KENYON COLLEGE

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2009 and 2008

KENYON COLLEGE

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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, 2009 and 2008, 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 27% and 35% of total assets as of June 30, 2009 and 2008, 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, 2009 and 2008, 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
November 10, 2009

KENYON COLLEGE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	$ 54,716,819	$ 27,971,281
Fair value of interest rate swap	-	1,641,793
Equity investments	142,064,548	287,713,604
Fixed income investments	108,978,221	49,355,291
Restricted bond proceeds	-	3,350,217
Accounts and interest receivable	2,086,856	1,380,818
Inventories	683,189	573,457
Present value of pledges receivable	40,399,723	44,090,107
Loans receivable	5,228,288	4,977,290
Interests in charitable trusts	2,625,050	3,459,883
Land	1,589,553	1,529,724
Equipment and furniture, net of accumulated depreciation of $13,659,242 and $12,685,762 at June 30, 2009 and 2008, respectively	9,651,412	9,111,473
Library books and periodicals, net of accumulated depreciation of $8,946,125 and $8,260,901 at June 30, 2009 and 2008, respectively	8,184,444	7,797,702
Buildings, net of accumulated depreciation of $59,311,464 and $53,996,188 at June 30, 2009 and 2008, respectively	176,481,511	146,832,228
Construction work-in-progress	9,799,292	35,124,941
Other assets	3,219,838	3,190,527
Total assets	$565,708,744	$628,100,336

The accompanying notes are an integral part of these financial statements.

KENYON COLLEGE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	2009	2008
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and agency funds	$ 5,858,950	$ 9,289,504
Fair value of interest rate swap	5,748,559	-
Deposits and advances	3,356,881	3,421,861
Liability for post-retirement benefits	4,130,914	3,918,552
Annuities, life income, pooled life income and unitrust payable	3,621,935	3,912,492
Government loan funds	1,866,416	1,858,670
Bond premiums	299,553	308,914
Capital lease obligations	176,175,000	176,805,000
Total liabilities	201,058,208	199,514,993
NET ASSETS		
Unrestricted	189,364,712	253,692,299
Temporarily restricted	54,294,925	58,427,236
Permanently restricted	120,990,899	116,465,808
Total net assets	364,650,536	428,585,343
Total liabilities and net assets	$565,708,744	$628,100,336

The accompanying notes are an integral part of these financial statements.

KENYON COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2009
(With Comparative Totals for Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
OPERATING REVENUES					
Tuition and mandatory fees	$ 62,314,760			$ 62,314,760	$ 59,254,652
Less: Financial aid	(19,028,756)			(19,028,756)	(18,295,573)
Net tuition and mandatory fees	43,286,004			43,286,004	40,959,079
Auxiliary enterprise revenues	14,877,893			14,877,893	14,671,946
Investment return designated for operations	16,059,597	$ 1,378,593		17,438,190	17,503,880
Private gifts and grants	5,798,120	5,661,228		11,459,348	12,513,239
Government grants	723,619			723,619	846,344
Miscellaneous fees	622,457	29,675		652,132	1,435,724
Other income	1,484,007	120,981		1,604,988	1,355,569
Net assets released from restrictions	13,733,432	(13,733,432)		-	-
Total operating revenues	96,585,129	(6,542,955)		90,042,174	89,285,781
OPERATING EXPENSES					
Instruction	29,967,697			29,967,697	29,696,809
Student services	19,900,569			19,900,569	18,617,270
Academic support	5,930,927			5,930,927	5,945,927
Research	393,258			393,258	430,114
Institutional support	9,093,917			9,093,917	9,607,439
Fund raising	2,441,864			2,441,864	2,390,170
Auxiliary enterprises	17,040,960			17,040,960	15,811,907
Total operating expenses	84,769,192			84,769,192	82,499,636
Change in net assets from operating activities	11,815,937	(6,542,955)		5,272,982	6,786,145
NON-OPERATING ACTIVITIES					
Contributions and pledges		2,824,569	$ 4,846,206	7,670,775	8,202,732
Investment return, less amounts designated for operations	(66,997,777)	(1,176,266)	(1,362,104)	(69,536,147)	(12,251,276)
Loss on interest rate swap	(7,390,352)			(7,390,352)	(827,047)
Net change in annuity and life income funds	(65,440)	89,876	248,349	272,785	(37,819)
Loss on disposal of property and equipment	(231,560)			(231,560)	(234,790)
Miscellaneous	(59,115)		65,825	6,710	486,447
Net assets released from restrictions	1,750,331	(2,477,146)	726,815	-	-
Change in net assets from non-operating activities	(72,993,913)	(738,967)	4,525,091	(69,207,789)	(4,661,753)
CHANGE IN NET ASSETS	(61,177,976)	(7,281,922)	4,525,091	(63,934,807)	2,124,392
NET ASSETS AT BEGINNING OF YEAR	253,692,299	58,427,236	116,465,808	428,585,343	426,460,951
RECLASSIFICATION OF NET ASSETS	(3,149,611)	3,149,611		-	-
NET ASSETS AT END OF YEAR	$189,364,712	$ 54,294,925	$120,990,899	$364,650,536	$428,585,343

The accompanying notes are an integral part of these financial statements.

KENYON COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total
OPERATING REVENUES				
Tuition and mandatory fees	$ 59,254,652			$ 59,254,652
Less: Financial aid	(18,295,573)			(18,295,573)
Net tuition and mandatory fees	40,959,079			40,959,079
Auxiliary enterprise revenues	14,671,946			14,671,946
Investment return designated for operations	13,222,890	$ 4,280,990		17,503,880
Private gifts and grants	5,246,141	7,267,098		12,513,239
Government grants	846,344			846,344
Miscellaneous fees	1,435,724			1,435,724
Other income	1,150,375	205,194		1,355,569
Net assets released from restrictions	16,377,589	(16,377,589)		-
Total operating revenues	93,910,088	(4,624,307)		89,285,781
OPERATING EXPENSES				
Instruction	29,696,809			29,696,809
Student services	18,617,270			18,617,270
Academic support	5,945,927			5,945,927
Research	430,114			430,114
Institutional support	9,607,439			9,607,439
Fund raising	2,390,170			2,390,170
Auxiliary enterprises	15,811,907			15,811,907
Total operating expenses	82,499,636			82,499,636
Change in net assets from operating activities	11,410,452	(4,624,307)		6,786,145
NON-OPERATING ACTIVITIES				
Contributions and pledges		1,746,235	$ 6,456,497	8,202,732
Investment return, less amounts designated for operations	(13,048,087)	202,745	594,066	(12,251,276)
Loss on interest rate swap	(827,047)			(827,047)
Net change in annuity and life income funds	(100,595)	63,402	(626)	(37,819)
Loss on disposal of property and equipment	(234,790)			(234,790)
Miscellaneous	121,536	(219,515)	584,426	486,447
Net assets released from restrictions	2,394,807	(3,020,303)	625,496	-
Change in net assets from non-operating activities	(11,694,176)	(1,227,436)	8,259,859	(4,661,753)
CHANGE IN NET ASSETS	(283,724)	(5,851,743)	8,259,859	2,124,392
NET ASSETS AT BEGINNING OF YEAR	253,976,023	64,278,979	108,205,949	426,460,951
NET ASSETS AT END OF YEAR	$253,692,299	$ 58,427,236	$116,465,808	$428,585,343

The accompanying notes are an integral part of these financial statements.

KENYON COLLEGE

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (63,934,807)	$ 2,124,392
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	8,091,378	6,947,016
Amortization of bond premiums	(9,361)	(9,361)
Change in fair value of interest rate swap	7,390,352	827,047
Loss on disposal of land, equipment and other fixed assets	231,560	234,790
Realized and unrealized losses	56,024,686	2,303,303
Contributions for permanently restricted purposes	(5,929,452)	(5,085,710)
Changes in operating assets and liabilities:		
Accounts and interest receivable	(706,038)	155,605
Loans receivable	(250,998)	(416,620)
Present value of pledges receivable	3,690,384	1,420,190
Interests in charitable trusts	834,833	614,090
Inventories	(109,732)	37,215
Other assets	(29,311)	91,890
Accounts payable, accrued expenses and agency funds	(3,430,554)	1,926,987
Deposits and advances	(69,663)	163,795
Liability for postretirement benefits	212,362	(651,763)
Annuities, life income, pooled life income and unitrusts payable	(290,557)	240,580
Funds held for others	4,683	(4,539)
Government loan funds	7,746	4,770
Net cash provided by operating activities	1,727,511	10,923,677
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings, equipment and furniture	(12,561,117)	(24,972,030)
Purchases of library books and periodicals	(1,071,965)	(1,051,487)
Purchase of securities	(67,713,053)	(86,057,362)
Sale of securities	123,929,468	80,203,238
Increased investment in limited partnerships	(26,214,975)	(6,438,571)
Change in restricted bond proceeds	3,350,217	19,214,168
Net cash provided by (used in) investing activities	19,718,575	(19,102,044)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for permanently restricted purposes	5,929,452	5,085,710
Payments on capital leases	(630,000)	(595,000)
Net cash provided by financing activities	5,299,452	4,490,710
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,745,538	(3,687,657)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27,971,281	31,658,938
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 54,716,819	$ 27,971,281
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 6,348,725	$ 5,373,440

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

A. *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.

B. *Use of Estimates* – Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

C. *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. The accounts of the Philander Chase Corporation and the Kenyon Review have been consolidated in accordance with Statement of Position 94-3. All significant intercompany accounts and transactions have been eliminated.

D. *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.

E. *Fair Values of Financial Instruments* – Effective July 1, 2008, the College adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, for its financial instruments measured at fair value on a recurring basis. SFAS No. 157 provides a framework for measuring fair value, expands disclosure about fair value measurements and establishes a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models and market assumptions.

Note 1. Summary of Significant Accounting Policies (Continued)

E. *Fair Values of Financial Instruments (Continued)*

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, generally considered Level 1 valuations.

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, 2008. These assets are generally valued using Level 2 or Level 3 assumptions.

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, 2008. These assets are generally valued using Level 3 assumptions.

Fixed Income Investments

The fair values of these investments are estimated based on quoted market prices for these or similar investments, generally considered Level 1 valuations.

Note 1. Summary of Significant Accounting Policies (Continued)

E. *Fair Values of Financial Instruments (Continued)*

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 on the date of the contribution. 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 market interest rates on the date of contribution 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.

The following table sets forth by level within the fair value hierarchy the College's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of June 30, 2009. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The College's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

Note 1. Summary of Significant Accounting Policies (Continued)

E. *Fair Values of Financial Instruments (Continued)*

	Level 1	Level 2	Level 3	Total
Assets				
Equity investments	$ 5,148,295		$ 136,916,253	$ 142,064,548
Fixed income investments	95,943,202		13,035,019	108,978,221
Interests in charitable trusts	1,235,237	$ 192,199	1,197,614	2,625,050
Liabilities				
Interest rate swap		5,748,559		5,748,559
	$ 102,326,734	$ 5,940,758	$ 151,148,886	$ 259,416,378

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

Beginning balance	$ 229,484,056
Realized and unrealized losses	(39,954,760)
Purchases	20,511,635
Distributions	(58,892,045)
Ending balance	$ 151,148,886

F. *Cash Equivalents* – The College considers investments with a maturity of three months 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.

G. *Interest Rate Swap* – In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* derivative instruments (interest rate swap) are recorded by the College on the consolidated statements 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 statements of activities in the period of change, following SFAS No. 133 guidance specific to non-for-profit organizations (see Note 8).

H. *Investments* – Investments are carried at fair value in accordance with 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 $149,951,272 and $218,323,938, representing 27% and 35% of the total net assets as of June 30, 2009 and 2008, 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 Values of Financial Instruments* section.

Note 1. Summary of Significant Accounting Policies (Continued)

I. *Operations* – The consolidated statements of activities include 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.

J. *Loans Receivable* – Loans receivable are carried at unpaid principal balances, less an allowance for uncollectible loans of $40,000 at June 30, 2009 and 2008. 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.

K. *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.

L. *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.

M. *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.

N. *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. 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

Note 1. Summary of Significant Accounting Policies (Continued)

N. *Land, Buildings, Equipment and Depreciation (Continued)*

Depreciation expense for the years ended June 30, 2009 and 2008 was $8,091,378 and $6,947,016, respectively.

O. *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.

P. *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. In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, effective for tax years beginning after December 15, 2006. FASB has deferred the effective date of FIN 48 for certain nonpublic enterprises, including nonpublic not-for-profit organizations, until fiscal years beginning after December 15, 2008. FIN 48 requires a tax-exempt, not-for-profit organization to record a liability for income tax when there are uncertainties as to whether its income is exempt from income tax. The College will adopt, and is currently investigating the effect of adopting, the new standard during the fiscal year ending June 30, 2010.

Q. *Conditional Asset Retirement Obligations* – FASB Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations*, 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, 2009.

R. *Reclassifications* – Certain 2008 amounts have been reclassified to conform to the 2009 presentation. In addition, in accordance with Staff Position 117-1, as of July 1, 2008, the College reclassified $3,149,611 of unrestricted net assets to temporarily restricted.

S. *Contingencies* – The College is involved in litigation and is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the College's operations or financial position.

T. *New Accounting Standards* – The College adopted SFAS No. 165, *Subsequent Events*, effective June 15, 2009. Management has performed an analysis of the activities and transactions subsequent to June 30, 2009 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2009. Management has performed their analysis through October 23, 2009. No subsequent events as defined by the new standard were found.

Note 2. Investments

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

	June 30 2009	June 30 2008
Equity investments:		
Common stocks	$ 5,130,358	$ 69,389,666
Alternative investments:		
Hedge and alternative funds	70,096,115	146,706,557
Private equity	48,005,823	55,409,003
Real estate	14,441,932	14,019,172
Commodities	4,390,320	2,189,206
Total alternative investments	136,934,190	218,323,938
Total equity investments	142,064,548	287,713,604
Fixed income investments:		
Marketable funds	95,943,202	43,548,722
Alternative funds	13,035,019	5,806,569
Total fixed income investments	108,978,221	49,355,291
	$ 251,042,769	$ 337,068,895

The composition of investment return is as follows:

	Fiscal Years Ended June 30 2009	Fiscal Years Ended June 30 2008
Investment income (interest and dividends)	$ 3,926,729	$ 7,460,706
Realized (losses) gains	(18,573,412)	18,878,974
Unrealized losses	(37,451,274)	(21,087,076)
	$ (52,097,957)	$ 5,252,604

Investment income is shown net of investment expenses of $3,303,214 for the year ended June 30, 2009 and $2,373,130 for the year ended June 30, 2008.

The College was obligated at June 30, 2009 to invest additional funds in limited partnership investments in the amount of $69,827,203 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 of all investment types disclosed above 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 month end.

Note 2. Investments (Continued)

Pooled Endowment Assets (Continued)

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

	June 30 2009	June 30 2008
Cost	$ 138,285,520	$ 152,846,453
Market value	133,389,744	168,450,132
Number of units	366,775	347,831
Market value of unit	$ 363.68	$ 484.29

The payout rate per unit held the entire year, as calculated using the spending formula approved by the Board of Trustees (see Note 3), was $19.65. Units received during the year received a prorated amount.

The fair value of assets associated with individual donor-restricted endowment funds is below the carrying value by $5,604,206 at June 30, 2009.

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

	Market	Cost	Excess of Market Value Over Cost
June 30, 2009			
End of year	$ 151,055,850	$ 153,377,889	$ (2,322,039)
Beginning of year	188,695,722	170,102,042	18,593,680
Change in accumulated unrealized gain (loss)			(20,915,719)
Net realized losses for the year			(18,196,452)
Total			(39,112,171)
Interest and dividends, net of trustee fees			1,536,885
Total return			$ (37,575,286)

Note 3. UPMIFA, FSP 117-1 and Endowment Funds

On November 17, 2008, Ohio adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which became effective June 1, 2009.

During 2008, FASB released Staff Position 117-1 (FSP 117-1), providing guidance on the net asset classification of donor-restricted endowment funds. FSP 117-1 requires enhanced disclosure for endowment funds. These disclosures are presented on the following pages.

Note 3. UPMIFA, FSP 117-1 and Endowment Funds (Continued)

The Investment Committee is charged by the Board of Trustees to oversee the investment process. For endowment funds, the objective is to achieve superior long term real total returns such that the requirements of the annual budget are met while allowing for significant growth, all within the confines of reasonable risk. In this regard, specific responsibilities include the hiring, monitoring and changing of investment managers, performance monitoring, establishing asset classes, allocation targets and ranges and rebalancing strategies. As part of its overall mission, the Investment Committee maintains a detailed *Statement of Purpose and Policies*, including guidelines to managers, and it regularly reviews the appropriateness of the contents in light of the current investment environment. In conjunction with the Budget and Finance Committee of the Board of Trustees, the Investment Committee recommends to the full Board spending policies in respect to the annual distribution from endowment funds.

For the year ended June 30, 2009, the College utilized a spending formula to calculate the distribution out of its investment portfolio. The formula is composed of two elements: 1) a market element adjusts annual endowment spending to the long-term sustainable target spending of 4.00% of the average actual market value of the endowment for the most recent three years. This element of the spending rate receives a 30% weighting in the spending rate calculation and 2) a spending element increases last year's spending rate by a factor for inflation (3.5%) plus budget growth (1.50%). This element of the spending rate receives a weight of 70%. The distributed earnings are considered appropriated for expenditure and recorded as net assets released from restrictions in the statement of activities as spent.

The College's endowment funds were as follows as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year, as reclassified	$ 90,613,384	$ 4,171,540	$ 94,932,727	$ 189,717,651
Investment return:				
Investment income	6,377,966	1,073,005		7,450,971
Net depreciation (realized and unrealized)	(38,140,537)	(1,253,181)		(39,393,718)
Total investment return	(31,762,571)	(180,176)		(31,942,747)
Cash contributions	1,122,371		5,710,529	6,832,900
Appropriation of endowment assets for expenditure	(12,798,952)	(753,002)		(13,551,954)
Endowment assets, end of year	$ 47,174,232	$ 3,238,362	$ 100,643,256	$ 151,055,850

Note 4. Pledges Receivable

As of June 30, 2009, the College had received unconditional promises totaling $40,399,723 net of allowances for uncollectible pledges of $193,196.

	Temporarily Restricted	Permanently Restricted	Total
Within one year	$ 10,973,312	$ 2,721,678	$ 13,694,990
One to two years	10,095,574	1,907,164	12,002,738
Two to three years	2,846,077	2,628,633	5,474,710
Three to four years	1,329,400	2,112,300	3,441,700
Four to five years	1,235,400	2,156,023	3,391,423
More than five years (estate notes)	4,713,002	4,050,000	8,763,002
	31,192,765	15,575,798	46,768,563
Discount on long-term pledges	(3,138,017)	(3,037,627)	(6,175,644)
Allowances for uncollectible pledges	(165,657)	(27,539)	(193,196)
	$ 27,889,091	$ 12,510,632	$ 40,399,723

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 0.56% to 4.33%.

Note 5. Available Line of Credit

Under an unused and unsecured 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.

Note 6. 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, 2009, the College has guaranteed mortgage loans aggregating $3,407,908. All loans were current as of June 30, 2009. The College deems it unlikely that the full amount of the guarantee would be called by the banks.

Note 7. Retirement and Postretirement Benefit Plans

The College has three defined contribution retirement plans which cover substantially all employees. Eligible employees may contribute a percentage of their compensation. The College contributes 9.5% of the employee's compensation for all employees who contribute a minimum deferral of 3% or 5% depending on the plan. The College's contributions to the plans were $2,838,847 and $2,677,636 during the years ended June 30, 2009 and 2008, respectively.

Note 7. Retirement and Postretirement Benefit Plans (Continued)

In addition to the College's defined contribution retirement plans, the College has two additional postretirement benefit 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.

The second plan is a defined benefit postretirement plan which 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 SFAS No. 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.

The College accounts for its defined benefit plans under the provisions of SFAS No. 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.

Included in unrestricted net assets at June 30, 2009 and 2008 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $2,176,333 and $2,205,800, respectively, and unrecognized net prior service credit of $5,693,241 and $6,473,375, respectively. The actuarial loss and prior service credit expected to be recognized during the year ended June 30, 2010 are $135,634 and $780,134, respectively.

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

	Fiscal Years Ended June 30	
	2009	2008
Net Periodic Postretirement Benefit Cost		
Service cost	$ 105,031	$ 94,196
Interest cost	252,041	248,409
Amortization of prior service cost	(780,134)	(780,134)
Amortization of unrecognized loss	118,382	147,103
Total net periodic postretirement benefit cost	$ (304,680)	$ (290,426)

Note 7. Retirement and Postretirement Benefit Plans (Continued)

	Fiscal Years Ended June 30 2009	2008
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 3,918,552	$ 4,570,315
Service cost	105,031	94,196
Interest cost	252,041	248,409
Actuarial loss (gain)	272,817	(781,432)
Change in plan provisions	-	183,902
Benefits paid	(417,527)	(396,838)
Benefit obligation at end of year	$ 4,130,914	$ 3,918,552

Estimated future benefit payments as of June 30, 2009 are as follows:

2010	$ 307,762
2011	327,283
2012	358,256
2013	365,004
2014	387,926

	Fiscal Years Ended June 30 2009	2008
Actuarial Assumptions		
Weighted average discount rate:		
Expense for the year	6.84%	6.25%
Accumulated plan benefit obligation (at year-end)	6.24%	6.85%
Medical trend:		
For next year	9.00%	8.50%
Thereafter	8.50%	8.00%
Ultimate trend rate	4.50%	4.50%
Year reached	2018	2017

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, 2009 would increase by $296,775 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost (NPPBC) for fiscal year 2009 would increase by $32,845. If the medical trend rates were to decrease by 1 percent for each year, the benefit obligation as of June 30, 2009 would decrease by $264,883 and the sum of the service and interest cost components of the NPPBC for fiscal year 2009 would decrease by $29,112.

Note 8. Capital Lease Obligations

As of June 30, 2009, 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 ($176,401,301 net of accumulated depreciation of $58,240,327 as of June 30, 2009) 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, 2009 and 2008 in connection with the College's construction projects was $225,040 and $1,523,725, respectively.

Fixed Interest Rate Bonds

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

3.25% to 4.50% Bonds issued in 2003 and maturing through 2016 (2003 Bonds)	$ 6,080,000
5.00% Bonds Issued in 2006 and maturing through 2041 (2006 Bonds)	42,495,000
Total	$ 48,575,000

In October 2003, the College issued $6,345,000 of revenue bonds. The proceeds of the bonds were used to refinance various previous bond issues.

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, 2009 was $3,002,712 of which $630,000 represents principal and $2,372,712 represents interest. 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, 2009, future minimum payments by year and in the aggregate under these capital lease obligations consist of the following:

Note 8. Capital Lease Obligations (Continued)

Fixed Interest Rate Bonds (Continued)

2010	$ 3,032,875
2011	3,029,653
2012	3,023,137
2013	3,023,419
2014	3,025,475
Remaining amount due	100,561,850
	115,696,409
Amount representing interest	(67,121,409)
Fixed rate obligations outstanding	$ 48,575,000

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. The issue is currently trading in daily mode and the average interest rate on the placements through June 30, 2009 was 1.35 percent. At June 30, 2009, the interest rate was 0.23 percent. The amount of rent expensed by the College (which represents interest) was $96,431 and $258,596 for the fiscal years ended June 30, 2009 and 2008, respectively. 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 13, 2010.

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. The issue is currently trading in daily mode and the average interest rate on the placements through June 30, 2009 was 1.17 percent. At June 30, 2009, the interest rate was 0.23 percent. The amount of rent expensed by the College (which represents interest) was $239,931 and $655,536 for the fiscal years ended June 30, 2009 and 2008, respectively. 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.

Note 8. 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. The issue is currently trading in daily mode and the average interest rate on the placements through June 30, 2009 was 1.18 percent. At June 30, 2009, the interest rate was 0.18 percent. The amount of rent expensed (which represents interest) was $342,801 and $895,729 for the fiscal years ended June 30, 2009 and 2008, respectively. 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 letter of credit with a bank to provide for liquidity in connection with the remarketing of the bonds. The letter of credit expires May 1, 2012.

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 2002 Bonds

In December 2002, through the Commission, the College issued adjustable rate medium term bonds with a par value of $75,000,000. In 2006, $5,000,000 of this issue was refunded as part of the 2006 Bonds leaving a current outstanding par value of $70,000,000. The bond proceeds funded the construction of a Center for Fitness, Recreation and Athletics and improving, renovating and equipping certain educational facilities. The bonds were initially issued in a fixed rate mode. Until the end of the fixed 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
2010	$ 5,000,000	4.30%
2011	5,000,000	4.00%
2011	7,500,000	4.50%
2012	6,000,000	4.60%
2013	6,000,000	4.70%
2014	5,000,000	4.00%
2014	8,000,000	4.85%
2015	12,500,000	4.95%
2016	15,000,000	5.05%

After the end of each fixed 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, 2009 was 4.678 percent. The amount of rent expense (which represents interest) was $3,274,750 for the fiscal year ended June 30, 2009. 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, 2010. Thereafter, future minimum lease payments, excluding redemptions and principal due at maturity, will vary based on the mode selected and economic conditions.

Note 8. Capital Lease Obligations (Continued)

Variable Interest Rate Bonds (Continued)

The 2002 Bonds (Continued)

During the time that a bond operates in an initial fixed rate period, such bond will be subject to optional redemption on the last interest payment date for such fixed 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 statements of activities. The fair value of the interest rate swap at June 30, 2009 is a liability of $5,748,559. For the year ended June 30, 2009, the College's interest expense was increased by $1,454,942 as a result of the interest rate swap.

Currently, the College is planning to refinance all, or a portion of, its 1992, 1998 and 1999 variable rate demand bonds and all, or a portion of, its 2002 medium term notes with long fixed rate bonds.

Note 9. Net Assets

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

	2009	2008
Unrestricted net assets		
Board designated net assets:		
Funds functioning as endowment	$ 48,528,490	$ 93,762,994
Reserves for capital replacement and operating budget support	94,971,645	113,166,058
Total board designated net assets	143,500,135	206,929,052
Other designations of net assets:		
Equity in plant assets (at cost)	47,149,334	42,107,336
Management designated net assets	4,353,491	9,848,357
Unfunded postretirement benefits, compensated absences and early retirement agreements	(5,638,248)	(5,192,446)
Total other designations of net assets	45,864,577	46,763,247
Total unrestricted net assets	$ 189,364,712	$ 253,692,299

Note 9. Net Assets (Continued)

Temporarily restricted net assets were restricted as follows:

	2009	2008
Temporarily restricted net assets		
Unexpended gifts and grants:		
Faculty and academic support	$ 2,687,626	$ 2,003,599
Student programs	14,179,975	17,203,067
Scholarships, prizes and awards	715,039	318,056
Plant improvements	2,053,162	1,444,430
Other programs	477,026	493,739
Gifts pending donor designation	3,069,452	2,429,558
Total unexpended endowment income and gifts and grants	23,182,280	23,892,449
Pledges and trusts receivable	28,689,418	32,133,111
Life and pooled life income funds	2,423,227	2,401,676
Total temporarily restricted net assets	$ 54,294,925	$ 58,427,236

Permanently restricted net assets were restricted as follows:

	2009	2008
Permanently restricted net assets		
Endowment funds:		
Faculty and academic support	$ 28,486,989	$ 27,227,577
Lectureship and concert funds	976,119	953,338
Library funds	2,622,054	2,871,740
Student programs	2,043,358	2,101,878
Scholarship and prize funds	47,915,601	43,109,718
Presidency funds	3,172,866	3,172,865
Kenyon Review funds	3,009,389	2,770,621
Loan funds	3,640,205	4,127,702
General support	4,804,065	4,855,669
Other funds	3,972,610	3,741,620
Total endowment funds	100,643,256	94,932,728
Pledges and trusts receivable	14,360,925	15,444,171
Annuity and life income funds	3,279,629	3,487,272
Student loan funds	2,707,089	2,601,637
Total permanently restricted net assets	$ 120,990,899	$ 116,465,808

Note 10. Commitments

As of June 30, 2009, the College has outstanding commitments of approximately $16.4 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.