30, 2000 and 1999

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Report of Independent Auditors

Board of Trustees
Kenyon College

We have audited the accompanying consolidated statements of financial position of Kenyon College (the College) as of June 30, 2000 and 1999, and the related consolidated statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenyon College as of June 30, 2000 and 1999, and the related changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst & Young LLP

September 28, 2000

Kenyon College

Consolidated Statements of Financial Position

	June 30	
	2000	1999
Assets		
Cash and cash equivalents	\$ 58,974,898	\$ 33,600,067
Equity investments	112,297,783	97,294,966
Fixed income investments	39,056,714	24,199,763
Accounts and interest receivable	1,556,101	491,431
Inventories	1,126,661	1,114,250
Present value of pledges receivable	13,494,537	13,091,825
Loans receivable	3,118,252	3,079,748
Interests in charitable trusts	6,997,847	3,031,009
Land	1,156,465	1,228,465
Equipment and furniture, net of accumulated depreciation of \$10,515,507 and \$9,335,776 at June 30, 2000 and 1999, respectively	5,321,712	5,264,881
Library books and periodicals, net of accumulated depreciation of \$4,187,889 and \$3,820,093 at June 30, 2000 and 1999, respectively	5,007,006	4,774,997
Buildings, net of accumulated depreciation of \$28,131,350 and \$26,642,404 at June 30, 2000 and 1999, respectively	35,681,533	31,475,452
Construction work-in-progress	23,564,715	8,922,415
Other assets	220,950	1,700,436
Total assets	\$ 307,575,174	\$ 229,269,705

See accompanying notes.

	June 30	
	2000	1999
Liabilities and net assets		
Liabilities:		
Accounts payable, accrued expenses and agency funds	\$ 3,197,128	\$ 2,843,156
Deposits and advances	2,213,495	1,490,093
Funds held for others	12,973	13,033
Liability for post-retirement benefits	3,369,200	2,956,700
Annuities, life income, pooled life income and unitrust payable	920,417	647,718
Government loan funds	1,801,425	1,776,091
Capital lease obligations	68,360,000	39,800,000
Total liabilities	<u>79,874,638</u>	<u>49,526,791</u>
Net assets:		
Unrestricted	136,254,182	101,306,401
Temporarily restricted	24,520,832	22,546,304
Permanently restricted	66,925,522	55,890,209
Total net assets	<u>227,700,536</u>	<u>179,742,914</u>
Total liabilities and net assets	<u><u>\$ 307,575,174</u></u>	<u><u>\$ 229,269,705</u></u>

Kenyon College

Consolidated Statement of Activities

Year ended June 30, 2000

	Unrestricted		Subtotal Unrestricted
	Current Operations	Internally Designated	
Revenues, gains and other support:			
Student tuition	\$ 35,903,628		\$ 35,903,628
Less: Unfunded student financial aid	(10,157,796)		(10,157,796)
Net student tuition	25,745,832		25,745,832
Miscellaneous fees	799,640	\$ 640,100	1,439,740
Gifts, pledges and bequests	2,722,978	947,461	3,670,439
Investment income	1,112,914	2,957,868	4,070,782
Realized and unrealized gains on investments	-	29,187,184	29,187,184
Government grants	253,121	308,423	561,544
Miscellaneous	352,245	365,293	717,538
Auxiliary enterprise revenues	10,631,837	-	10,631,837
	41,618,567	34,406,329	76,024,896
Net assets released from restrictions	1,457,027	5,989,902	7,446,929
Total revenues, gains and other support	43,075,594	40,396,231	83,471,825
Expenses:			
Instruction	13,639,912	3,737,285	17,377,197
Academic support	2,482,654	1,062,625	3,545,279
Student service	6,690,545	1,273,114	7,963,659
Auxiliary enterprises	9,305,338	1,457,679	10,763,017
Management and general	4,485,209	1,012,990	5,498,199
Fund raising	1,075,777	385,418	1,461,195
Student financial aid	1,549,519	-	1,549,519
Research	-	248,961	248,961
Miscellaneous	-	117,018	117,018
Total expenses	39,228,954	9,295,090	48,524,044
Change in net assets before capital items and additions to reserves	3,846,640	31,101,141	34,947,781
Capital items and additions to reserves	(3,846,640)	3,846,640	-
Change in net assets	-	34,947,781	34,947,781
Change in accounting for certain funds held in trust by others (<i>Note 1</i>)			
Net assets at beginning of year	-	101,306,401	101,306,401
Net assets at end of year	\$ -	\$ 136,254,182	\$ 136,254,182

See accompanying notes.

Temporarily Restricted	Permanently Restricted	Grand Total
		\$ 35,903,628
		(10,157,796)
		<u>25,745,832</u>
		1,439,740
\$ 5,547,492	\$ 7,595,510	16,813,441
1,872,290	139,860	6,082,932
54,366	713,629	29,955,179
-	-	561,544
137,245	38,090	892,873
-	-	10,631,837
<u>7,611,393</u>	<u>8,487,089</u>	<u>92,123,378</u>
(6,542,145)	(904,784)	-
<u>1,069,248</u>	<u>7,582,305</u>	<u>92,123,378</u>
-	-	17,377,197
-	-	3,545,279
-	-	7,963,659
-	-	10,763,017
-	-	5,498,199
-	-	1,461,195
-	-	1,549,519
-	-	248,961
-	-	117,018
-	-	<u>48,524,044</u>
1,069,248	7,582,305	43,599,334
-	-	-
<u>1,069,248</u>	<u>7,582,305</u>	<u>43,599,334</u>
905,280	3,453,008	4,358,288
22,546,304	55,890,209	179,742,914
<u>\$ 24,520,832</u>	<u>\$ 66,925,522</u>	<u>\$ 227,700,536</u>

Kenyon College

Consolidated Statement of Activities

Year ended June 30, 1999

	<u>Unrestricted</u>		<u>Subtotal Unrestricted</u>
	<u>Current Operations</u>	<u>Internally Designated</u>	
Revenues, gains and other support:			
Student tuition	\$ 34,392,431		\$ 34,392,431
Less: Unfunded student financial aid	(9,560,081)		(9,560,081)
Net student tuition	<u>24,832,350</u>		<u>24,832,350</u>
Miscellaneous fees	793,712	\$ 340,631	1,134,343
Gifts, pledges and bequests	2,606,650	1,269,761	3,876,411
Investment income	843,491	2,253,583	3,097,074
Realized and unrealized gains on investments	-	5,992,409	5,992,409
Government grants	257,839	142,737	400,576
Miscellaneous	269,485	-	269,485
Auxiliary enterprise revenues	10,148,033	213,644	10,361,677
Receipts from trusts in hands of others	-	-	-
	<u>39,751,560</u>	<u>10,212,765</u>	<u>49,964,325</u>
Net assets released from restrictions	805,851	4,242,727	5,048,578
Total revenues, gains and other support	<u>40,557,411</u>	<u>14,455,492</u>	<u>55,012,903</u>
Expenses:			
Instruction	13,016,299	2,317,411	15,333,710
Academic support	2,447,015	902,448	3,349,463
Student service	6,319,807	1,083,128	7,402,935
Auxiliary enterprises	9,023,190	1,580,802	10,603,992
Management and general	3,973,667	618,672	4,592,339
Fund raising	1,112,783	422,526	1,535,309
Student financial aid	1,296,191	-	1,296,191
Research	-	82,467	82,467
Miscellaneous	-	325,284	325,284
Total expenses	<u>37,188,952</u>	<u>7,332,738</u>	<u>44,521,690</u>
Change in net assets before capital items and additions to reserves	3,368,459	7,122,754	10,491,213
Capital items and additions to reserves	(3,368,459)	3,368,459	-
Change in net assets	-	10,491,213	10,491,213
Net assets at beginning of year	-	90,815,188	90,815,188
Net assets at end of year	<u>\$ -</u>	<u>\$ 101,306,401</u>	<u>\$ 101,306,401</u>

See accompanying notes.

Temporarily Restricted	Permanently Restricted	Grand Total
		\$ 34,392,431
		<u>(9,560,081)</u>
		24,832,350
		1,134,343
\$ 7,295,873	\$ 5,767,129	16,939,413
1,322,719	184,749	4,604,542
63,965	197,493	6,253,867
-	-	400,576
4,926	-	274,411
-	-	10,361,677
113,258	-	113,258
<u>8,800,741</u>	<u>6,149,371</u>	<u>64,914,437</u>
<u>(5,928,669)</u>	<u>880,091</u>	<u>-</u>
2,872,072	7,029,462	64,914,437
-	-	15,333,710
-	-	3,349,463
-	-	7,402,935
-	-	10,603,992
-	-	4,592,339
-	-	1,535,309
-	-	1,296,191
-	-	82,467
-	-	325,284
<u>-</u>	<u>-</u>	<u>44,521,690</u>
2,872,072	7,029,462	20,392,747
-	-	-
<u>2,872,072</u>	<u>7,029,462</u>	<u>20,392,747</u>
19,674,232	48,860,747	159,350,167
<u>\$ 22,546,304</u>	<u>\$ 55,890,209</u>	<u>\$ 179,742,914</u>

Kenyon College

Consolidated Statements of Cash Flows

	Year ended June 30	
	2000	1999
Operating activities		
Change in net assets	\$ 43,599,334	\$ 20,392,747
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization expense	3,298,220	3,112,188
Realized and unrealized gains	(29,955,180)	(6,253,867)
Contributions for permanently restricted purposes	(5,806,811)	(4,704,532)
Changes in operating assets and liabilities:		
Accounts and interest receivable	(1,064,670)	136,762
Loans receivable	(38,504)	(136,023)
Present value of pledges receivable	(402,712)	(2,256,119)
Interests in charitable trusts	391,450	(82,707)
Inventories	(12,411)	238,990
Other assets	1,479,486	1,033,233
Accounts payable, accrued expenses and agency funds	353,972	746,375
Deposits and advances	723,402	76,068
Liability for postretirement benefits	412,500	461,700
Annuities, life income, pooled life income and unitrusts payable	272,699	84,512
Funds held for others	(60)	2,473
Government loan funds	25,334	53,915
Net cash provided from operating activities	13,276,049	12,905,715
Investing activities		
Purchases of land, buildings, equipment and furniture	(21,901,976)	(11,244,856)
Purchases of library books and periodicals	(599,805)	(588,857)
Disposals of land, equipment and other fixed assets	124,096	28,779
Purchase of securities	(57,984,070)	(51,915,598)
Sale of securities	66,364,483	50,897,371
Increased investment in limited partnerships	(8,270,757)	(6,070,448)
Net cash used in investing activities	(22,268,029)	(18,893,609)
Financing activities		
Contributions for permanently restricted purposes	5,806,811	4,704,532
Payments on capital leases	(440,000)	(520,000)
Payments on bonds	-	(103,000)
Issuance of bonds	29,000,000	20,500,000
Net cash provided by financing activities	34,366,811	24,581,532
Net increase in cash and cash equivalents	25,374,831	18,593,638
Cash and cash equivalents at the beginning of the year	33,600,067	15,006,429
Cash and cash equivalents at the end of the year	\$ 58,974,898	\$ 33,600,067

See accompanying notes.

Kenyon College

Notes to Consolidated Financial Statements

June 30, 2000

1. Summary of Significant Accounting Policies

Organization

Kenyon College (the College), a private educational institution, derives its income from student tuition and fees, investments, gifts and grants, operation of residence and dining halls and related activities.

Use of Estimates

Preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis for Consolidation

The accounts of the Kenyon Inn Management Company, a wholly-owned subsidiary of the College, have been consolidated with the accounts of the College in the accompanying consolidated financial statements. The accounts of the Kenyon Review, the College's literary periodical, (a legally separate entity) and the Philander Chase Corporation (a legally separate entity) have been combined in the accompanying consolidated financial statements of Kenyon College.

Liquidity

Assets and liabilities are listed in their estimated order of liquidity. For those accounts for which such liquidity is unclear, additional disclosures have been made in the accompanying notes to the College's consolidated financial statements.

Kenyon College

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair values of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short maturity of those instruments.

Equity Investments

Common and Preferred Stocks

The fair values of these investments are estimated based on quoted market prices for these or similar investments.

Limited Partnerships—Venture Capital, Buyout Funds and Hedge Funds

The fair value of these investments is based on the College's portion of partners' capital.

Fixed Income Investments

The fair values of these investments are estimated based on quoted market prices for these or similar investments.

Loans Receivable

Federal Perkins Loans Receivable

The interest rates charged on Perkins loans receivable are fixed by the U.S. Department of Education and do not necessarily fluctuate with market conditions. Accordingly, the carrying amount reported for loans receivable approximates fair value.

Kenyon College

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

Loans Receivable (continued)

Kenyon College Loans Receivable

The interest rates charged on Kenyon College loans are fixed by the College and do not fluctuate with market conditions. Accordingly, the carrying amount reported approximates fair value.

Pledges Receivable

Pledges receivable are recorded at the present value of the discounted future cash flows, based on current market interest rates. The carrying value of pledges receivable therefore approximates their fair value.

Interests in Charitable Trusts

Contributions receivable from remainder trusts are recorded at the present value of the projected net future cash flows to be received, based on current market interest rates. Their carrying value therefore approximates their fair value. The College's share of interests in perpetual trusts is recorded at fair market value.

Annuities, Pooled Life Income, Life Income, and Unitrust Payable

The carrying value of these accounts is actuarially determined based on the present value of the discounted estimated future cash flows using current market interest rates and therefore approximates fair value.

Long-Term Debt

The fair value of the College's long-term debt, based on the College's current incremental borrowing rates for similar types of borrowing arrangements, approximates its carrying amount.

Kenyon College

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Net Assets

Net assets are classified into three categories: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted net assets which have donor-imposed restrictions that will expire in the future, and permanently restricted net assets which have donor-imposed restrictions which do not expire.

Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of temporarily restricted net assets. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash Equivalents

The College considers investments with a maturity of one year or less when purchased to be cash equivalents for the statement of financial position and for purposes of preparing the statement of cash flows.

Investments

Investments are carried at fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Investments received from donors as gifts are recorded at fair value at the date of gift. Investment return includes interest, dividends and both realized and unrealized gains and losses.

Kenyon College

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

In accordance with SFAS No. 117, "Financial Statements of Not-for Profit Organizations," the College has recorded net appreciation (both realized and unrealized) on endowment funds as unrestricted net assets unless the use of such income has been temporarily or permanently restricted by the donor or by law. In cases where such donor-imposed restrictions exist, net appreciation is recorded in the same manner as the corresponding income. Accordingly, temporarily or permanently restricted net assets are impacted, depending upon the nature of the restrictions imposed.

The College's endowment funds consist of assets which are invested to provide income to support education and related activities. Depending upon whether their creation resulted from donor-imposed restrictions or internal designations by the Board of Trustees, the corpus of each endowment is recorded as permanently restricted net assets or unrestricted net assets, respectively.

Inventories

Bookstore inventories are determined by physical count and are valued at a percentage of retail value, which approximates cost. Other inventories are valued at cost.

Funds Held in Trust by Others

Irrevocable charitable remainder trusts and charitable lead trusts that are held in trust by others have been included in the College's accompanying consolidated financial statements pursuant to SFAS No. 116, "Accounting for Contributions Received and Contributions Made" as an asset and as contribution revenue.

During the fiscal year ended June 30, 2000, the College changed its accounting policy to record its interests in irrevocable perpetual trusts held by others. This change has been presented as a cumulative effect of a change in accounting principle in the Statement of Activities for the year ended June 30, 2000.

Kenyon College

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Land, Buildings, Equipment and Depreciation

Acquisitions of land, buildings and equipment are stated at cost or at the fair market value of the properties when acquired by gift. Depreciation on physical plant and equipment is calculated on the straight-line method over the expected useful lives of the assets.

Federal Income Taxes

The Internal Revenue Service has determined that the College is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as a public charity described in Section 501(c)(3); accordingly, no provision for federal income taxes has been made in the financial statements.

2. Guaranteed Loans

The College has guaranteed certain employees' home mortgage loans aggregating \$2,830,326.

3. Investments

The fair value of investments compared with cost is as follows (refer to Note 1 for information related to fair values):

	<u>June 30, 2000</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Equity investments:			
Common stocks	\$ 61,521,718	\$ 72,151,346	\$10,629,628
Preferred stocks	133,574	242,251	108,677
Hedge funds	500,000	1,073,138	573,138
Private equity	26,272,996	38,831,048	12,558,052
	<u>88,428,288</u>	<u>112,297,783</u>	<u>23,869,495</u>
Fixed income investments	39,118,200	39,056,714	(61,486)
	<u>\$127,546,488</u>	<u>\$151,354,497</u>	<u>\$23,808,009</u>

Kenyon College

Notes to Consolidated Financial Statements (continued)

3. Investments (continued)

	June 30, 1999		
	Cost	Fair Value	Unrealized Appreciation
Equity investments:			
Common stocks	\$ 64,358,485	\$ 74,099,657	\$ 9,741,172
Preferred stocks	179,959	217,781	37,822
Hedge funds	500,000	869,363	369,363
Private equity	18,002,239	22,108,165	4,105,926
	83,040,683	97,294,966	14,254,283
Fixed income investments	23,184,254	24,199,763	1,015,509
	\$106,224,937	\$121,494,729	\$15,269,792

The composition of investment return is as follows:

	Fiscal year ended June 30	
	2000	1999
Investment income (interest and dividends)	\$ 6,082,932	\$ 4,604,542
Realized and unrealized gains	29,955,179	6,253,867
	\$36,038,111	\$10,858,409

Investment income is shown net of investment expenses of approximately \$800,000 for the year ended June 30, 2000 and \$616,000 for the year ended June 30, 1999.

Pooled Endowment Assets

The College's endowment assets consist of three distinct investment funds: A, B and C. The assets of Fund A consist principally of securities and the assets of Fund B consist principally of real estate. Fund C consists of separately invested endowment funds. Assets of Fund A are pooled for income distribution on a market value basis. Each fund in the pool purchases or sells units on the basis of the value per unit at market value at the previous year end.

Kenyon College

Notes to Consolidated Financial Statements (continued)

3. Investments (continued)

Pooled Endowment Assets (continued)

The following summarizes pertinent data relating to the pooled assets of Fund A that are included in the investments of the College (see Note 1):

	June 30	
	2000	1999
Cost	\$89,600,499	\$67,629,307
Market value	108,927,887	\$78,350,120
Number of units	236,601	220,175
Market value per unit	\$460.39	\$355.85

The 2000 average annual earnings per unit amounted to \$12.53 for Fund A.

The following tabulation summarizes the relationship between cost and market values as well as investment return of endowment fund investments:

	Market	Cost	Excess of Market Value Over Cost
June 30, 2000:			
End of year	\$144,046,556	\$120,937,229	\$23,109,327
Beginning of year	110,521,198	96,040,883	14,480,315
Change in unrealized gain for the year			8,629,012
Net realized gains for the year			21,170,088
Total			29,799,100
Interest and dividends, net of trustee fees			2,268,730
Total return			\$32,067,830

4. Commitment to Limited Partnerships

The College was obligated at June 30, 2000 to invest additional funds in limited partnership investments in the amount of \$24,793,443 at the direction of the general partners.

Kenyon College

Notes to Consolidated Financial Statements (continued)

5. Pledges Receivable

As of June 30, 2000 the College had received unconditional promises totaling \$13,494,537 on which management has determined that no allowance for uncollectible promises is necessary.

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Within one year	\$ 795,754	\$ 685,926	\$ 1,481,680
One to two years	348,416	1,013,320	1,361,736
Two to three years	3,093,500	615,365	3,708,865
Three to four years	1,467,618	1,755,802	3,223,420
Four to five years	381,523	1,040,269	1,421,792
More than five years (estate notes)	511,452	1,785,592	2,297,044
	<u>\$6,598,263</u>	<u>\$6,896,274</u>	<u>\$13,494,537</u>

The amounts are recorded at the present value of future cash flows discounted using rates for one to twenty-six year treasury securities ranging from 6.16% to 6.44%.

6. Available Line of Credit

Under an unused line of credit with a bank, the College may borrow up to \$1,250,000 at an interest rate approximating the bank's prime interest rate.

7. Retirement and Postretirement Benefit Plans

The College contributed \$1,409,201 and \$1,313,558 during the years ended June 30, 2000 and 1999, respectively, to Teachers Insurance and Annuity Association of America, an industry-wide retirement plan for certain members of the faculty and staff. The benefits provided result from defined contributions based on a percentage of each employee's compensation.

In addition to the College's defined contribution retirement plan, the College has two defined benefit postretirement plans. One plan provides certain health care benefits for retired employees. Prior to June 30, 1998, employees became eligible at age 62. During 1998, the plan was amended to grant eligibility at age 59 ½, beginning July 1, 1998. The College pays for the major medical portion of the premium if the participant has either: 1) at least 10 years of service or 2) if less than 10 years of service, has participated in the medical plan during his/her entire employment with the College. If neither of the above conditions are met, the retiree pays the full amount of the premium.

Kenyon College

Notes to Consolidated Financial Statements (continued)

7. Retirement and Postretirement Benefit Plans (continued)

The second plan provides life insurance benefits applicable only to two groups: 1) grandfathered members of the collective bargaining unit who were active as of February 4, 1974; and 2) members of the faculty who retire under early retirement agreements with coverage to continue for a maximum of 5 years. Because of the short period of coverage for faculty members covered by this plan, the value of this benefit for them is not material to the calculation of the postretirement valuation and, therefore, has not been included. The College reserves the right to modify or terminate these retiree payments at any time. The amount of funding activity is determined at the discretion of management. Currently, the College has not funded any portion of the liability.

The following sets forth the plan status with amounts reported in the College's financial statements:

	Fiscal year ended June 30	
	2000	1999
Net Periodic Postretirement Benefit Cost		
Service cost	\$173,200	\$177,100
Interest cost	373,200	313,800
Amortization of prior service cost	44,300	44,300
Amortization of unrecognized loss	90,600	84,100
Total net periodic postretirement benefit cost	\$681,300	\$619,300
 Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 4,567,600	\$ 3,234,000
Service cost	173,200	177,100
Interest cost	373,200	313,800
Actuarial (gain) loss	386,300	1,000,300
Benefits paid	(268,800)	(157,600)
Benefit obligation at end of year	5,231,500	4,567,600
Plan assets	-	-
Funded status	(5,231,500)	(4,567,600)
Unrecognized prior service cost	354,400	398,700
Unrecognized (gain)/loss	1,507,900	1,212,200
Accrued benefit cost	\$(3,369,200)	\$(2,956,700)
 Reconciliation of Accrued Benefit Cost		
Accrued benefit cost at beginning of year	\$(2,956,700)	\$(2,495,000)
Estimated net benefit payments	268,800	157,600
Annual expense	(681,300)	(619,300)
Accrued benefit cost at end of year	\$(3,369,200)	\$(2,956,700)

Kenyon College

Notes to Consolidated Financial Statements (continued)

7. Retirement and Postretirement Benefit Plans (continued)

	Fiscal year ended June 30	
	2000	1999
Actuarial Assumptions		
Weighted average discount rate	7.75%	7.50%
Medical trend:		
For next year	7.00%	7.50%
Thereafter	6.50%	7.00%
Ultimate trend rate	4.50%	4.50%
Year reached	2006	2006

The medical trend rate assumption has a significant effect on the APBO and other amounts reported. If the medical trend rates were to increase by 1 percent for each year, the APBO as of June 30, 2000, would increase by \$748,800 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Expense (NPPBE) for fiscal year 2000 would increase by \$97,300. If the medical trend rates were to decrease by 1 percent for each year, the APBO, as of June 30, 2000 would decrease by \$713,400 and the sum of the service and interest cost components of the NPPBE for fiscal year 2000 would decrease by \$85,100.

8. Capital Lease Obligations

As of June 30, 2000 the College had entered into five lease agreements with the Ohio Higher Educational Facility Commission to finance various building and improvement projects. These leases serve as security for the Commission's Higher Educational Facility Revenue Bonds. The bonds are collateralized by a security interest in the buildings and improvements comprising the various projects.

Rental payments under the leases equal the interest and principal payments on related bonds issued by the Commission. The leases give the College the option to purchase the assets at nominal amounts after all bonds are retired. Accordingly, the College has recorded the assets (\$54,043,762 net of accumulated depreciation of \$23,191,436 at June 30, 2000) as buildings or construction work in progress and the liabilities as capital lease obligations. Amortization of these assets is included in depreciation expense.

Kenyon College

Notes to Consolidated Financial Statements (continued)

8. Capital Lease Obligations (continued)

All revenues generated by the leased facilities are pledged as collateral for retirement of the bonds. At June 30, 2000, certain assets having a market value of \$193,077 were on deposit to guarantee interest and principal payment on the bonds.

Fixed Interest Rate Bonds

Following is a summary of the bonds described above which have fixed interest rates:

7.40% Bonds issued in 1970, callable after 1982 and maturing through 2007	\$ 640,000
4.50% to 5.375% Bonds issued in 1993, callable after 2003 maturing through 2016	<u>10,120,000</u>
Total	<u>\$10,760,000</u>

The amount of rent paid by the College on its fixed rate bonds for the year ended June 30, 2000 was \$998,710 of which \$440,000 represents principal and \$558,710 represents interest. At June 30, 2001, future minimum payments by year and in the aggregate, net of amounts subsidized by a government agency, under the capital lease obligations consist of the following:

2001	\$ 1,006,950
2002	1,003,082
2003	1,002,628
2004	995,552
2005	996,820
Remaining amount due	<u>10,985,675</u>
	15,990,707
Amount representing interest	<u>5,230,707</u>
Fixed rate bonds outstanding	<u>\$10,760,000</u>

Kenyon College

Notes to Consolidated Financial Statements (continued)

8. Capital Lease Obligations (continued)

Variable Interest Rate Bonds

The 1992 Bonds

In December 1992, the College issued variable rate, multi-mode bonds with a par value of \$8,100,000. Since the issue date, those bonds have traded in the weekly mode and the average interest rate on the placements through June 30, 2000 was 3.35 percent. The amount of rent paid (which represents interest) was \$310,797 for the fiscal year ended June 30, 2000. The principal payment is due at maturity on April 1, 2022 unless redeemed under the provisions of the bond. Future minimum lease payments, excluding redemptions and principal due at maturity, represent interest payments and will vary based on the mode selected and economic conditions. In addition, the College has obtained a line of credit with a bank to provide for liquidity in connection with remarketing the bonds. The line of credit expires December 15, 2001.

During any daily, weekly or commercial paper mode, the bonds in such mode may be redeemed prior to maturity at a redemption price of 100 percent of the principal amount thereof.

The 1998 Bonds

In August 1998, the College issued variable rate, multi-mode bonds with a par value of \$20,500,000. Since the issue date, those bonds have traded in the weekly mode and the average interest rate on the placements through June 30, 2000 was 3.56 percent. The amount of rent paid (which represents interest) was \$790,304 for the fiscal year ended June 30, 2000. The principal payment is due at maturity on August 1, 2033 unless redeemed under the provisions of the bond. Future minimum lease payments, excluding redemptions and principal due at maturity, represent interest payments and will vary based on the mode selected and economic conditions. In addition, the College has obtained a line of credit with a bank provide for liquidity in connection with the remarketing of the bonds. The line of credit expires August 26, 2003.

During any daily or weekly rate period, the bonds in such period may be redeemed prior to maturity at a redemption price of 100 percent of the principal amount thereof.

Kenyon College

Notes to Consolidated Financial Statements (continued)

8. Capital Lease Obligations (continued)

Variable Interest Rate Bonds (continued)

The 1999 Bonds

In November 1999, the College issued variable rate, multi-mode bonds with a par value of \$29,000,000. Since the issue date, those bonds have traded in the weekly mode and the average interest rate on the placements through June 30, 2000 was 4.09 percent. The amount of rent paid (which represents interest) was \$741,035 for the fiscal year ended June 30, 2000. The principal payment is due at maturity on November 1, 2035 unless redeemed under the provisions of the bond. Future minimum lease payments, excluding redemptions and principal due at maturity, represent interest payments and will vary based on the mode selected and economic conditions. In addition, the College has obtained a line of credit with a bank to provide for liquidity in connection with the remarketing of the bonds. The line of credit expires November 18, 2004.

During any daily or weekly rate period, the bonds in such period may be redeemed prior to maturity at a redemption price of 100 percent of the principal amount thereof.

9. Net Assets

Net assets of the College, and the nature of any restrictions, are summarized below:

	June 30	
	2000	1999
Unrestricted net assets:		
Board designated net assets:		
Funds functioning as endowment	\$ 92,095,658	\$ 65,147,893
Capital reserve	803,848	307,569
Major physical plant repair and replacement reserve	743,536	357,605
Total board designated net assets	93,643,042	65,813,067
Other designations of net assets:		
Equity in plant assets (at cost)	22,949,856	22,747,803
Management designated net assets	18,506,812	11,679,356
Unrestricted annuities and pooled life funds, and charitable remainder trusts	1,154,472	1,066,175
Total other designations of net assets	42,611,140	35,493,334
Total unrestricted net assets	\$136,254,182	\$101,306,401

Kenyon College

Notes to Consolidated Financial Statements (continued)

9. Net Assets (continued)

	June 30	
	2000	1999
Temporarily restricted net assets:		
Pledges and trusts receivable	\$ 8,798,117	\$ 8,506,786
Life and pooled life income funds	1,710,251	1,698,879
Unexpended gifts and grants	13,509,026	11,926,640
Endowment income designated for restricted purposes	503,438	413,999
Total temporarily restricted net assets	\$24,520,832	\$ 22,546,304
 Permanently restricted net assets:		
Endowment funds	\$51,950,898	\$45,373,304
Pledges and remainder trusts receivable	11,968,185	7,860,161
Annuity, life income and unitrust funds	1,510,756	1,234,045
Student loan funds	1,495,683	1,422,699
Total permanently restricted net assets	\$66,925,522	\$55,890,209

10. Commitments

The College has outstanding commitments of approximately \$9.3 million remaining for the construction of new facilities.