AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Kenyon College
For the Years Ended June 30, 2007 and 2006
With Report of Independent Auditors

Kenyon College

Audited Consolidated Financial Statements
and Other Financial Information

For the Years Ended June 30, 2007 and 2006

Contents

HAUSSER + TAYLOR LLC
Business advisors and certified public accountants

1001 Lakeside Avenue East, Suite 1400 • Cleveland, Ohio 44114-1152 216/523-1905 • FAX: 216/522-1490 • www.hausser.com

The Board of Trustees
Kenyon College
Gambier, Ohio

Independent Auditors' Report

We have audited the accompanying consolidated statement of financial position of Kenyon College as of June 30, 2007, and the related consolidated statements of activities and cash flows for the year 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 audit. The College's 2006 financial statements were audited by other auditors whose report dated December 21, 2006 expressed a scope limitation related to the valuation of alternative investments, but was otherwise unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit provides a reasonable basis for our opinion.

As explained in Note 2, the consolidated financial statements include investments valued at $207,823,357, representing 33% of total assets as of June 30, 2007, for which there is no ready market value and are valued based upon fair values reported by the investment managers. Because of the inherent uncertainty of such valuations, the fair values may differ significantly from values that would have been used had a ready market for these investments existed, and the differences could be material.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kenyon College as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hausser + Taylor LLC

Cleveland, Ohio
October 17, 2007

Kenyon College

Consolidated Statements of Financial Position

	June 30	
	2007	**2006**
Assets		
Cash and cash equivalents	**$ 31,658,938**	$ 20,968,679
Fair value of interest rate swap	**2,468,840**	2,582,702
Equity investments	**289,560,250**	232,034,588
Fixed income investments	**37,519,247**	47,936,290
Restricted Bond Proceeds	**22,564,385**	–
Accounts and interest receivable	**1,536,423**	1,532,052
Inventories	**610,672**	883,263
Present value of pledges receivable	**45,510,297**	41,627,720
Loans receivable	**4,560,670**	4,205,490
Interests in charitable trusts	**4,073,973**	5,216,765
Land	**1,529,724**	1,574,721
Equipment and furniture, net of accumulated depreciation of $15,250,354 and $17,830,293 at June 30, 2007 and 2006, respectively	**7,940,245**	8,603,426
Library books and periodicals, net of accumulated depreciation of $7,618,558 and $7,018,273 at June 30, 2007 and 2006, respectively	**7,388,558**	6,921,730
Buildings, net of accumulated depreciation of $49,261,843 and $44,493,771 at June 30, 2007 and 2006, respectively	**148,308,203**	151,262,855
Construction work-in-progress	**16,387,633**	3,031,874
Other assets	**3,282,417**	3,321,929
Total assets	**$ 624,900,475**	$ 531,704,084

See accompanying notes.

	June 30	
	2007	2006
Liabilities and net assets		
Liabilities:		
Accounts payable, accrued expenses and agency funds	**$ 7,362,517**	$ 7,213,950
Deposits and advances	**3,257,141**	3,069,695
Funds held for others	**5,464**	5,575
Liability for post-retirement benefits	**4,570,315**	8,474,883
Annuities, life income, pooled life income and unitrust payable	**3,671,912**	3,412,386
Government loan funds	**1,853,900**	1,835,501
Capital lease obligations	**177,718,275**	140,580,000
Total liabilities	**198,439,524**	164,591,990
Net assets:		
Unrestricted	**253,976,023**	202,903,813
Temporarily restricted	**64,278,979**	66,975,768
Permanently restricted	**108,205,949**	97,232,513
Total net assets	**426,460,951**	367,112,094
Total liabilities and net assets	**$ 624,900,475**	$ 531,704,084

Kenyon College

Consolidated Statement of Activities

Year Ended June 30, 2007
(with comparative totals for the year ended June 30, 2006)

	Unrestricted		
	Current Operations	Internally Designated	Subtotal Unrestricted
Revenues, gains and other support:			
Student tuition	$ 54,910,375		$ 54,910,375
Less: Unfunded student financial aid	(14,695,142)		(14,695,142)
Net student tuition	40,215,233		40,215,233
Miscellaneous fees	1,234,080	$ 508,905	1,742,985
Gifts, pledges and bequests	4,634,326	270,172	4,904,498
Investment income	1,971,495	2,053,100	4,024,595
Realized and unrealized gains on investments	(114,322)	40,875,102	40,760,780
Government grants	268,324	525,433	793,757
Miscellaneous	1,071,639	445,516	1,517,155
Auxiliary enterprise revenues	13,834,046	–	13,834,046
	63,114,821	44,678,228	107,793,049
Net assets released from restrictions	1,718,064	15,327,521	17,045,585
Total revenues, gains and other support	64,832,885	60,005,749	124,838,634
Expenses:			
Instruction	21,931,954	3,491,017	25,422,971
Academic support	3,702,420	992,825	4,695,245
Student service	15,311,285	2,656,367	17,967,652
Auxiliary enterprises	12,683,225	1,709,833	14,393,058
Management and general	7,432,361	1,189,284	8,621,645
Fund raising	1,663,574	1,144,641	2,808,215
Student financial aid	3,012,129	42,964	3,055,093
Research	–	386,624	386,624
Plant facilities removed from service	–	736,617	736,617
Miscellaneous	–	52,420	52,420
Total expenses	65,736,948	12,402,592	78,139,540
Change in net assets before capital items and additions to reserves	(904,063)	47,603,157	46,699,094
Capital items and additions to reserves	904,063	(904,063)	–
Loss on Interest Rate Swap	–	(113,862)	(113,862)
Effect of Adoption of Recognition and Measurement Provisions of FAS 158 - Note 1	–	(2,215,921)	(2,215,921)
Postretirement Related Changes Other Than Net Periodic Postretirement Cost - Note 6	–	6,702,899	6,702,899
Change in net assets	–	51,072,210	51,072,210
Net assets at beginning of year	–	202,903,813	202,903,813
Net assets at end of year	$ –	$ 253,976,023	$ 253,976,023

See accompanying notes.

Temporarily Restricted	Permanently Restricted	Grand Total	2006 Total
		$ 54,910,375	$ 51,359,046
		(14,695,142)	(13,889,275)
		40,215,233	37,469,771
$ –	$ –	1,742,985	2,169,294
11,842,259	8,113,795	24,860,552	48,532,600
2,331,518	163,934	6,520,047	6,759,255
181,451	982,448	41,924,679	20,806,721
–	–	793,757	826,154
162,370	1,544,457	3,223,982	1,742,171
–	–	13,834,046	13,593,615
14,517,598	10,804,634	133,115,281	131,899,581
(17,214,387)	168,802	–	-
(2,696,789)	10,973,436	133,115,281	131,899,581
–	–	25,422,971	25,308,518
–	–	4,695,245	4,892,777
–	–	17,967,652	16,209,178
–	–	14,393,058	14,121,308
–	–	8,621,645	9,793,258
–	–	2,808,215	2,269,140
–	–	3,055,093	2,766,473
–	–	386,624	273,687
–	–	736,617	104,166
–	–	52,420	186,313
–	–	78,139,540	75,924,818
(2,696,789)	10,973,436	54,975,741	55,974,763
–	–	–	–
–	–	(113,862)	–
–	–	(2,215,921)	–
–	–	6,702,899	2,582,702
(2,696,789)	10,973,436	59,348,857	58,557,465
66,975,768	97,232,513	367,112,094	308,554,629
$ 64,278,979	$ 108,205,949	$ 426,460,951	$ 367,112,094

Kenyon College

Consolidated Statement of Activities

Year Ended June 30, 2006

	Unrestricted		
	Current Operations	Internally Designated	Subtotal Unrestricted
Revenues, gains and other support:			
Student tuition	$ 51,359,046		$ 51,359,046
Less: Unfunded student financial aid	(13,889,275)		(13,889,275)
Net student tuition	37,469,771		37,469,771
Miscellaneous fees	1,086,809	$ 1,082,485	2,169,294
Gifts, pledges and bequests	4,456,817	803,678	5,260,495
Investment income	1,447,696	2,814,881	4,262,577
Realized and unrealized gains on investments	3,321	19,695,665	19,698,986
Government grants	264,780	561,374	826,154
Miscellaneous	828,183	519,660	1,347,843
Auxiliary enterprise revenues	13,593,615	–	13,593,615
	59,150,992	25,477,743	84,628,735
Net assets released from restrictions	1,238,067	11,910,404	13,148,471
Total revenues, gains and other support	60,389,059	37,388,147	97,777,206
Expenses:			
Instruction	20,081,077	5,227,441	25,308,518
Academic support	3,644,720	1,248,057	4,892,777
Student service	10,740,413	5,468,765	16,209,178
Auxiliary enterprises	12,791,810	1,329,498	14,121,308
Management and general	6,489,292	3,303,966	9,793,258
Fund raising	1,682,147	586,993	2,269,140
Student financial aid	2,747,950	18,523	2,766,473
Research	–	273,687	273,687
Plant facilities removed from service	–	104,166	104,166
Miscellaneous	–	186,313	186,313
Total expenses	58,177,409	17,747,409	75,924,818
Change in net assets before capital items and additions to reserves	2,211,650	19,640,738	21,852,388
Capital items and additions to reserves	(2,211,650)	2,211,650	–
Change in fair value of interest rate swap	–	2,582,702	2,582,702
Change in net assets	–	24,435,090	24,435,090
Net assets at beginning of year	–	178,468,723	178,468,723
Net assets at end of year	$ –	$ 202,903,813	$ 202,903,813

See accompanying notes.

Temporarily Restricted	Permanently Restricted	Grand Total
		$ 51,359,046
		(13,889,275)
		37,469,771
$ –	$ –	2,169,294
33,622,293	9,649,812	48,532,600
2,148,801	347,877	6,759,255
209,498	898,237	20,806,721
–	–	826,154
(17,338)	411,666	1,742,171
–	–	13,593,615
35,963,254	11,307,592	131,899,581
(13,280,971)	132,500	–
22,682,283	11,440,092	131,899,581
–	–	25,308,518
–	–	4,892,777
–	–	16,209,178
–	–	14,121,308
–	–	9,793,258
–	–	2,269,140
–	–	2,766,473
–	–	273,687
–	–	104,166
–	–	186,313
–	–	75,924,818
22,682,283	11,440,092	55,974,763
–	–	–
–	–	2,582,702
22,682,283	11,440,092	58,557,465
44,293,485	85,792,421	308,554,629
$ 66,975,768	$ 97,232,513	$ 367,112,094

Kenyon College

Consolidated Statements of Cash Flows

	Year Ended June 30 2007	2006
Operating activities		
Change in net assets	$ **59,348,857**	$ 58,557,465
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization expense	**6,781,454**	6,792,859
Loss on disposal of land, equipment and other fixed assets	**691,617**	104,166
Realized and unrealized gains	**(41,924,679)**	(20,806,721)
Contributions for permanently restricted purposes	**(6,153,641)**	(5,528,113)
Changes in operating assets and liabilities:		
Accounts and interest receivable	**(4,371)**	640,232
Loans receivable	**(355,180)**	(449,611)
Present value of pledges receivable	**(3,882,577)**	(28,083,839)
Interests in charitable trusts	**1,142,756**	(205,124)
Inventories	**272,591**	242,081
Fair value of interest rate swap	**113,862**	(2,582,702)
Other assets	**39,512**	(728,574)
Accounts payable, accrued expenses and agency funds	**148,567**	596,926
Deposits and advances	**187,446**	25,232
Liability for postretirement benefits	**(3,904,568)**	835,137
Annuities, life income, pooled life income and unitrusts payable	**259,526**	61,784
Funds held for others	**(111)**	406
Government loan funds	**18,399**	13,365
Net cash provided from operating activities	**12,779,460**	9,484,969
Investing activities		
Proceeds from sale of land	**44,999**	–
Purchases of land, buildings, equipment and furniture	**(16,610,714)**	(22,937,843)
Purchases of library books and periodicals	**(1,067,113)**	(972,761)
Purchase of securities	**(78,793,487)**	(117,802,014)
Sale of securities	**78,136,915**	117,076,348
Increased investment in limited partnerships	**(4,527,332)**	(4,950,293)
Change in restricted bond proceeds	**(22,564,385)**	–
Net cash used in investing activities	**(45,381,117)**	(29,586,563)
Financing activities		
Contributions for permanently restricted purposes	**6,153,641**	5,528,113
Payments on capital leases	**(5,675,000)**	(650,000)
Issuance of bonds	**42,813,275**	–
Net cash provided by financing activities	**43,291,916**	4,878,113
Net decrease in cash and cash equivalents	**10,690,259**	(15,223,481)
Cash and cash equivalents at the beginning of the year	**20,968,679**	36,192,160
Cash and cash equivalents at the end of the year	$ **31,658,938**	$ 20,968,679
Supplemental disclosure of cash flow information		
Cash paid for interest	$ **5,714,282**	$ 3,828,625

See accompanying notes.

Kenyon College

Notes to Consolidated Financial Statements

June 30, 2007

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, and the Philander Chase Corporation 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) 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.

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 Stocks

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

Alternative Investments

<u>*Hedge and Alternative Funds*</u>

Hedge and alternative funds are investments in securities where a readily verifiable fair value may not exist and/or is not available to management. Fair value of these investments is reported by management based on information provided by the investment managers. Values may be based on readily available public market data and values may also be based on estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The financial statements of the investees are audited annually by independent auditors as of December 31; the most recent being as of December 31, 2006.

1. Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

Equity Investments (continued)

Private Equity and Real Estate

Private equity and real estate funds are investments where a readily verifiable fair value may or may not exist. Fair value in these investments is reported by management based on information provided by the investment managers, based on the College's share of the partnership's capital balance. The fair value of limited partnerships and similar nonmarketable equity interests which invest in both publicly and privately owned securities is based on estimates and assumptions of general partners or partnership valuation committees in the absence of readily determined market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. The financial statements of the investees are audited annually by independent auditors as of December 31; the most recent being as of December 31, 2006.

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. Because there is no market for Federal Loans, the carrying value approximates fair value.

Kenyon College Loans Receivable

The interest rates charged on Kenyon College loans are fixed by the College and are consistent with market rates. Accordingly, the carrying amount reported approximates fair value.

1. Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

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.

Interest Rate Swap

In accordance with Financial Accounting Standards No. 133 (Statement 133), "Accounting for Derivative Instruments and Hedging Activities," derivative instruments (interest rate swap) are recorded by the College on the consolidated statement of financial position at fair value. The College's interest rate swap agreement is used to manage exposure to interest rate movement by effectively changing the variable rates on the College's bonds payable to a fixed rate. The critical terms of the interest rate swap agreements and the interest-bearing debt associated with the swap agreements are similar. Changes in fair market value of the interest rate swap are recognized as a

1. Summary of Significant Accounting Policies (continued)

Interest Rate Swap (continued)

change in net assets on the consolidated statement of activities in the period of change, following Statement 133 guidance specific to non-for-profit organizations. See Note 7.

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 in the consolidated statements of financial position and for purposes of preparing the consolidated statements of cash flows.

1. Summary of Significant Accounting Policies (continued)

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.

Alternative investments include interests in hedge funds, private equity, real estate and other alternative assets. The College holds alternative investments valued at $207,823,357, representing 33% of the total net assets as of June 30, 2007. Because alternative investments may not be entirely readily marketable, part of their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been reported had a ready market for such investments existed. Such differences could be material. Also see Fair Value of Financial Instruments section.

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.

1. Summary of Significant Accounting Policies (continued)

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.

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.

Conditional Asset Retirement Obligations

Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered FIN 47, specifically as it relates to its legal obligations to perform asset retirement activities on its existing properties. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the College may settle the obligations is unknown and cannot be estimated. As a result, management cannot reasonably estimate the liability related to these asset retirement activities as of June 30, 2007.

Reclassifications

Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

During the year ended June 30, 2007, the College adopted Statement on Financial Accounting Standards No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." This Statement requires the College to recognize the accumulated benefit obligation net of prior service costs and actuarial gains (losses). The impact of this Statement resulted in a decrease in unrestricted net assets of $2,215,921.

2. Investments

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

	June 30	
	2007	**2006**
Equity investments:		
Common stocks	**$ 81,736,893**	$ 77,383,736
Alternative investments:		
Hedge and alternative funds	**144,876,491**	107,993,932
Private equity	**52,092,745**	43,069,426
Real estate	**5,967,445**	3,587,494
Commodities	**4,886,676**	
Total alternative investments	**207,823,357**	154,650,852
Total equity investments	**289,560,250**	232,034,588
Fixed income investments	**37,519,247**	47,936,290
	$327,079,497	$ 279,970,878

2. Investments (continued)

The composition of investment return is as follows:

	Fiscal Years Ended June 30	
	2007	**2006**
Investment income (interest and dividends)	**$ 6,520,047**	$ 6,759,255
Realized and unrealized gains	**41,924,679**	20,806,721
	$ 48,444,726	$ 27,565,976

Investment income is shown net of investment expenses of approximately $1,691,578 for the year ended June 30, 2007 and $1,424,877 for the year ended June 30, 2006.

The College was obligated at June 30, 2007 to invest additional funds in limited partnership investments in the amount of $48,741,285 at the direction of the general partners. These capital calls may be funded through distributions from current limited partnerships, liquidations of investments currently held by the College, new gifts and/or unrestricted net assets.

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.

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	
	2007	**2006**
Cost	**$141,502,439**	$ 123,069,912
Market value	**167,678,129**	139,194,997
Number of units	**335,268**	318,413
Market value of unit	**$ 500.13**	$ 437.15

2. Investments (continued)

Pooled Endowment Assets (continued)

The 2007 average annual earnings per unit amounted to $18.55 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, 2007:			
End of year	$192,934,254	$ 159,811,335	$ 33,122,919
Beginning of year	164,597,010	142,849,604	21,747,406
Change in unrealized gain for the year			11,375,513
Net realized gains for the year			16,692,869
Total			28,068,382
Interest and dividends, net of trustee fees			2,674,885
Total return			$ 30,743,267

3. Pledges Receivable

As of June 30, 2007 the College had received unconditional promises totaling $45,510,297 net of allowances for uncollectible pledges of $114,692.

	Temporarily Restricted	Permanently Restricted	Total
Within one year	$ 5,215,466	$ 2,678,460	$ 7,893,926
One to two years	7,670,027	2,058,247	9,728,274
Two to three years	11,510,368	1,748,270	13,258,638
Three to four years	6,177,016	1,635,166	7,812,182
Four to five years	1,393,788	996,388	2,390,176
More than five years (estate notes)	2,494,289	2,047,504	4,541,793
	34,460,954	11,164,035	45,624,989
Allowances for uncollectible pledges	(98,459)	(16,233)	(114,692)
	$ 34,362,495	$11,147,802	$45,510,297

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 4.86% to 5.22%.

4. Available Line of Credit

Under an unused line of credit with a bank, the College may borrow up to $10,000,000 at an interest rate approximating the bank's prime interest rate.

5. Guaranteed Loans

The College offers a home mortgage loan guarantee program to certain members of its faculty and administration. Under this program, the College guarantees 100 percent of the outstanding mortgage loans until such time as the outstanding amount on each loan is reduced to 70% of the original appraised value or contract price of the property, at which time the guarantee is released. Under the program, the College has the right to purchase the mortgage loans from the lenders in the event of default by an employee. As of June 30, 2007, the College has guaranteed mortgage loans aggregating $4,035,750.

6. Retirement and Postretirement Benefit Plans

The College contributed $2,501,580 and $2,408,468 during the years ended June 30, 2007 and 2006, 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. Employees become eligible at age 59½. 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 is met, the retiree pays the full amount of the premium. During 2003, this plan was amended to offer a second plan option with a reduced level of benefits at a lower premium.

The second defined benefit postretirement 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.

Beginning July 1, 2007, the College changed its post-retirement health care program from a defined benefit to a defined contribution plan. Kenyon retirees will now be able to participate in the Emeriti Program, which provides health insurance through Aetna. In implementing the plan, the College chose to fund the actuarial value of the defined contribution for its existing employees from the age of 35 for a period of up to 25 years of service, which amounted to $3,966,689 and was paid subsequent to year end. In addition, the transition to the defined contribution plan resulted in a decrease in unrecognized prior service costs of $6,702,899.

With the change to the Emeriti Program, the only remaining medical liabilities valued under FAS 106 are those for participants who retired before June 30, 2007 who will receive subsidized coverage post age 65 and for current active employees pre age 65 coverage.

6. Retirement and Postretirement Benefit Plans (continued)

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

	Fiscal Years Ended June 30 2007	2006
Net Periodic Postretirement Benefit Cost		
Service cost	**$ 408,635**	$ 495,263
Interest cost	**681,332**	611,062
Amortization of prior service cost	**(86,856)**	(86,856)
Amortization of unrecognized loss	**118,492**	272,370
Total net periodic postretirement benefit cost	**$ 1,121,603**	$ 1,291,839
Change in Benefit Obligation		
Benefit obligation at beginning of year	**$ 10,266,875**	$ 10,381,348
Service cost	**408,635**	495,263
Interest cost	**681,332**	611,062
Actuarial (gain) loss	**639,467**	(764,096)
Change in plan provisions	**(6,886,801)**	
Benefits paid	**(539,193)**	(456,702)
Benefit obligation at end of year	**4,570,315**	10,266,875
Plan assets	**-**	-
Funded status	**(4,570,315)**	(10,266,875)
Unrecognized prior service cost	**(7,253,509)**	(453,564)
Unrecognized loss	**2,766,531**	2,245,556
Accrued benefit cost	**$ (9,057,293)**	$ (8,474,883)

6. Retirement and Postretirement Benefit Plans (continued)

	Fiscal Years Ended June 30	
	2007	**2006**
Reconciliation of Accrued Benefit Cost		
Accrued benefit cost at beginning of year	**$(8,474,883)**	$(7,639,746)
Estimated net benefit payments	**539,193**	456,702
Annual expense	**(1,121,603)**	(1,291,839)
Accrued benefit payments	**$(9,057,293)**	$(8,474,883)
Unrecognized prior service cost	**7,253,509**	
Unrecognized loss	**(2,766,531)**	
Benefit obligation at end of year	**$(4,570,315)**	
Actuarial Assumptions		
Weighted average discount rate:		
Expense for the Year	**6.50%**	5.25%
Accumulated Plan Benefit Obligation (at year-end)	**6.25%**	6.50%
Medical trend:		
For next year	**8.50%**	8.50%
Thereafter	**8.00%**	8.00%
Ultimate trend rate	**4.50%**	4.50%
Year reached	**2015**	2014

The medical trend rate assumption has a significant effect on the benefit obligation and other amounts reported. If the medical trend rates were to increase by 1 percent for each year, the benefit obligation as of June 30, 2007 would increase by $1,782,876 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost (NPPBC) for fiscal year 2007 would increase by $211,650. If the medical trend rates were to decrease by 1 percent for each year, the benefit obligation as of June 30, 2007 would decrease by $1,438,004 and the sum of the service and interest cost components of the NPPBC for fiscal year 2007 would decrease by $166,297.

7. Capital Lease Obligations

As of June 30, 2007 the College had entered into seven lease agreements with the Ohio Higher Educational Facility Commission (the 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 ($151,964,443 net of accumulated depreciation of $42,179,672 as of June 30, 2007) as buildings or construction work in progress and the liabilities as capital lease obligations. Amortization of these assets is included in depreciation expense.

All revenues generated by the leased facilities are pledged as collateral for retirement of the bonds.

Interest capitalized during the years ended June 30, 2007 and 2006 in connection with the College's construction projects was $755,969 and $1,927,692, respectively.

7. Capital Lease Obligations (continued)

Fixed Interest Rate Bonds

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

5.30% Bonds issued in 1993, callable after 2003 maturing through 2009 (1993 Revenue Bonds)	1,115,000
3.00% to 4.50% Bonds issued in 2003 and maturing through 2009 (2003 Bonds)	6,190,000
5.00% Bonds Issued in 2006 and maturing through 2041 (2006 Bonds)	42,495,000
Total	$49,800,000

In August 2006, the College issued $42,495,000 of revenue bonds through the Commission (the 2006 Bonds). The proceeds of the sale of the bonds will be used to 1) provide funds for expanding and renovating Peirce Dining Hall, constructing a child-care facility, improving and equipping the Kenyon Athletic Center, and renovating and improving residential, academic and administrative facilities on the campus and 2) refund $5,000,000 of the 2002 Bonds. The bonds were issued at a premium for a true-interest cost of 4.98%.

7. Capital Lease Obligations (continued)

Fixed Interest Rate Bonds (continued)

The amount of rent paid by the College on its fixed rate bonds for the year ended June 30, 2007 was $1,011,222 of which $647,940 represents principal and $363,282 represents interest. At June 30, 2007, future minimum payments by year and in the aggregate under these capital lease obligations consist of the following:

2008	$ 3,021,079
2009	3,024,813
2010	3,032,875
2011	3,029,653
2012	3,023,137
Remaining amount due	106,610,744
	121,742,301
Amount representing interest	(71,942,301)
Fixed rate obligations outstanding	$49,800,000

Variable Interest Rate Bonds

The 1992 Bonds

In December 1992, through the Commission 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, 2007 was 2.88 ercent. The amount of rent paid by the College (which represents interest) was $297,259 for the fiscal year ended June 30, 2007. 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 14, 2009.

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.

7. Capital Lease Obligations (continued)

Variable Interest Rate Bonds (continued)

The 1998 Bonds

In August 1998, through the Commission 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, 2007 was 2.61 percent. The amount of rent paid by the College (which represents interest) was $752,322 for the fiscal year ended June 30, 2007. 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 31, 2008.

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.

The 1999 Bonds

In November 1999, through the Commission 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, 2007 was 2.50 percent. The amount of rent paid (which represents interest) was $1,064,260 for the fiscal year ended June 30, 2007. 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, 2009.

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.

7. Capital Lease Obligations (continued)

Variable Interest Rate Bonds (continued)

The 2002 Bonds

In December 2002, through the Commission the College issued adjustable rate medium term bonds with a par value of $75,000,000. The bond proceeds will fund the construction of a Center for Fitness, Recreation and Athletics and improving, renovating and equipping certain educational facilities. The bonds were initially issued in an adjustable rate mode. Until the end of the adjustable rate period for each principal amount, the bonds bear interest at the rates specified below:

Adjustable Rate Period Ending July 1	Principal Amount	Interest Rate
2008	5,000,000	3.75%
2009	5,000,000	4.00%
2010	5,000,000	4.30%
2011	7,500,000	4.50%
2012	6,000,000	4.60%
2013	6,000,000	4.70%
2014	8,000,000	4.85%
2015	12,500,000	4.95%
2016	15,000,000	5.05%

After the end of each adjustable rate period, the bonds may operate at any time in one of three modes: daily, weekly, or adjustable. The blended interest rate on the placements through June 30, 2007 was 4.686 percent. The amount of rent expense (which represents interest) was $3,262,250 for the fiscal year ended June 30, 2007. The principal payment is due at maturity on July 1, 2037 unless redeemed under the provisions of the bond. The minimum lease payment, which represents interest, is $3,262,250 for the fiscal year ending June 30, 2008. Thereafter, future minimum lease payments, excluding redemptions and principal due at maturity, will vary based on the mode selected and economic conditions.

7. Capital Lease Obligations (continued)

Variable Interest Rate Bonds (continued)

The 2002 Bonds (continued)

During the time that a bond operates in an initial adjustable rate period, such bond will be subject to optional redemption on the last interest payment date for such adjustable rate period.

As part of a strategy to manage the College's debt position over time and decrease variable rate risk, the College entered into an interest rate swap agreement in February, 2006 to exchange the difference between a fixed interest rate and a variable-rate interest rate indexed to LIBOR and calculated on a notional amount of $57,600,000. The difference between the fixed interest rate and the variable interest rate is settled on a quarterly basis. The agreement terminates February 16, 2026. The change in fair value of the interest rate swap is reflected in the change in net assets in the consolidated statement of activities. The fair value of the interest rate swap at June 30, 2007 is an asset of $2,468,840.

8. Net Assets

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

	June 30	
	2007	**2006**
Unrestricted net assets		
Board designated net assets and gains:		
Funds functioning as endowment	**$129,267,752**	$100,202,623
Reserves for capital replacement and operating budget support	**80,186,412**	66,727,684
Total board designated net assets	**209,454,164**	166,930,307
Other designations of net assets:		
Equity in plant assets (at cost)	**38,372,872**	36,156,015
Management designated net assets	**11,620,850**	9,289,476
Unfunded postretirement benefits, compensated absences, and early retirement agreements	**(5,471,863)**	(9,471,985)
Total other designations of net assets	**44,521,859**	35,973,506
Total unrestricted net assets	**$253,976,023**	$202,903,813

8. Net Assets (continued)

	June 30	
	2007	**2006**
Temporarily restricted net assets		
Pledges and trusts receivable	**$ 35,538,145**	$ 34,732,854
Life and pooled life income funds	**2,355,044**	2,198,568
Unexpended gifts and grants	**25,648,134**	29,250,748
Endowment income designated for restricted purposes	**737,656**	793,598
Total temporarily restricted net assets	**$ 64,278,979**	$ 66,975,768
Permanently restricted net assets		
Endowment funds	**$ 88,392,523**	$ 79,556,656
Pledges and trusts receivable	**14,073,384**	12,128,216
Annuity and life income funds	**3,381,585**	3,281,847
Student loan funds	**2,358,457**	2,265,794
Total permanently restricted net assets	**$108,205,949**	$ 97,232,513

9. Commitments

As of June 30, 2007, the College has outstanding commitments of approximately $16.2 million remaining for the construction of new facilities and the renovation of existing facilities.