AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Kenyon College
For the Years Ended June 30, 2008 and 2007
With Report of Independent Auditors

Kenyon College

Audited Consolidated Financial Statements

For the Years Ended June 30, 2008 and 2007

Contents

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Maloney+Novotny LLC

The Board of Trustees
Kenyon College
Gambier, Ohio

Independent Auditors' Report

We have audited the accompanying consolidated statements of financial position of Kenyon College as of June 30, 2008 and 2007, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the consolidated financial statements include investments, representing 35% and 33% of total assets as of June 30, 2008 and 2007, respectively, for which there is no ready market 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Maloney + Novotny LLC

Cleveland, Ohio
October 24, 2008

Business Advisors and Certified Public Accountants
Cleveland | Canton | Elyria

Kenyon College

Consolidated Statements of Financial Position

	June 30 2008	June 30 2007
Assets		
Cash and cash equivalents	$ 27,971,281	$ 31,658,938
Fair value of interest rate swap	1,641,793	2,468,840
Equity investments	287,713,604	289,560,250
Fixed income investments	49,355,291	37,519,247
Restricted bond proceeds	3,350,217	22,564,385
Accounts and interest receivable	1,380,818	1,536,423
Inventories	573,457	610,672
Present value of pledges receivable	44,090,107	45,510,297
Loans receivable	4,977,290	4,560,670
Interests in charitable trusts	3,459,883	4,073,973
Land	1,529,724	1,529,724
Equipment and furniture, net of accumulated depreciation of $12,685,762 and $15,250,354 at June 30, 2008 and 2007, respectively	9,111,473	7,940,245
Library books and periodicals, net of accumulated depreciation of $8,260,901 and $7,618,557 at June 30, 2008 and 2007, respectively	7,797,702	7,388,558
Buildings, net of accumulated depreciation of $53,996,188 and $49,261,842 at June 30, 2008 and 2007, respectively	146,832,228	148,308,203
Construction work-in-progress	35,124,941	16,387,633
Other assets	3,190,527	3,282,417
Total assets	**$ 628,100,336**	**$ 624,900,475**

See accompanying notes.

Kenyon College

Consolidated Statements of Financial Position

	June 30	
	2008	2007
Liabilities and net assets		
Liabilities:		
Accounts payable, accrued expenses and agency funds	$ 9,289,504	$ 7,362,517
Deposits and advances	3,421,861	3,262,605
Liability for post-retirement benefits	3,918,552	4,570,315
Annuities, life income, pooled life income and unitrust payable	3,912,492	3,671,912
Government loan funds	1,858,670	1,853,900
Bond premiums	308,914	318,275
Capital lease obligations	176,805,000	177,400,000
Total liabilities	199,514,993	198,439,524
Net assets:		
Unrestricted	253,692,299	253,976,023
Temporarily restricted	58,427,236	64,278,979
Permanently restricted	116,465,808	108,205,949
Total net assets	428,585,343	426,460,951
Total liabilities and net assets	**$ 628,100,336**	**$ 624,900,475**

See accompanying notes.

Kenyon College

Consolidated Statement of Activities

Year Ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
Operating Revenues:					
Tuition and mandatory fees	$ 59,254,652			$ 59,254,652	$ 55,888,281
Less: Financial aid	(18,295,573)			(18,295,573)	(17,750,235)
Net tuition and mandatory fees	40,959,079			40,959,079	38,138,046
Auxiliary enterprise revenues	14,671,946			14,671,946	13,834,046
Investment return designated for operations	13,222,890	4,280,990		17,503,880	15,596,849
Private gifts and grants	5,246,141	7,267,098		12,513,239	15,107,603
Government grants	846,344			846,344	793,757
Miscellaneous fees	1,435,724			1,435,724	765,079
Other income	1,150,375	205,194		1,355,569	1,658,012
Net assets released from restrictions	16,377,589	(16,377,589)		–	–
Total operating revenues	93,910,088	(4,624,307)		89,285,781	85,893,392
Operating Expenses:					
Instruction	29,696,809			29,696,809	25,422,971
Student services	18,617,270			18,617,270	17,967,652
Academic support	5,945,927			5,945,927	4,695,245
Research	430,114			430,114	386,624
Institutional support	9,607,439			9,607,439	8,443,131
Fund raising	2,390,170			2,390,170	2,808,215
Auxiliary enterprises	15,811,907			15,811,907	14,393,058
Total operating expenses	82,499,636			82,499,636	74,116,896
Change in net assets from operating activities	11,410,452	(4,624,307)		6,786,145	11,776,496
Non-Operating Activities:					
Contributions and pledges		1,878,656	6,738,916	8,617,572	10,749,827
Investment return, less amounts designated for operations	(13,048,087)		642,581	(12,405,506)	32,347,641
Loss on Interest Rate Swap	(827,047)			(827,047)	(113,862)
Net change in annuity and life income funds	(100,595)	(85,789)	(375,983)	(562,367)	(891,872)
Loss on disposal of property and equipment	(234,790)			(234,790)	(736,617)
Miscellaneous	121,536		628,849	750,385	1,730,266
Effect of Adoption of Recognition and Measurement Provisions of FAS 158				–	(2,215,921)
Postretirement Related Changes Other Than Net Periodic Postretirement Cost				–	6,702,899
Net assets released from restrictions	2,394,807	(3,020,303)	625,496	–	–
Change in net assets from nonoperating activities	(11,694,176)	(1,227,436)	8,259,859	(4,661,753)	47,572,361
Change in net assets	(283,724)	(5,851,743)	8,259,859	2,124,392	59,348,857
Net assets at beginning of year	253,976,023	64,278,979	108,205,949	426,460,951	367,112,094
Net assets at end of year	**$ 253,692,299**	**$ 58,427,236**	**$ 116,465,808**	**$ 428,585,343**	**$ 426,460,951**

See accompanying notes.

Kenyon College

Consolidated Statement of Activities

Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total
Operating Revenues:				
Tuition and mandatory fees	$ 55,888,281			$ 55,888,281
Less: Financial aid	(17,750,235)			(17,750,235)
Net tuition and mandatory fees	38,138,046			38,138,046
Auxiliary enterprise revenues	13,834,046			13,834,046
Investment return designated for operations	13,468,880	2,127,969		15,596,849
Private gifts and grants	4,904,498	10,203,105		15,107,603
Government grants	793,757			793,757
Miscellaneous fees	765,079			765,079
Other income	1,371,004	287,008		1,658,012
Net assets released from restrictions	14,835,317	(14,835,317)		–
Total operating revenues	88,110,627	(2,217,235)		85,893,392
Operating Expenses:				
Instruction	25,422,971			25,422,971
Student services	17,967,652			17,967,652
Academic support	4,695,245			4,695,245
Research	386,624			386,624
Institutional support	8,443,131			8,443,131
Fund raising	2,808,215			2,808,215
Auxiliary enterprises	14,393,058			14,393,058
Total operating expenses	74,116,896			74,116,896
Change in net assets from operating activities	13,993,731	(2,217,235)		11,776,496
Nonoperating Activities:				
Pledges and bequests		1,477,600	9,272,227	10,749,827
Investment return, less amounts designated for operations	31,316,495		1,031,146	32,347,641
Loss on Interest Rate Swap	(113,862)			(113,862)
Net change in annuity and life income funds	(5,294)	243,402	(1,129,980)	(891,872)
Loss on disposal of property and equipment	(691,617)			(691,617)
Miscellaneous	54,025		1,631,241	1,685,266
Effect of Adoption of Recognition and Measurement Provisions of FAS 158	(2,215,921)			(2,215,921)
Postretirement Related Changes Other Than Net Periodic Postretirement Cost	6,702,899			6,702,899
Net assets released from restrictions	2,031,754	(2,200,556)	168,802	–
Change in net assets from nonoperating activities	37,078,479	(479,554)	10,973,436	47,572,361
Change in net assets	51,072,210	(2,696,789)	10,973,436	59,348,857
Net assets at beginning of year	202,903,813	66,975,768	97,232,513	367,112,094
Net assets at end of year	**$ 253,976,023**	**$ 64,278,979**	**$ 108,205,949**	**$ 426,460,951**

See accompanying notes.

Kenyon College

Consolidated Statements of Cash Flows

		Year Ended June 30		
		2008		2007
Operating activities				
Change in net assets	$	2,124,392	$	59,348,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization expense		6,947,016		6,781,454
Amortization of bond premiums		(9,361)		(9,361)
Loss on disposal of land, equipment and other fixed assets		234,790		691,617
Realized and unrealized (gains)/losses		2,303,303		(41,924,679)
Contributions for permanently restricted purposes		(5,085,710)		(6,153,641)
Changes in operating assets and liabilities:				
Accounts and interest receivable		155,605		(4,371)
Loans receivable		(416,620)		(355,180)
Present value of pledges receivable		1,420,190		(3,882,577)
Interests in charitable trusts		614,090		1,142,756
Inventories		37,215		272,591
Fair value of interest rate swap		827,047		113,862
Other assets		91,890		39,512
Accounts payable, accrued expenses and agency funds		1,926,987		148,567
Deposits and advances		163,795		187,446
Liability for postretirement benefits		(651,763)		(3,904,568)
Annuities, life income, pooled life income and unitrusts payable		240,580		259,526
Funds held for others		(4,539)		(111)
Government loan funds		4,770		18,399
Net cash provided by operating activities		10,923,677		12,770,099
Investing activities				
Proceeds from sale of land		–		44,999
Purchases of land, buildings, equipment and furniture		(24,972,030)		(16,610,714)
Purchases of library books and periodicals		(1,051,487)		(1,067,113)
Purchase of securities		(86,057,362)		(78,793,487)
Sale of securities		80,203,238		78,136,915
Increased investment in limited partnerships		(6,438,571)		(4,527,332)
Change in restricted bond proceeds		19,214,168		(22,564,385)
Net cash used in investing activities		(19,102,044)		(45,381,117)
Financing activities				
Contributions for permanently restricted purposes		5,085,710		6,153,641
Payments on capital leases		(595,000)		(5,675,000)
Premium received on issuance of bonds		–		327,636
Issuance of bonds		–		42,495,000
Net cash provided by financing activities		4,490,710		43,301,277
Net (decrease) increase in cash and cash equivalents		(3,687,657)		10,690,259
Cash and cash equivalents at the beginning of the year		31,658,938		20,968,679
Cash and cash equivalents at the end of the year	$	27,971,281	$	31,658,938
Supplemental disclosure of cash flow information				
Cash paid for interest	$	5,373,440	$	5,714,282

See accompanying notes.

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.

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.

1. Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

Equity Investments

Common Stocks

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

Alternative Investments

Hedge and Alternative Funds

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, 2007.

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 the 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, 2007.

1. Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

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.

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.

1. Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

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. The annual payments on the annuities range from $335 to $44,900.

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.

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. The College maintains cash and equivalent balances at high credit quality financial institutions which, at times, may exceed federally insured limits.

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 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.

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 held alternative investments valued at $218,323,938 and $207,823,357, representing 35% and 33% of the total net assets as of June 30, 2008 and 2007, respectively. 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.

1. Summary of Significant Accounting Policies (continued)

Operations

This statement of activities includes a subtotal for the change in net assets from operations. This subtotal reflects revenues that the College received for operating purposes, including investment income derived from the College's endowment payout formula. Nonoperating activity reflects the change in appreciation/depreciation on long-term investments in excess of the amount appropriated using the endowment payout formula, contributions for endowment and plant purposes, gains or losses on the disposal of property and equipment, the net change in annuity and life income funds, and other investment income.

Loans Receivable

Loans receivable are carried at unpaid principal balances, less an allowance for uncollectible loans of $40,000 at June 30, 2008 and 2007. Periodic evaluation of the adequacy of the allowance is based on past loan loss experience and current economic conditions. Interest income is recorded as monthly payments are received. Loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date. Interest on past due loans is not accrued and recognized only to the extent cash payments are received.

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.

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.

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.

It is the policy of the College to capitalize additions and, for replacements, to capitalize the incremental increase in cost of plant and equipment items. Maintenance, repairs and minor renewals are charged to expense when incurred.

The College recognized depreciation on the straight-line method over the estimated useful life for each major category of assets. These estimated useful lives are summarized in the following table:

Land improvements	10-50 years
Buildings and building improvements	40 years
Equipment and furniture	7-20 years
Library books	20 years
Computer equipment and software	3-5 years

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.

1. Summary of Significant Accounting Policies (continued)

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, 2008.

Reclassifications

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

2. Investments

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

	June 30	
	2008	**2007**
Equity investments:		
Common stocks	**$ 69,389,666**	$ 81,736,893
Alternative investments:		
Hedge and alternative funds	**146,706,557**	144,876,491
Private equity	**55,409,003**	52,092,745
Real estate	**14,019,172**	5,967,445
Commodities	**2,189,206**	4,886,676
Total alternative investments	**218,323,938**	207,823,357
Total equity investments	**287,713,604**	289,560,250
Fixed income investments	**49,355,291**	37,519,247
	$337,068,895	$ 327,079,497

The composition of investment return is as follows:

	Fiscal Years Ended June 30	
	2008	**2007**
Investment income (interest and dividends)	**$ 7,401,677**	$ 6,520,047
Realized and unrealized (losses) gains	**(2,303,303)**	41,924,679
	$ 5,098,374	$ 48,444,726

Investment income is shown net of investment expenses of approximately $2,373,130 for the year ended June 30, 2008 and $1,691,578 for the year ended June 30, 2007.

The College was obligated at June 30, 2008 to invest additional funds in limited partnership investments in the amount of $55,444,770 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.

2. Investments (continued)

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 2008	June 30 2007
Cost	**$152,846,453**	$ 141,502,439
Market value	**168,450,132**	167,678,129
Number of units	**347,831**	335,268
Market value of unit	**$ 484.29**	$ 500.13

The 2008 average annual earnings per unit amounted to $18.92 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, 2008			
End of year	$188,695,722	$ 170,102,042	$ 18,593,680
Beginning of year	192,934,254	159,811,335	33,122,919
Change in accumulated unrealized gain			(14,529,239)
Net realized gains for the year			9,865,632
Total			(4,663,607)
Interest and dividends, net of trustee fees			5,234,911
Total return			$ 571,303

3. Pledges Receivable

As of June 30, 2008 the College had received unconditional promises totaling $44,090,107 net of allowances for uncollectible pledges of $150,858.

	Temporarily Restricted	Permanently Restricted	Total
Within one year	$ 9,754,436	$ 2,571,118	$12,325,554
One to two years	8,575,667	2,552,149	11,127,816
Two to three years	7,206,983	2,487,309	9,694,292
Three to four years	2,302,459	1,880,307	4,182,766
Four to five years	1,129,066	1,436,206	2,565,272
More than five years (estate notes)	2,251,156	2,094,109	4,345,265
	31,219,767	13,021,198	44,240,965
Allowances for uncollectible pledges	(129,919)	(20,939)	(150,858)
	$ 31,089,848	$13,000,259	$44,090,107

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 2.33% to 4.57%. The present value discount for the year ended June 30, 2008 was $8,576,556.

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, 2008, the College has guaranteed mortgage loans aggregating $3,745,978. All loans were current as of June 30, 2008. The College deems it unlikely that the full amount of the guarantee would be called by the banks.

6. Retirement and Postretirement Benefit Plans

The College contributed \$2,677,636 and \$2,501,580 during the years ended June 30, 2008 and 2007, 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.

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 during the year ended June 30, 2008. In addition, the transition to the defined contribution plan resulted in a decrease in unrecognized prior service costs of \$6,702,899.

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.

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 premiums post age 65 and for current eligible active employees pre age 65 coverage.

6. Retirement and Postretirement Benefit Plans (continued)

Effective June 30, 2007, the College adopted the recognition provisions of Financial Accounting Standards Board (FASB) Statement 158, *Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans, an Amendment of FASB Statements No. 87, 88, 106, and 132 (R).* This Statement requires employers to recognize in their statements of financial position the overfunded or underfunded status of defined benefit plans, measured as the difference between the fair value of plan assets and the projected benefit obligation. Employers must recognize the change in the funded status of the plan in the year in which the change occurs through unrestricted net assets. Prior to the adoption of the recognition provisions of Statement No. 158, the College accounted for its defined benefit post-retirement plan under Statement No. 106, *Employers' Accounting for Post-Retirement Benefits Other Than Pensions.* As a result, the College recognized the following non-cash adjustments in individual line items of its statement of financial position as of June 30, 2007:

	Prior to Application of Statement No. 158	Effect of Adopting Statement No. 158	As Reported at June 30, 2007
Liability for post-retirement healthcare benefits	$ 2,354,394	$ 2,215,921	$ 4,570,315
Total liabilities	196,223,603	2,215,921	198,439,524
Unrestricted net assets	256,191,944	(2,215,921)	253,976,023

Included in unrestricted net assets at June 30, 2008 and 2007 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $2,205,800 and $2,905,433, respectively, and unrecognized net prior service credit of $6,473,375 and $7,437,411, respectively. The actuarial loss and prior service credit expected to be recognized during the year ended June 30, 2009 are $118,382 and $780,134, respectively.

The adoption of Statement No. 158 had no effect on the College's operating results as reflected in the statements of activities for the years ended June 30, 2008 and 2007, does not affect any financial covenants and is not expected to affect the College's operating results in future periods.

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	
	2008	**2007**
Net Periodic Postretirement Benefit Cost		
Service cost	$ **94,196**	$ 408,635
Interest cost	**248,409**	681,332
Amortization of prior service cost	**(780,134)**	(86,856)
Amortization of unrecognized loss	**147,103**	118,492
Total net periodic postretirement benefit cost	$ **(290,426)**	$ 1,121,603
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ **4,570,315**	$ 10,266,875
Service cost	**94,196**	408,635
Interest cost	**248,409**	681,332
Actuarial (gain) loss	**(781,432)**	639,467
Change in plan provisions	**183,902**	(6,886,801)
Benefits paid	**(396,838)**	(539,193)
Benefit obligation at end of year	**3,918,552**	4,570,315

Estimated future benefit payments as of June 30, 2008 are as follows:

2009	$ 265,091
2010	307,802
2011	326,947
2012	357,906
2013	363,727
2014-2018	1,957,872

6. Retirement and Postretirement Benefit Plans (continued)

	Fiscal Years Ended June 30	
	2008	**2007**
Actuarial Assumptions		
Weighted average discount rate:		
Expense for the Year	**6.25%**	5.25%
Accumulated Plan Benefit Obligation (at year-end)	**6.85%**	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	**2017**	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, 2008 would increase by $366,710 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost (NPPBC) for fiscal year 2008 would increase by $34,655. If the medical trend rates were to decrease by 1 percent for each year, the benefit obligation as of June 30, 2008 would decrease by $317,219 and the sum of the service and interest cost components of the NPPBC for fiscal year 2008 would decrease by $30,075.

7. Capital Lease Obligations

As of June 30, 2008 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 ($165,390,999 net of accumulated depreciation of $46,572,816 as of June 30, 2008) 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, 2008 and 2007 in connection with the College's construction projects was $1,523,725 and $755,969, respectively.

Fixed Interest Rate Bonds

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

5.30% Bonds issued in 1993, maturing through 2009 (1993 Revenue Bonds)	575,000
3.00% to 4.50% Bonds issued in 2003 and maturing through 2016 (2003 Bonds)	6,135,000
5.00% Bonds Issued in 2006 and maturing through 2041 (2006 Bonds)	42,495,000
Total	$49,205,000

7. Capital Lease Obligations (continued)

Fixed Interest Rate Bonds

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 were 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%. The original bond premium of $327,636 is being amortized over the term of the bonds.

The amount of rent expensed by the College on its fixed rate bonds for the year ended June 30, 2008 was $920,086 of which $595,000 represents principal and $325,086 represents interest. At June 30, 2007, future minimum payments by year and in the aggregate under these capital lease obligations consist of the following:

2009	$ 3,024,813
2010	3,032,875
2011	3,029,653
2012	3,023,137
2013	3,023,419
Remaining amount due	103,587,325
	118,721,222
Amount representing interest	(69,516,222)
Fixed rate obligations outstanding	$49,205,000

7. Capital Lease Obligations (continued)

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. The issue is currently trading in daily mode and the average interest rate on the placements through June 30, 2008 was 2.90 percent. At June 30, 2008 the interest rate was 1.70%. The amount of rent expensed by the College (which represents interest) was $258,596 for the fiscal year ended June 30, 2008. 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.

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, 2008 was 2.67 percent. At June 30, 2008 the interest rate was 1.55%. The amount of rent expensed by the College (which represents interest) was $655,536 for the fiscal year ended June 30, 2008. 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, 2011.

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 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, 2008 was 2.67 percent. At June 30, 2008 the interest rate was 1.55%. The amount of rent expensed (which represents interest) was $895,729 for the fiscal year ended June 30, 2008. 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
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, 2008 was 4.660 percent. The amount of rent expense (which represents interest) was $3,262,250 for the fiscal year ended June 30, 2008. 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 $3,274,750 for the fiscal year ending June 30, 2009. Thereafter, future minimum lease payments, excluding redemptions and principal due at maturity, will vary based on the mode selected and economic conditions.

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.

7. Capital Lease Obligations (continued)

Variable Interest Rate Bonds (continued)

The 2002 Bonds (continued)

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, 2008 is an asset of $1,641,793.

Currently, the College is planning to refinance its 1992, 1998 and 1999 variable rate demand bonds into one issue which will trade with a letter of credit.

8. Net Assets

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

	June 30	
	2008	**2007**
Unrestricted net assets		
Board designated net assets:		
Funds functioning as endowment	**$ 93,762,994**	$104,541,731
Reserves for capital replacement and operating budget support	**113,166,058**	104,912,433
Total board designated net assets	**206,929,052**	209,454,164
Other designations of net assets:		
Equity in plant assets (at cost)	**42,107,336**	38,372,872
Management designated net assets	**9,848,357**	11,620,850
Unfunded postretirement benefits, compensated absences, and early retirement agreements	**(5,192,446)**	(5,471,863)
Total other designations of net assets	**46,763,247**	44,521,859
Total unrestricted net assets	**$253,692,299**	$253,976,023

8. Net Assets (continued)

	June 30	
	2008	**2007**
Temporarily restricted net assets		
Pledges and trusts receivable	**$ 32,133,111**	$ 35,538,145
Life and pooled life income funds	**2,401,676**	2,355,044
Unexpended gifts and grants	**22,870,520**	25,648,134
Endowment income designated for restricted purposes	**1,021,929**	737,656
Total temporarily restricted net assets	**$ 58,427,236**	$ 64,278,979
Permanently restricted net assets		
Endowment funds	**$ 94,932,728**	$ 88,392,523
Pledges and trusts receivable	**15,444,171**	14,073,384
Annuity and life income funds	**3,487,272**	3,381,585
Student loan funds	**2,601,637**	2,358,457
Total permanently restricted net assets	**$116,465,808**	$108,205,949

9. Commitments

As of June 30, 2008, the College has outstanding commitments of approximately $4.7 million remaining for the construction of new facilities and the renovation of existing facilities. These commitments will be funded by the general assets of the College.

10. Subsequent Event

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

10. Subsequent Event (continued)

Subsequent to year end, the investment and credit markets in the United States and around the world have experienced significant challenges related to liquidity, extension of credit and valuation. The results of these challenges have significantly increased volatility in the trading prices of marketable securities. As of October 10, 2008, the major securities indices have declined more than 25% from their values at June 30, 2008. In addition, as a result of illiquidity in the credit markets and down grading of many financial institutions and insurance companies, many variable rate demand bonds have failed to re-market or have re-marketed with significantly higher interest rates.

In addition, subsequent to year end, the College held approximately $8.8 million in the Commonfund Short Term Fund which was closed by its trustee. These funds will be available as the investments mature. An anticipated remaining balance of $2.5 million may take up to three years to redeem. The College believes the closing of the Fund will not disrupt current operations.