KENYON COLLEGE

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2017 and 2016

KENYON COLLEGE

CONTENTS

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Maloney
Maloney + Novotny LLC

Independent Auditors' Report

The Board of Trustees
Kenyon College
Gambier, Ohio

We have audited the accompanying consolidated financial statements of Kenyon College, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maloney + Novotny LLC

Cleveland, Ohio
October 26, 2017

KENYON COLLEGE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 11,491,654	$ 8,112,615
Investments	421,669,774	391,874,039
Accounts and interest receivable	2,033,048	2,296,730
Inventories	1,047,293	1,153,075
Present value of pledges receivable	38,571,837	29,378,848
Loans receivable	5,021,466	5,127,269
Interests in charitable trusts	2,512,700	2,321,497
Land, buildings, equipment, net	256,200,624	245,113,476
Other assets	3,979,673	4,052,736
Total assets	$ 742,528,069	$ 689,430,285
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and agency funds	$ 11,750,220	$ 12,404,164
Fair value of interest rate swaps	3,703,121	4,280,537
Deposits and advances	2,645,418	2,517,155
Liability for post-retirement benefits	6,390,876	6,095,289
Annuities, life income, pooled life income and unitrust payable	4,651,120	3,924,078
Government loan funds	1,624,930	1,600,606
Capital lease obligations, net	196,425,217	189,539,990
Total liabilities	227,190,902	220,361,819
NET ASSETS		
Unrestricted	270,318,590	257,751,844
Temporarily restricted	47,960,098	37,841,451
Permanently restricted	197,058,479	173,475,171
Total net assets	515,337,167	469,068,466
Total liabilities and net assets	$ 742,528,069	$ 689,430,285

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

KENYON COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
OPERATING REVENUES					
Tuition and mandatory fees	$ 90,190,312			$ 90,190,312	$ 85,944,982
Less: Financial aid	(32,898,522)			(32,898,522)	(31,774,344)
Net tuition and mandatory fees	57,291,790			57,291,790	54,170,638
Auxiliary enterprise revenues	27,498,010			27,498,010	26,869,114
Investment return designated for operations	12,575,100	$ 8,661,815		21,236,915	20,050,143
Private gifts and grants	7,038,312	8,591,444		15,629,756	13,160,970
Government grants	938,650			938,650	762,454
Miscellaneous fees	161,973			161,973	177,275
Other income	1,463,229	90,323		1,553,552	1,385,129
Net assets released from restrictions	12,399,545	(12,399,545)		-	-
Total operating revenues	119,366,609	4,944,037		124,310,646	116,575,723
OPERATING EXPENSES					
Educational and program expenses					
Instruction	43,150,629			43,150,629	42,020,723
Student services	23,637,207			23,637,207	23,447,947
Academic support	7,989,625			7,989,625	7,234,364
Research	708,862			708,862	463,428
Total educational and program expenses	75,486,323			75,486,323	73,166,462
Institutional support	11,641,044			11,641,044	11,455,412
Fund raising	3,510,665			3,510,665	2,915,600
Community partnership	211,087			211,087	115,819
Auxiliary enterprises	22,489,068			22,489,068	23,098,650
Total operating expenses	113,338,187			113,338,187	110,751,943
Change in net assets from operating activities	6,028,422	4,944,037		10,972,459	5,823,780
NON-OPERATING ACTIVITIES					
Contributions and pledges		2,951,993	$ 23,111,251	26,063,244	11,331,397
Investment return, less amounts designated for operations	8,774,003	7,503,145	786,527	17,063,675	(26,207,704)
Change in fair value of interest rate swaps	577,416			577,416	224,567
Loss on early extinguishment of debt	(7,802,553)			(7,802,553)	-
Net change in annuity and life income funds	(44,388)	19,906	(502,993)	(527,475)	224,945
Loss on disposal of property and equipment	(102,251)			(102,251)	(540,928)
Miscellaneous	(69,353)		93,539	24,186	(28,867)
Releases and reclassifications of net assets	5,205,450	(5,300,434)	94,984	-	-
Change in net assets from non-operating activities	6,538,324	5,174,610	23,583,308	35,296,242	(14,996,590)
CHANGE IN NET ASSETS	12,566,746	10,118,647	23,583,308	46,268,701	(9,172,810)
NET ASSETS AT BEGINNING OF YEAR	257,751,844	37,841,451	173,475,171	469,068,466	478,241,276
NET ASSETS AT END OF YEAR	$ 270,318,590	$ 47,960,098	$ 197,058,479	$ 515,337,167	$ 469,068,466

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

KENYON COLLEGE

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
OPERATING REVENUES				
Tuition and mandatory fees	$ 85,944,982			$ 85,944,982
Less: Financial aid	(31,774,344)			(31,774,344)
Net tuition and mandatory fees	54,170,638			54,170,638
Auxiliary enterprise revenues	26,770,603	$ 98,511		26,869,114
Investment return designated for operations	11,533,292	8,516,851		20,050,143
Private gifts and grants	6,689,323	6,471,647		13,160,970
Government grants	762,454			762,454
Miscellaneous fees	177,275			177,275
Other income	1,297,232	87,897		1,385,129
Net assets released from restrictions	11,369,460	(11,369,460)		-
Total operating revenues	112,770,277	3,805,446		116,575,723
OPERATING EXPENSES				
Educational and program expenses				
Instruction	42,020,723			42,020,723
Student services	23,447,947			23,447,947
Academic support	7,234,364			7,234,364
Research	463,428			463,428
Total educational and program expenses	73,166,462			73,166,462
Institutional support	11,455,412			11,455,412
Fund raising	2,915,600			2,915,600
Community Partnership	115,819			115,819
Auxiliary enterprises	23,098,650			23,098,650
Total operating expenses	110,751,943			110,751,943
Change in net assets from operating activities	2,018,334	3,805,446		5,823,780
NON-OPERATING ACTIVITIES				
Contributions and pledges		746,222	$ 10,585,175	11,331,397
Investment return, less amounts designated for operations	(15,720,016)	(10,796,589)	308,901	(26,207,704)
Change in fair value of interest rate swaps	224,567			224,567
Net change in annuity and life income funds	25,357	25,818	173,770	224,945
Loss on disposal of property and equipment	(540,928)			(540,928)
Miscellaneous	(94,566)		65,699	(28,867)
Releases and reclassifications of net assets	2,068,689	(2,193,610)	124,921	-
Change in net assets from non-operating activities	(14,036,897)	(12,218,159)	11,258,466	(14,996,590)
CHANGE IN NET ASSETS	(12,018,563)	(8,412,713)	11,258,466	(9,172,810)
NET ASSETS AT BEGINNING OF YEAR	269,770,407	46,254,164	162,216,705	478,241,276
NET ASSETS AT END OF YEAR	$ 257,751,844	$ 37,841,451	$ 173,475,171	$ 469,068,466

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

KENYON COLLEGE

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 46,268,701	$ (9,172,810)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	10,633,511	10,138,477
Amortization of bond (premiums) discount, net	(289,158)	(80,392)
Change in fair value of interest rate swaps	(577,416)	(224,567)
Loss on disposal of property and equipment	102,251	540,928
Net realized and unrealized (gains) losses	(33,185,867)	11,223,701
Contributions for permanently restricted purposes	(23,111,251)	(10,585,175)
Changes in operating assets and liabilities:		
Accounts and interest receivable	263,682	(341,717)
Inventories	105,782	(26,357)
Present value of pledges receivable	(9,192,989)	(7,600,871)
Loans receivable	105,803	171,534
Interests in charitable trusts	(191,203)	195,087
Other assets	73,063	(369,772)
Accounts payable, accrued expenses and agency funds	(653,944)	802,502
Deposits and advances	128,263	(153,589)
Liability for postretirement benefits	295,587	(22,245)
Annuities, life income, pooled life income and unitrusts payable	727,042	552,264
Government loan funds	24,324	(369,649)
Net cash used by operating activities	(8,473,819)	(5,322,651)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of land	125,000	-
Purchases of land, buildings and equipment	(21,947,910)	(11,237,282)
Purchase of securities	(99,965,831)	(159,819,796)
Sale of securities	134,819,325	177,488,494
Increased investment in limited partnerships	(31,463,362)	(11,926,397)
Net cash used by investing activities	(18,432,778)	(5,494,981)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for permanently restricted purposes	23,111,251	10,585,175
Payments on capital lease obligations	(880,000)	(835,000)
Cash payments for bond retirement	(48,640,000)	-
Proceeds from issuance of bonds	53,330,000	-
Proceeds from premium on bond issuance	3,364,385	-
Net cash provided by financing activities	30,285,636	9,750,175
CHANGE IN CASH AND CASH EQUIVALENTS	3,379,039	(1,067,457)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,112,615	9,180,072
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 11,491,654	$ 8,112,615

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 revenues from student tuition and fees, investment earnings, 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 (GAAP) 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, have been consolidated with the accounts of the College in the accompanying consolidated financial statements. In addition, the accounts of the Kenyon Review, the College's literary periodical, the Gund Gallery, the Kokosing Nature Preserve and the Philander Chase Conservancy (all legally separate entities) have also been consolidated in the accompanying consolidated financial statements of Kenyon College due to the College's control of and financial interest in each entity. 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 within these consolidated financial statements.

E. *Adoption of New Accounting Principle* – In prior years, the College presented unamortized bond issuance costs as an other asset and amortized them using the straight-line method over the term of the bonds. The College has retrospectively adopted a newly required accounting standard that requires the College to present bond issuance costs as a reduction of the principal balance of the bonds and reflect the amortization as additional interest expense using the effective interest rate method that results in a constant effective yield over the life of the bonds. The College determined that amortizing the bond issuance costs using the straight-line method over the term of the bonds approximates the effective interest rate method. The effects of the retrospective adoption on the bonds on the 2016 consolidated financial statements were to reduce other assets and bonds payable by $1,703,510. No reclassification of expenses was necessary**.**

F. *Fair Values of Financial Instruments* – GAAP provides a framework for measuring fair value and requires a three level hierarchy for disclosure to show the extent and the level of judgment used to estimate fair value measurements related to financial instruments:

Level 1 – Uses unadjusted quoted prices that are available in active public 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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 as validated by management and its advisors and, as such, additional quantitative disclosures are not required. 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, 2016. These assets are generally valued using Level 2 or Level 3 assumptions.

Private Equity, Real Estate and Commodities

Private equity, real estate funds and commodities are investments where a readily verifiable fair value may or may not exist. Fair value in these investments is reported by management based on readily available public market data, generally considered Level 1 valuations, or on information provided by the investment managers as validated by management and its advisors and, as such, additional quantitative disclosures are not required, 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, 2016. These assets are generally valued using Level 3 assumptions.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fixed Income Investments

Marketable Funds

Fixed income marketable 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 readily available public market data, generally considered Level 1 valuations, or based on the College's share of the partnership's capital balance, as provided by the investment managers as validated by management and its advisors, generally considered Level 2 valuations.

Alternative Funds

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 as validated by management and its advisors and, as such, additional quantitative disclosures are not required. 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, 2016. These assets are generally valued using Level 3 assumptions.

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.

Loans Receivable

Federal Perkins Loans Receivable

The interest rates charged on Perkins loans receivable are fixed by the U.S. Department of Education. The carrying value of these loans 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.

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. Because the College does not have access to these assets on a short-term basis, these are considered Level 3 valuations.

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 $1,057 to $37,309.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Long-Term Debt

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

Interest Rate Swaps

The fair value of the interest rate swaps is based on projected interest rates for the duration of the swaps, values that, while observable in the market, are subject to adjustment due to pricing considerations for the specific instrument. The resulting fair values are generally considered Level 2 valuations.

The following tables set 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, 2017 and 2016. 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 tables do not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

June 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
Equity investments				
Common stocks	$ 42,480,191			$ 42,480,191
Alternative investments:				
Hedge and alternative funds	16,866,762	$ 104,477,110	$ 96,200,977	217,544,849
Private equity			47,965,159	47,965,159
Real estate	1,231,104		19,127,453	20,358,557
Commodities			13,013,628	13,013,628
Total alternative investments	18,097,866	104,477,110	176,307,217	298,882,193
Total equity investments	$ 60,578,057	$ 104,477,110	$ 176,307,217	$ 341,362,384
Fixed income investments				
Marketable funds	$ 53,672,683	$ 13,166,767		$ 66,839,450
Alternative funds			$ 13,467,940	13,467,940
Total fixed income investments	$ 53,672,683	$ 13,166,767	$ 13,467,940	$ 80,307,390
Interests in charitable trusts			$ 2,512,700	$ 2,512,700
Liabilities				
Interest rate swaps		$ 3,703,121		$ 3,703,121

Note 1. Summary of Significant Accounting Policies (Continued)

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

June 30, 2016	Level 1	Level 2	Level 3	Total
Assets				
Equity investments				
Common stocks	$ 29,451,437			$ 29,451,437
Alternative investments:				
Hedge and alternative funds	11,020,784	$ 50,466,202	$ 99,530,781	161,017,767
Private equity			71,034,032	71,034,032
Real estate	1,168,257		24,643,088	25,811,345
Commodities			10,942,590	10,942,590
Total alternative investments	12,189,041	50,466,202	206,150,491	268,805,734
Total equity investments	$ 41,640,478	$ 50,466,202	$ 206,150,491	$ 298,257,171
Fixed income investments				
Marketable funds	$ 80,145,667			$ 80,145,667
Alternative funds			$ 13,471,201	13,471,201
Total fixed income investments	$ 80,145,667		$ 13,471,201	$ 93,616,868
Interests in charitable trusts			$ 2,321,497	$ 2,321,497
Liabilities				
Interest rate swaps		$ 4,280,537		$ 4,280,537

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows for the years ended June 30, 2017 and 2016:

	June 30, 2017				
Financial Instrument	Beginning Balance	Purchases	Distributions	Realized/ Unrealized Gains	Ending Balance
Equity investments					
Alternative investments:					
Hedge and alternative funds	$ 99,530,781	$ 25,789,488	$ (38,863,465)	$ 9,744,173	$ 96,200,977
Private equity	71,034,032	4,825,674	(35,661,533)	7,766,986	47,965,159
Real estate	24,643,088	1,260,886	(8,017,690)	1,241,169	19,127,453
Commodities	10,942,590	1,525,205	(1,663,012)	2,208,845	13,013,628
Total equity investments	206,150,491	33,401,253	(84,205,700)	20,961,173	176,307,217
Fixed income investments:					
Alternative funds	13,471,201	3,371,344	(4,559,880)	1,185,275	13,467,940
Interest in charitable trusts	2,321,497		(80,937)	272,140	2,512,700
	$221,943,189	$ 36,772,597	$ (88,846,517)	$ 22,418,588	$192,287,857

Note 1. Summary of Significant Accounting Policies (Continued)

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

	June 30, 2016				
Financial Instrument	Beginning Balance	Purchases	Distributions	Realized/ Unrealized Gains (Losses)	Ending Balance
Equity investments					
Alternative investments:					
Hedge and alternative funds	$119,864,669	$ 39,500,000	$ (60,708,763)	$ 874,875	$ 99,530,781
Private equity	79,025,065	8,010,604	(17,638,821)	1,637,184	71,034,032
Real estate	27,894,139	2,477,247	(8,227,783)	2,499,485	24,643,088
Commodities	10,180,980	2,874,027	(719,989)	(1,392,428)	10,942,590
Total equity investments	236,964,853	52,861,878	(87,295,356)	3,619,116	206,150,491
Fixed income investments:					
Alternative funds	24,677,561	1,729,735	(13,834,857)	898,762	13,471,201
Interest in charitable trusts	2,441,443	15,000	(151,264)	16,318	2,321,497
	$264,083,857	$ 54,606,613	$(101,281,477)	$ 4,534,196	$221,943,189

G. *Cash Equivalents* – The College considers investments with a maturity of three months or less when purchased to be cash equivalents on the consolidated statements of financial position and for purposes of preparing the consolidated statements of cash flows. The College maintains cash and cash equivalent balances at various financial institutions which, at times, may exceed federally insured limits and may exceed reported values due to outstanding checks.

H. *Interest Rate Swaps* – Derivative instruments (interest rate swaps) are recorded by the College on the consolidated statements of financial position at fair value, as described in Note 1.E. The College's interest rate swap agreements are 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. The interest rate swaps qualify and have been designated and accounted for as fair value hedges. Changes in fair market value of the interest rate swaps are recognized as a change in net assets on the consolidated statements of activities in the period of change, following GAAP guidance specific to non-for-profit organizations (see Note 8).

I. *Investments* – Investments are carried at fair value as described in Note 1.E. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

I. *Investments (Continued)*

Alternative investments include interests in hedge funds, private equity, real estate, and commodities funds. The College held alternative investments valued at $312,350,133 and $282,276,935, representing 42% and 41% of the total assets as of June 30, 2017 and 2016, 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.

J. *Loans Receivable* – Loans receivable, which include Perkins and Kenyon College loans, are carried at unpaid principal balances, less an allowance for uncollectible loans of $40,000 at June 30, 2017 and 2016. 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. *Interests in Charitable Trusts* – 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 as an asset and as contribution revenue as of the date the College is notified of its interest in the irrevocable trust.

L. *Land, Buildings and Equipment, Net* – 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 recognizes 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	10-40 years
Buildings and building improvements	40 years
Equipment and furniture	3-10 years
Library books	25 years

Land, buildings and equipment consist of the following at June 30:

	2017	2016
Land and land improvements	$ 3,237,855	$ 2,892,703
Buildings and building improvements	323,822,838	313,406,730
Equipment and furniture	35,709,333	32,874,230
Library books	25,288,422	24,284,158
Construction work in progress	12,856,867	5,919,202
	400,915,315	379,377,023
Accumulated depreciation	(144,714,691)	(134,263,547)
Net land, buildings and equipment	$ 256,200,624	$ 245,113,476

Note 1. Summary of Significant Accounting Policies (Continued)

L. *Land, Buildings and Equipment, Net (Continued)*

Depreciation expense for the years ended June 30, 2017 and 2016 was $10,633,511 and $10,138,477, respectively.

Collections and Works of Art – Collections are not capitalized under the provisions of ASC 958-605, *Revenue Recognition-Contributions Received*. All works of art and collections are held for public exhibition, education or research; are protected, kept unencumbered, cared for and preserved; and are subject to policies governing their use. Prior to ASC 958-05 adoption, the College did capitalize works of art and collections. At June 30, 2017 and 2016, the net book value of these items is $1,862,696 and is reflected in the equipment section of the consolidated statements of financial position.

Through June 30, 2017, the College has incurred costs of $8,144,834 under construction contracts which are included in construction work-in-progress on the consolidated statement of financial position. As of June 30, 2017, the College has outstanding commitments of $4,575,026 remaining for the construction of new facilities. Remaining construction work in progress relates to planning and architectural reviews for additional projects, for which construction contracts have not yet been executed.

M. *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.

N. *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 unrestricted revenues. Contributions of cash or other assets to be used to acquire land, buildings and equipment with such donor stipulations are reported as temporarily restricted revenues. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

O. *Federal Income Taxes* – The Internal Revenue Service has determined that the College, the Kenyon Review, the Gund Gallery, the Kokosing Nature Preserve and the Philander Chase Conservancy are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as public charities described in Section 501(c)(3); accordingly, no provision for federal income taxes has been made in the consolidated financial statements. The Kenyon Inn Management Company is subject to federal income taxes, which for June 30, 2017 and 2016 were not significant to these consolidated financial statements. There were no unrecognized tax benefits as of June 30, 2017.

The income tax returns for all entities remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities, generally for three years.

Note 1. Summary of Significant Accounting Policies (Continued)

P. *Operations* – The consolidated statements of activities include a subtotal for the change in net assets from operations. This subtotal reflects revenues that the College and all consolidated entities 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 net 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 nonoperating revenues and expenses.

Q. *Conditional Asset Retirement Obligations* – Management has considered the provisions of GAAP, 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, 2017.

R. *Reclassifications* – Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

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. *Subsequent Events* – The College has evaluated subsequent events through October 26, 2017, which is the date the consolidated financial statements were available to be issued and has determined that the event described in Note 10 should be disclosed.

Note 2. Investments

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

	June 30 2017	June 30 2016
Equity investments:		
Common stocks	$ 42,480,191	$ 29,451,437
Alternative investments:		
Hedge and alternative funds	217,544,849	161,017,767
Private equity	47,965,159	71,034,032
Real estate	20,358,557	25,811,345
Commodities	13,013,628	10,942,590
Total alternative investments	298,882,193	268,805,734
Total equity investments	341,362,384	298,257,171
Fixed income investments:		
Marketable funds	66,839,450	80,145,667
Alternative funds	13,467,940	13,471,201
Total fixed income investments	80,307,390	93,616,868
	$ 421,669,774	$ 391,874,039

Note 2. Investments (Continued)

The composition of investment return is as follows:

	Fiscal Years Ended June 30 2017	2016
Investment income (interest and dividends)	$ 5,114,723	$ 5,066,140
Realized and unrealized gains (losses)	33,185,867	(11,223,701)
	$ 38,300,590	$ (6,157,561)

Investment income is shown net of investment expenses of $1,375,714 for the year ended June 30, 2017 and $1,271,192 for the year ended June 30, 2016.

The College was obligated at June 30, 2017 to invest additional funds in limited partnership investments in the amount of $64,540,375 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 available cash.

Investment funds in equity funds and alternative investment classes are typically organized as limited partnerships. A unique characteristic of these structures is that the investment manager requests (or calls) capital commitments from the investors as investment opportunities arise and distributes capital only when investments are liquidated. Capital calls are typically made by the investment manager during years 1-5 of a fund's life while the majority of capital distributions do not occur until years 8-10 of a fund's life.

Due to the nature of alternative investments and the use of some limited partnerships and commingled vehicles in traditional asset classes (public equities and fixed income), the College contractually agrees to liquidity restrictions. The College, in response to this risk, closely monitors the liquidity of the portfolio. As of June 30, 2017, the following liquidity characteristics applied to the College's investments in equity funds and alternative investments:

Liquid Within:	% of Investment Portfolio
1 year	45.5%
3 years	22.6%
Illiquid	31.9%

Illiquid investments represent those invested in real assets and private equity limited partnerships. There is a very limited secondary market for these interests and selling them would require considerable time. The College is not actively trying to sell any of its illiquid investments at this time.

Note 3. Endowment Funds

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 total returns such that the requirements of the annual budget are met, 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* 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.

The College's endowment assets consist of two groupings: 1) those funds which can be pooled together for purposes of investment and payout and 2) those funds which by donor restriction, either as to investment or payout, must be separately invested. The assets of the pooled funds consist of all investment types disclosed in Note 2 and income is distributed based on a Board approved payout formula as described below. The endowment funds with donor restrictions generally consist of mutual funds and life insurance policies.

For the year ended June 30, 2017, the College utilized a spending formula to calculate the distribution out of its pooled 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 on the consolidated statement of activities as spent. The College has temporarily frozen its payout amount at 2014-2015 levels.

The College's endowment funds were as follows as of June 30, 2017 and 2016:

June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year,	$ 53,629,908	$ 17,661,628	$ 141,362,147	$ 212,653,683
Investment return:				
Investment income	1,168,350	9,010,468	-	10,178,818
Net appreciation (realized and unrealized)	2,614,786	7,948,647	120,093	10,683,526
Total investment return	3,783,136	16,959,115	120,093	20,862,344
Cash contributions	388,106	160,392	17,668,635	18,217,133
Transfers	77,421	(77,421)	-	-
Appropriation of endowment assets for expenditure	(1,646,509)	(9,417,216)	-	(11,063,725)
Endowment assets, end of year	$ 56,232,062	$ 25,286,498	$ 159,150,875	$ 240,669,435

Note 3. Endowment Funds (Continued)

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year,	$ 55,402,903	$ 28,361,734	$ 137,934,389	$ 221,699,026
Investment return:				
Investment income	354,859	2,487,873	-	2,842,732
Net depreciation (realized and unrealized)	(2,230,242)	(4,683,990)	-	(6,914,232)
Total investment return	(1,875,383)	(2,196,117)	-	(4,071,500)
Cash contributions	2,108,486	-	3,427,758	5,536,244
Transfers	(113,274)	113,274	-	-
Appropriation of endowment assets for expenditure	(1,892,824)	(8,617,263)	-	(10,510,087)
Endowment assets, end of year	$ 53,629,908	$ 17,661,628	$ 141,362,147	$ 212,653,683

Based on the College's spending formula, as of June 30, 2017 and 2016, an additional $2,476,687 and $3,802,766, respectively, has been appropriated for expenditure out of temporarily restricted funds.

The fair value of assets associated with certain individual donor-restricted endowment funds was below the original donated value by $871,435 and $1,573,959 at June 30, 2017 and 2016, respectively.

Note 4. Pledges Receivable

As of June 30, 2017, the College had received unconditional promises to give as follows:

	Temporarily Restricted	Permanently Restricted	Total
Within one year	$ 4,211,847	$ 5,216,595	$ 9,428,442
One to two years	1,867,917	3,823,243	5,691,160
Two to three years	2,218,333	2,863,371	5,081,704
Three to four years	2,430,833	2,800,500	5,231,333
Four to five years	935,000	6,829,545	7,764,545
More than five years (estate notes)	3,012,501	5,757,007	8,769,508
	14,676,431	27,290,261	41,966,692
Discount on long-term pledges	(895,809)	(2,499,046)	(3,394,855)
	$ 13,780,622	$ 24,791,215	$ 38,571,837

Note 4. Pledges Receivable (Continued)

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 0.64% to 3.71%. Management estimates an allowance for uncollectible pledges based upon its review of outstanding pledges and historical collections. As of June 30, 2017, the allowance for uncollectible pledges was $251,756, which is included in the discount on long-term pledges presented above.

As of June 30, 2016, the College had received gross unconditional promises totaling $32,285,321 net of allowances for uncollectible pledges of $255,595 and discount on long-term pledges of $2,650,878.

Note 5. Available Line of Credit

Under an unused and unsecured line of credit with a bank, the College may borrow up to $15,000,000 at a rate of 4.0% as of June 30, 2017.

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% 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, 2017, the College has guaranteed mortgage loans aggregating $3,204,495. All loans were current as of June 30, 2017. The College deems it unlikely that any 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 $3,630,696 and $3,487,479 during the years ended June 30, 2017 and 2016, respectively.

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. The College makes defined contributions to the plan on behalf of eligible employees who are 35 years of age or older and have completed at least one year of service. The College's contributions are limited to 25 years or the employee's separation from employment, whichever occurs first. The College contributed $738,633 and $699,368 for the years ended June 30, 2017 and 2016, respectively.

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 five 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.

Note 7. Retirement and Postretirement Benefit Plans (Continued)

The College recognizes the underfunded status of the defined benefit plan on its consolidated statements of financial position, measured as the difference between the fair value of plan assets and the projected benefit obligation. The College recognizes 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, 2017 and 2016 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $3,078,569 and $3,239,253, respectively, and unrecognized net prior service credit of $32,428 and $716,754, respectively. The contributions, actuarial loss and prior service credit expected to be recognized during the year ended June 30, 2018 are $429,441, $249,947 and $14,037, respectively.

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

	Fiscal Years Ended June 30	
	2017	2016
Net Periodic Postretirement Benefit Cost		
Service cost	$ 310,176	$ 245,003
Interest cost	201,007	222,309
Amortization of prior service cost	(684,326)	(684,327)
Amortization of unrecognized loss	296,377	219,920
Total net periodic postretirement benefit cost	$ 123,234	$ 2,905

	Fiscal Years Ended June 30	
	2017	2016
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 6,095,289	$ 6,117,534
Service cost	310,176	245,003
Interest cost	201,007	222,309
Actuarial loss	135,693	370,964
Plan participant contributions	66,855	52,731
Benefits paid	(418,144)	(913,252)
Benefit obligation at end of year	$ 6,390,876	$ 6,095,289

During 2010, the plan was amended to provide benefits to the spouse and/or children for 12 months following the death of the participant. Previously, benefits would continue indefinitely provided the spouse remained unmarried.

Note 7. Retirement and Postretirement Benefit Plans (Continued)

Estimated future benefit payments as of June 30, 2017 are as follows:

2018	$ 429,000
2019	458,000
2020	486,000
2021	520,000
2022	560,000
2023-2027	3,394,000

	Fiscal Years Ended June 30	
	2017	2016
Actuarial Assumptions		
Weighted average discount rate:		
Expense for the year	3.25%	4.01%
Accumulated plan benefit obligation (at year-end)	3.50%	3.25%
Medical trend:		
For next year	7.57%	7.50%
Thereafter	7.55%	7.50%
Ultimate trend rate	4.50%	4.50%
Year reached	2024	2024

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% for each year, the benefit obligation as of June 30, 2017 would increase by $559,506 and the sum of the service and interest cost components of the Net Periodic Postretirement Benefit Cost (NPPBC) for fiscal year 2017 would increase by $54,076. If the medical trend rates were to decrease by 1% for each year, the benefit obligation as of June 30, 2017 would decrease by $499,741 and the sum of the service and interest cost components of the NPPBC for fiscal year 2017 would decrease by $47,173.

Note 8. Capital Lease Obligations

As of June 30, 2017, the College has in place four 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 buildings and improvements with a cost of $221,648,440 and accumulated depreciation of $88,487,610 as of June 30, 2017 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.

Note 8. Capital Lease Obligations (Continued)

Summary of Bonds Outstanding

The College's bonds outstanding are as follows as of June 30:

	2017	2016
2003 Refunding Revenue Bonds:		
Matured December 1, 2016 with rates ranging		
from 4.00% to 4.50% - outstanding principal	$ -	$ 880,000
unamortized issuance costs	-	(94,390)
2006 Revenue Bonds:		
Maturing through July 1, 2041 with a rate of 5.00%		
outstanding principal	-	4,960,000
unamortized premium	-	27,311
unamortized issuance costs	-	(29,824)
2010 Revenue Bonds:		
Maturing through July 1, 2044 with rates ranging from 4.75% to 5.25%		
outstanding principal	56,985,000	100,665,000
unamortized discount	(206,088)	(378,621)
unamortized issuance costs	(406,645)	(748,278)
2013 Revenue Bonds:		
Maturing through July 1, 2037 with a rate of 5.00%		
outstanding principal	43,610,000	43,610,000
unamortized premium	856,212	899,022
unamortized issuance costs	(397,451)	(416,377)
2015 Revenue Bonds:		
Maturing through July 1, 2040 with a rate of 5.00%		
outstanding principal	39,400,000	39,400,000
unamortized premium	1,129,449	1,180,788
unamortized issuance costs	(398,055)	(414,641)
2016 Revenue Bonds:		
Maturing through July 1, 2044 with rates ranging from 3.25% to 5.00%		
outstanding principal	53,330,000	-
unamortized premium	3,080,461	-
unamortized issuance costs	(557,666)	-
Total outstanding principal	193,325,000	189,515,000
Total unamortized premium/discount, net	4,860,034	1,728,500
Total unamortized issuance costs	(1,759,817)	(1,703,510)
Capital lease obligations, net	$ 196,425,217	$ 189,539,990

Note 8. Capital Lease Obligations (Continued)

Summary of Bonds Outstanding (Continued)

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. The 2003 bonds were paid in full during 2017.

In August 2006, the College issued $42,495,000 of revenue 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 previous bond issues. The bonds were issued at a premium for a true interest cost of 4.98%. The original bond premium of $327,636 was being amortized over the term of the bonds. The 2006 bonds were paid in full with the 2016 bond issuance.

In February 2010, the College issued Ohio Educational Facility Commission Revenue Bonds, Kenyon College 2010, in the amount of $100,665,000. These new bonds were used to refinance, in full, three variable rate bond issues. In addition, $29,500,000 was used to advance refund previous bond issues. The 2010 bonds were issued at a discount for a true interest cost of 5.14%. The original bond discount of $475,133 is being amortized over the average life of the bonds. $43,680,000 of the 2010 bonds was defeased with the proceeds from the 2016 bond issuance.

In July 2013, the College issued $43,610,000 of revenue bonds through the Commission. The proceeds of the bonds were used to advance refund previous bond issues and provided for issuance costs. The 2013 Bond Trustee received proceeds from the bonds to be placed in an escrow account to pay both principal and interest. Because the escrow funds, along with any earnings, are irrevocably committed for this purpose, the $40,500,000 is deemed to have been paid and discharged within the meaning of the Trust Agreement; however, the College remains obligated to resolve any shortage of principal and interest payments out of the escrow account. The bonds were issued at a premium for a true interest cost of 4.86%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption, maturing on July 1, 2035, 2036 and 2037.

In May 2015, the College issued $39,400,000 of revenue bonds through the Commission. The proceeds of the bonds were used to advance refund $37,535,000 of the 2006 bonds and provided for issuance costs. The 2015 Bond Trustee received proceeds from the bonds to be placed in an escrow account to pay both principal and interest. Because the escrow funds, along with any earnings, are irrevocably committed for this purpose, the $37,535,000 is deemed to have been paid and discharged within the meaning of the Trust Agreement; however, the College remains obligated to resolve any shortage of principal and interest payments out of the escrow account. The bonds were issued at a premium for a true interest cost of 4.19%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption, maturing on July 1, 2038, 2039 and 2040.

In November 2016, the College issued $53,330,000 of revenue bonds through the Commission. The proceeds of the bonds were used to refund the remaining outstanding principal of $4,960,000 of the 2006 bonds and $43,680,000 of the 2010 bonds. The 2016 Bond Trustee received proceeds from the bonds to be placed in an escrow account to pay both principal and interest on the 2006 and 2010 bonds. Because the escrow funds, along with an earnings, are irrevocably committed for this purpose, the $48,640,000 is deemed to have been paid and discharged within the meaning of the Trust Agreement; however, the College remains obligated to resolve any shortage of principal and interest payments out of the escrow account. The bonds were issued at a premium for a true interest cost of 3.84%. The bond premium is being amortized over the term of the bonds. The bonds are subject to mandatory sinking fund redemption maturing on July 1, 2040, 2042 and 2044. The refunding of the 2010 bonds resulted in a loss of $7,802,553, which has been reported separately on the consolidated statement of activities.

Note 8. Capital Lease Obligations (Continued)

Summary of Bonds Outstanding (Continued)

The amount of rent paid by the College on its bonds for the year ended June 30, 2017 was $8,739,642 of which $880,000 represents principal and $7,859,642 represents interest. The amount of rent paid by the College on its bonds for the year ended June 30, 2016 was $10,065,035 of which $835,000 represents principal and $9,230,035 represents interest.

At June 30, 2017, future minimum payments by year and in the aggregate under these capital lease obligations consist of the following:

2018	$ 8,960,875
2019	8,960,875
2020	8,960,875
2021	8,960,875
2022	8,960,875
Remaining amount due	356,695,188
	401,499,563
Less: Amount representing interest	(208,174,563)
Fixed rate obligations outstanding	193,325,000
Unamortized premium/discount, net	4,860,034
Unamortized bond issuance costs	(1,759,817)
Capital lease obligations, net	$ 196,425,217

Interest Rate Swap Agreements

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 in which the College pays a fixed rate, 3.514%, in exchange for receiving a variable rate which is 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 in February 2026.

At the time the 2010 bonds were issued, which refunded the College's variable rate debt with fixed rate debt, it would have cost the College approximately $5,700,000 to terminate the 2006 swap agreement. The College entered into a second interest rate swap agreement which is the reverse of the February 2006 swap. Under the terms of this agreement, the College pays a variable rate indexed to LIBOR and receives a fixed payment of 2.67% on a notional amount of $57,600,000. This agreement also terminates in February 2026 and effectively finances the $5,700,000 over the remaining life of the initial swap agreement.

At June 30, 2017 and 2016, the fair value of the 2006 swap was a liability of $9,188,276 and $13,648,452, respectively, and the fair value of the 2010 swap was an asset of $5,485,155 and $9,367,915, respectively. For the fiscal years ended June 30, 2017 and 2016, the College's interest expense was increased by $486,144 as a result of the interest rate swaps.

Note 9. Net Assets

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

	2017	2016
Unrestricted net assets		
Board designated net assets:		
Funds functioning as endowment	$ 56,232,062	$ 53,629,908
Reserves for capital replacement and operating budget support	153,225,184	146,597,744
Total board designated net assets	209,457,246	200,227,652
Other designations of net assets:		
Equity in plant assets	58,018,730	53,869,976
Management designated net assets	7,503,447	9,607,510
Unfunded postretirement benefits, compensated absences and early retirement agreements	(4,660,833)	(5,953,294)
Total other designations of net assets	60,861,344	57,524,192
Total unrestricted net assets	$ 270,318,590	$ 257,751,844

Temporarily restricted net assets were restricted as follows:

	2017	2016
Temporarily restricted net assets		
Unexpended endowment income and gifts and grants:		
Faculty and academic support	$ 12,397,291	$ 10,963,152
Student programs	770,740	647,897
Scholarships, prizes and awards	10,156,981	6,406,972
Plant improvements	1,118,130	861,809
Other programs	5,919,139	5,297,700
Gifts pending donor designation	1,164,112	934,312
Total unexpended endowment income and gifts and grants	31,526,393	25,111,842
Present value of pledges receivable	13,780,622	10,096,431
Life and pooled life income funds	2,653,083	2,633,178
Total temporarily restricted net assets	$ 47,960,098	$ 37,841,451

Note 9. Net Assets (Continued)

Temporarily restricted net assets released from restrictions for the years ended June 30, were as follows:

	2017	2016
Temporarily restricted net assets		
Unexpended endowment income and gifts and grants:		
Faculty and academic support	$ 8,960,708	$ 5,032,693
Student programs	356,321	404,615
Scholarships, prizes and awards	4,652,959	4,379,515
Plant improvements	447,664	239,333
Other programs	3,115,810	3,022,940
Gifts pending donor designation	166,517	367,974
Total unexpended endowment income and gifts and grants	17,699,979	13,447,070
Life and pooled life income funds	-	116,000
Total temporarily restricted net assets	$ 17,699,979	$ 13,563,070

Permanently restricted net assets were restricted as follows:

	2017	2016
Permanently restricted net assets		
Endowment funds:		
Faculty and academic support	$ 44,514,837	$ 43,490,394
Lectureship and concert funds	1,144,776	1,142,776
Library funds	2,685,936	2,678,497
Student programs	2,732,471	2,553,591
Scholarship and prize funds	86,017,652	70,182,294
Presidency funds	3,366,127	3,176,127
Kenyon Review funds	6,337,456	5,909,822
Loan funds	3,843,394	3,822,892
General support	5,077,093	5,203,931
Other funds	3,428,131	3,201,823
Total endowment funds	159,147,873	141,362,147
Present value of pledges receivable	24,791,215	19,282,417
Interests in charitable trusts	2,512,700	2,321,497
Annuity and life income funds	3,218,643	3,471,531
Student loan funds	7,388,048	7,037,579
Total permanently restricted net assets	$ 197,058,479	$ 173,475,171

Note 10. Subsequent Event

Subsequent to year-end, the College received a $75 million gift from an anonymous donor. This transformational gift will support the development of a new library and academic quadrangle. The interdisciplinary hub in the core of campus will bring 21st century teaching and learning with 21st century library, information and student services.