

**Audited Consolidated Financial Statements and Other Financial
Information**

Kenyon College

For the years ended June 30, 2001 and 2000 with Report of Independent Auditors

Kenyon College
Audited Consolidated Financial Statements
and Other Financial Information

For the years ended June 30, 2001 and 2000

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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, 2001 and 2000, 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 auditing standards generally accepted in the United States. 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, 2001 and 2000, and the related changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

October 3, 2001

Kenyon College

Consolidated Statements of Financial Position

	June 30	
	2001	2000
Assets		
Cash and cash equivalents	\$ 17,129,345	\$ 58,974,898
Equity investments	128,394,527	112,297,783
Fixed income investments	56,265,697	39,056,714
Accounts and interest receivable	1,806,261	1,556,101
Inventories	1,109,628	1,126,661
Present value of pledges receivable	14,089,124	13,494,537
Loans receivable	3,152,380	3,118,252
Interests in charitable trusts	6,266,187	6,997,847
Land	1,285,136	1,156,465
Equipment and furniture, net of accumulated depreciation of \$11,954,111 and \$10,515,507 at June 30, 2001 and 2000, respectively	5,697,074	5,321,712
Library books and periodicals, net of accumulated depreciation of \$4,581,932 and \$4,187,889 at June 30, 2001 and 2000, respectively	5,269,141	5,007,006
Buildings, net of accumulated depreciation of \$30,441,789 and \$28,131,350 at June 30, 2001 and 2000, respectively	66,241,161	35,681,533
Construction work-in-progress	2,141,251	23,564,715
Other assets	214,573	220,950
Total assets	\$ 309,061,485	\$ 307,575,174

See accompanying notes.

	June 30	
	2001	2000
Liabilities and net assets		
Liabilities:		
Accounts payable, accrued expenses and agency funds	\$ 2,829,172	\$ 3,197,128
Deposits and advances	2,443,505	2,213,495
Funds held for others	18,827	12,973
Liability for post-retirement benefits	3,942,600	3,369,200
Annuities, life income, pooled life income and unitrust payable	1,433,650	920,417
Government loan funds	1,818,894	1,801,425
Capital lease obligations	67,890,000	68,360,000
Total liabilities	<u>80,376,648</u>	<u>79,874,638</u>
Net assets:		
Unrestricted	127,272,836	136,254,182
Temporarily restricted	27,900,586	24,520,832
Permanently restricted	73,511,415	66,925,522
Total net assets	<u>228,684,837</u>	<u>227,700,536</u>
 Total liabilities and net assets	 <u><u>\$ 309,061,485</u></u>	 <u><u>\$ 307,575,174</u></u>

Kenyon College

Consolidated Statement of Activities

Year ended June 30, 2001

	Unrestricted		Subtotal Unrestricted
	Current Operations	Internally Designated	
Revenues, gains and other support:			
Student tuition	\$ 38,661,636		\$ 38,661,636
Less: Unfunded student financial aid	(10,578,725)		(10,578,725)
Net student tuition	28,082,911		28,082,911
Miscellaneous fees	837,351	\$ 573,944	1,411,295
Gifts, pledges and bequests	2,889,175	865,845	3,755,020
Investment income	1,093,834	3,102,121	4,195,955
Realized and unrealized (losses) gains on investments	-	(12,032,337)	(12,032,337)
Government grants	270,101	339,562	609,663
Miscellaneous	559,858	221,457	781,315
Auxiliary enterprise revenues	11,032,106	-	11,032,106
	44,765,336	(6,929,408)	37,835,928
Net assets released from restrictions	1,790,008	5,215,026	7,005,034
Total revenues, gains and other support	46,555,344	(1,714,382)	44,840,962
Expenses:			
Instruction	15,022,996	5,342,831	20,365,827
Academic support	2,796,195	1,209,085	4,005,280
Student service	7,103,490	1,378,308	8,481,798
Auxiliary enterprises	9,821,821	1,709,193	11,531,014
Management and general	4,785,201	878,301	5,663,502
Fund raising	1,023,983	518,957	1,542,940
Student financial aid	1,881,988	12,356	1,894,344
Research	-	294,128	294,128
Miscellaneous	-	43,475	43,475
Total expenses	42,435,674	11,386,634	53,822,308
Change in net assets before capital items and additions to reserves	4,119,670	(13,101,016)	(8,981,346)
Capital items and additions to reserves	(4,119,670)	4,119,670	-
Change in net assets	-	(8,981,346)	(8,981,346)
Net assets at beginning of year	-	136,254,182	136,254,182
Net assets at end of year	\$ -	\$ 127,272,836	\$ 127,272,836

See accompanying notes.

Temporarily Restricted	Permanently Restricted	Grand Total
		\$ 38,661,636
		(10,578,725)
		<u>28,082,911</u>
		1,411,295
\$ 8,862,130	\$ 4,907,319	17,524,469
2,373,830	170,640	6,740,425
96,723	520,641	(11,414,973)
-	-	609,663
81,012	(41,614)	820,713
-	-	11,032,106
<u>11,413,695</u>	<u>5,556,986</u>	<u>54,806,609</u>
(8,033,941)	1,028,907	-
<u>3,379,754</u>	<u>6,585,893</u>	<u>54,806,609</u>
-	-	20,365,827
-	-	4,005,280
-	-	8,481,798
-	-	11,531,014
-	-	5,663,502
-	-	1,542,940
-	-	1,894,344
-	-	294,128
-	-	43,475
-	-	<u>53,822,308</u>
3,379,754	6,585,893	984,301
-	-	-
<u>3,379,754</u>	<u>6,585,893</u>	<u>984,301</u>
<u>24,520,832</u>	<u>66,925,522</u>	<u>227,700,536</u>
<u>\$ 27,900,586</u>	<u>\$ 73,511,415</u>	<u>\$ 228,684,837</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>-</u>	<u>-</u>	<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 Statements of Cash Flows

	Year ended June 30	
	2001	2000
Operating activities		
Change in net assets	\$ 984,301	\$ 43,599,334
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization expense	4,175,417	3,298,220
Loss on disposal of land, equipment and other fixed assets	12,662	124,096
Realized and unrealized (gains) losses	11,414,973	(29,955,180)
Contributions for permanently restricted purposes	(5,285,197)	(5,806,811)
Changes in operating assets and liabilities:		
Accounts and interest receivable	(250,160)	(1,064,670)
Loans receivable	(34,128)	(38,504)
Present value of pledges receivable	(594,587)	(402,712)
Interests in charitable trusts	781,579	391,450
Inventories	17,033	(12,411)
Other assets	6,377	1,479,486
Accounts payable, accrued expenses and agency funds	(367,956)	353,972
Deposits and advances	230,010	723,402
Liability for postretirement benefits	573,400	412,500
Annuities, life income, pooled life income and unitrusts payable	513,233	272,699
Funds held for others	5,854	(60)
Government loan funds	17,469	25,334
Net cash provided from operating activities	12,200,280	13,400,145
Investing activities		
Purchases of land, buildings, equipment and furniture	(13,434,233)	(21,901,976)
Purchases of library books and periodicals	(656,178)	(599,805)
Purchase of securities	(80,435,528)	(57,984,070)
Sale of securities	42,156,760	66,364,483
Increased investment in limited partnerships	(6,491,851)	(8,270,757)
Net cash used in investing activities	(58,861,030)	(22,392,125)
Financing activities		
Contributions for permanently restricted purposes	5,285,197	5,806,811
Payments on capital leases	(470,000)	(440,000)
Issuance of bonds	-	29,000,000
Net cash provided by financing activities	4,815,197	34,366,811
Net (decrease) increase in cash and cash equivalents	(41,845,553)	25,374,831
Cash and cash equivalents at the beginning of the year	58,974,898	33,600,067
Cash and cash equivalents at the end of the year	\$ 17,129,345	\$ 58,974,898

See accompanying notes.

Kenyon College

Notes to Consolidated Financial Statements

June 30, 2001

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—Hedge Funds and Private Equity

The fair value of these investments is based on the College's portion of partners' capital as reported to the College by the respective fund managers.

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 \$3,428,319.

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, 2001</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Equity investments:			
Common stocks	\$73,846,939	\$74,966,906	\$1,119,967
Preferred stocks	—	—	—
Hedge funds	22,510,306	23,383,681	873,375
Private equity	32,764,847	30,043,940	(2,720,907)
	<u>129,122,092</u>	<u>128,394,527</u>	<u>(727,565)</u>
Fixed income investments	55,489,734	56,265,697	775,963
	<u>\$ 184,611,826</u>	<u>\$184,660,224</u>	<u>\$ 48,398</u>

Kenyon College

Notes to Consolidated Financial Statements (continued)

3. Investments (continued)

	June 30, 2000		
	Cost	Fair Value	Unrealized Appreciation
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
	88,428,288	112,297,783	23,869,495
Fixed income investments	39,118,200	39,056,714	(61,486)
	\$127,546,488	\$151,354,497	\$23,808,009

The composition of investment return is as follows:

	Fiscal year ended June 30	
	2001	2000
Investment income (interest and dividends)	\$ 6,740,425	\$ 6,082,932
Realized and unrealized gains/(losses)	(11,414,973)	29,955,179
	\$ (4,674,548)	\$36,038,111

Investment income is shown net of investment expenses of approximately \$865,000 for the year ended June 30, 2001 and \$800,000 for the year ended June 30, 2000.

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	
	2001	2000
Cost	\$103,974,945	\$ 89,600,499
Market value	102,643,097	108,927,887
Number of units	250,709	236,601
Market value per unit	\$409.41	\$460.39

The 2001 average annual earnings per unit amounted to \$14.76 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, 2001:			
End of year	\$136,521,630	\$137,093,696	\$ (572,066)
Beginning of year	144,046,556	120,937,229	<u>23,109,327</u>
Change in unrealized gain for the year			(23,681,393)
Net realized gains for the year			<u>12,117,821</u>
Total			(11,563,572)
Interest and dividends, net of trustee fees			<u>2,698,361</u>
Total return			<u><u>\$(8,865,211)</u></u>

4. Commitment to Limited Partnerships

The College was obligated at June 30, 2001 to invest additional funds in limited partnership investments in the amount of \$41,452,339 at the direction of the general partners.

Kenyon College

Notes to Consolidated Financial Statements (continued)

5. Pledges Receivable

As of June 30, 2001 the College had received unconditional promises totaling \$14,089,124 on which management has determined that no allowance for uncollectible promises is necessary.

	Temporarily Restricted	Permanently Restricted	Total
Within one year	\$1,383,698	\$ 727,036	\$ 2,110,734
One to two years	672,975	590,430	1,263,405
Two to three years	2,659,718	606,397	3,266,115
Three to four years	526,411	1,204,701	1,731,112
Four to five years	1,589,898	1,474,368	3,064,266
More than five years (estate notes)	623,983	2,029,509	2,653,492
	\$7,456,683	\$6,632,441	\$14,089,124

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 3.86% to 5.89%.

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 \$1,671,637 and \$1,409,201 during the years ended June 30, 2001 and 2000, 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 1/2, 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	
	2001	2000
Net Periodic Postretirement Benefit Cost		
Service cost	\$211,900	\$173,200
Interest cost	457,700	373,200
Amortization of prior service cost	44,300	44,300
Amortization of unrecognized loss	125,400	90,600
Total net periodic postretirement benefit cost	\$839,300	\$681,300
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$5,231,500	\$ 4,567,600
Service cost	211,900	173,200
Interest cost	457,700	373,200
Actuarial loss	1,036,500	386,300
Benefits paid	(265,900)	(268,800)
Benefit obligation at end of year	6,671,700	5,231,500
Plan assets	-	-
Funded status	(6,671,700)	(5,231,500)
Unrecognized prior service cost	310,100	354,400
Unrecognized loss	2,419,000	1,507,900
Accrued benefit cost	\$(3,942,600)	\$(3,369,200)
Reconciliation of Accrued Benefit Cost		
Accrued benefit cost at beginning of year	\$(3,369,200)	\$(2,956,700)
Estimated net benefit payments	265,900	268,800
Annual expense	(839,300)	(681,300)
Accrued benefit cost at end of year	\$(3,942,600)	\$(3,369,200)

Kenyon College

Notes to Consolidated Financial Statements (continued)

7. Retirement and Postretirement Benefit Plans (continued)

	Fiscal year ended June 30	
	2001	2000
Actuarial Assumptions		
Weighted average discount rate	7.50%	7.75%
Medical trend:		
For next year	6.50%	7.00%
Thereafter	6.00%	6.50%
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, 2001, would increase by \$1,073,800 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Expense (NPPBE) for fiscal year 2001 would increase by \$132,000. If the medical trend rates were to decrease by 1 percent for each year, the APBO, as of June 30, 2001 would decrease by \$873,700 and the sum of the service and interest cost components of the NPPBE for fiscal year 2001 would decrease by \$105,000.

8. Capital Lease Obligations

As of June 30, 2001 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 (\$62,427,750 net of accumulated depreciation of \$25,220,506 at June 30, 2001) 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, 2001, certain assets having a market value of \$199,429 were on deposit to guarantee interest and principal payment on the bonds.

Interest capitalized during the years ended June 30, 2001 and 2000 in connection with the College's construction projects was \$651,000 and \$584,000, respectively.

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	\$ 565,000
4.60% to 5.375% Bonds issued in 1993, callable after 2003 maturing through 2016	<u>9,725,000</u>
Total	<u><u>\$10,290,000</u></u>

The amount of rent paid by the College on its fixed rate bonds for the year ended June 30, 2001 was \$1,006,950 of which \$470,000 represents principal and \$536,950 represents interest. At June 30, 2002, future minimum payments by year and in the aggregate, net of amounts subsidized by a government agency, under the fixed rate capital lease obligations consist of the following:

2002	\$ 1,003,082
2003	1,002,628
2004	995,552
2005	996,820
2006	1,000,652
Remaining amount due	<u>9,985,023</u>
	14,983,757
Amount representing interest	<u>4,693,757</u>
Fixed rate bonds outstanding	<u><u>\$10,290,000</u></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, 2001 was 3.41 percent. The amount of rent paid (which represents interest) was \$314,392 for the fiscal year ended June 30, 2001. 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, 2001 was 3.66 percent. The amount of rent paid (which represents interest) was \$778,416 for the fiscal year ended June 30, 2001. 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 to 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, 2001 was 3.93 percent. The amount of rent paid (which represents interest) was \$1,103,597 for the fiscal year ended June 30, 2001. 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	
	2001	2000
Unrestricted net assets:		
Board designated net assets:		
Funds functioning as endowment	\$77,376,742	\$ 92,095,658
Capital reserve	622,403	803,848
Major physical plant repair and replacement reserve	1,234,995	743,536
Total board designated net assets	79,234,140	93,643,042
Other designations of net assets:		
Equity in plant assets (at cost)	22,463,409	22,949,856
Management designated net assets	24,886,799	18,506,812
Unrestricted annuities and pooled life funds, and charitable remainder trusts	688,488	1,154,472
Total other designations of net assets	48,038,696	42,611,140
Total unrestricted net assets	\$127,272,836	\$136,254,182

Kenyon College

Notes to Consolidated Financial Statements (continued)

9. Net Assets (continued)

	June 30	
	2001	2000
Temporarily restricted net assets:		
Pledges and trusts receivable	\$9,777,791	\$ 8,798,117
Life and pooled life income funds	1,748,722	1,710,251
Unexpended gifts and grants	15,779,895	13,509,026
Endowment income designated for restricted purposes	594,178	503,438
Total temporarily restricted net assets	\$27,900,586	\$24,520,832
 Permanently restricted net assets:		
Endowment funds	\$59,144,888	\$51,950,898
Pledges and remainder trusts receivable	11,032,089	11,968,185
Annuity, life income and unitrust funds	1,683,155	1,510,756
Student loan funds	1,651,283	1,495,683
Total permanently restricted net assets	\$73,511,415	\$66,925,522

10. Commitments

The College has outstanding commitments of approximately \$6.7 million remaining for the construction of new facilities.