

Wealth, Austerity, and Oberlin Values:

Oberlin's Endowment &
Its Changing Institutional
Character

How It Started

Source: Oberlin Financial Report, 2000

In summary, the College experienced perhaps its best financial results ever, our plans and expectations for the future are buoyed by this unusual performance. However, as we go forward, it is the College's ever enduring strength -- the commitment to an intellectually exciting educational mission -- that will sustain us.

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Oberlin's community includes 350 administrative and professional staff and over 400 unionized staff in administrative, food service, groundskeeping, and maintenance and facilities positions. They exert a powerful unifying and stabilizing influence on institutional life, and connect the members of the College to one another and to the surrounding city and region. Many have been at the College for decades. Their relationships with faculty, students, and alumni, with each other, and with Oberlin are enduring. The College considers them critical partners in its educational mission.

The Oberlin Alumni Association is composed of over 40,000 graduates and former students. In keeping with Oberlin's tradition of engagement, the alumni voice is robust. The Association is a vibrant organization and an effective partner in supporting academic and artistic excellence. It directly supports current students and fellow alumni through mentoring and career services; it supports Admissions by conducting interviews, representing Oberlin at college fairs, and hosting admissions events in key cities; and it supports the development office in fundraising efforts. This is a strong community intent on engaging with Oberlin and with each other.

How It's Going

- ◆ 113 UAW workers outsourced to save approx. \$2.5 million/year
- ◆ Oberlin ties for last in a NYT poll ranking colleges by economic diversity
- ◆ Healthcare was outsourced to a Catholic provider that did not provide full range of repro and gender-affirming care
- ◆ Faculty wages/benefits fall to 15th out of 17 in traditional peer group
- ◆ Oberlin puts OSCA under increasing threat & financial duress via new contract
- ◆ Alumni reunions changed despite significant opposition
- ◆ Alumni Council becomes PR arm of college and is neither “robust” or “vibrant”

BTW - Where are the Savings?

Note the **71** independent contractors being paid over \$100,000, up from **23** in 2012

Source: Oberlin 2022 990 form, available at projects.propublica.org/nonprofits/organizations/340714363

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
M A Mortenson Company 700 Meadow Ln North Minneapolis, MN 55422	Construction Services	40,944,503
AVI Foodsystems Inc 2590 Elm Rd NE Warren, OH 44483	Food Services	16,844,494
Gilbane Building Company 7 Jackson Walkway Providence, RI 02903	Construction Services	7,690,285
Shook Construction Co 2000 W Dorothy Lane Moraine, OH 45439	Construction Services	5,246,912
Scioto LLC 65 Kingston Ave Columbus, OH 43207	Cleaning Services	3,866,979
2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶ 71		

Form 990 (2022)

What is an Endowment?

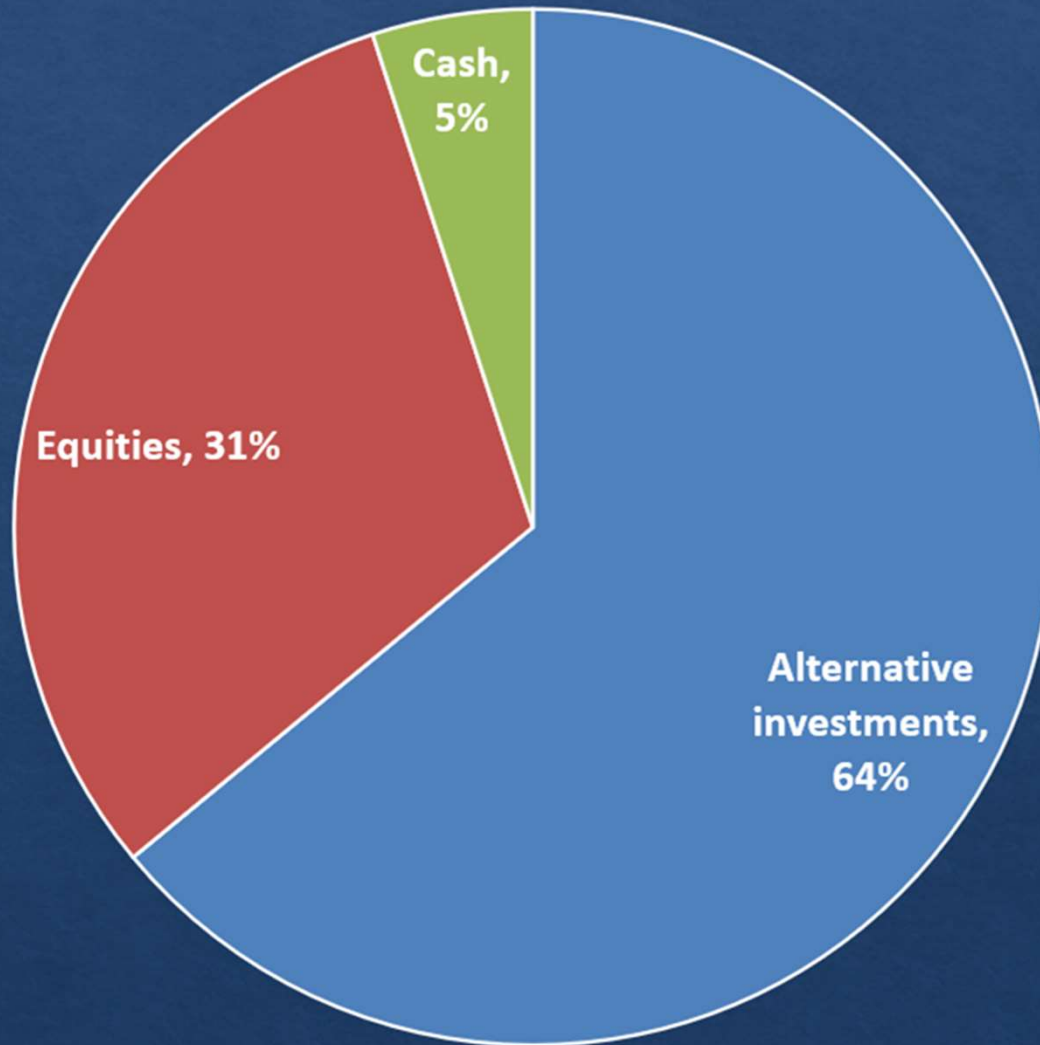
- ◆ An endowment is a legal structure for managing assets to be held in perpetuity in support of a non-profit's mission
- ◆ Funds are either restricted for a particular purpose, temporarily restricted, or unrestricted
- ◆ Endowments are used to fund the operations of a non-profit via investment income, which is income above the annual inflation-adjusted principal (the original donation or donation pool)
- ◆ Oberlin's endowment is overseen by the Board of Trustees and its Investment Committee, and is managed by finance professionals (both internal and external)

In Fashion: The Yale Model & Chasing Returns



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Oberlin's Endowment



alternative investments

Also called “private funds”, these investments are largely unregulated, illiquid, highly secretive, very costly, and difficult to value. Common types are private equity, venture capital, hedge funds, and real estate investment trusts (REITs).

The private fund industry recently sued the SEC to stop even the most minimal of regulations, including stating real rates of return.

The industry won.

What *Can't* You Know About Private Funds?

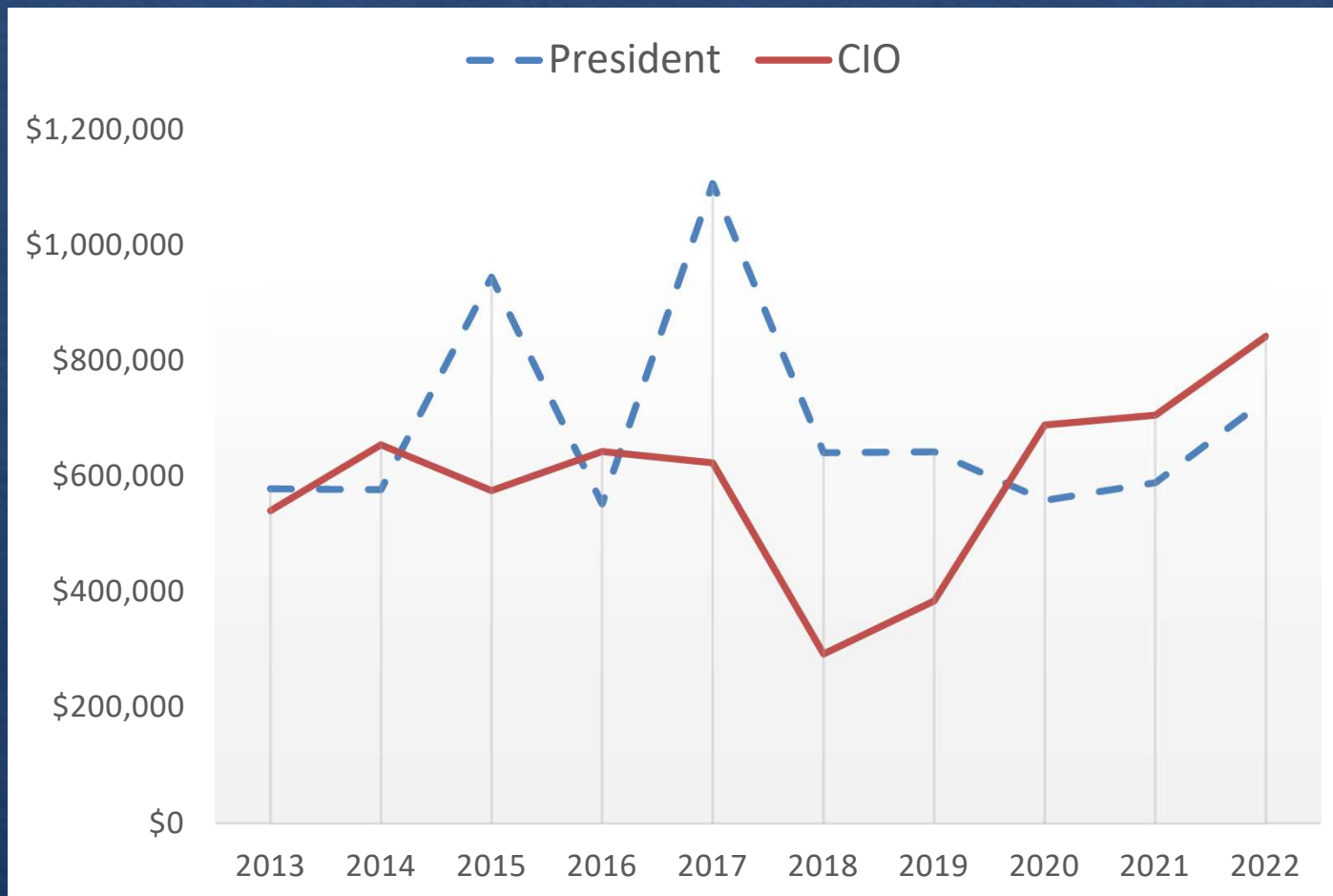
- Their real annual rates of return
- Their contractual terms, which can differ across investors
- Their true fees and costs, which are not publicly disclosed
- Their underlying investments, which are either considered proprietary knowledge or are simply not publicly disclosed

But We **Do** Know They Are Expensive

***PS - When asked about the high CIO salary at a 2024 alumni major donor, the OC rep said the college pays 'the going market rate' & refused to discuss*

- “Two and Twenty” - General Partners typically take 2% annually of assets under management, and 20% after a specific target value has been reached.
- The total costs of these investments are not declared in tax forms. What is declared on the 990s may represent as little as 1/5 of the actual costs.
- Hundreds of billions have gone from higher ed endowments to Wall Street over the past decade: “You have to pay for talent”
- A growing body of research suggests that actual private fund returns are no better, and may even be worse, than index funds

Pay for OC President vs. Chief Investment Officer (CIO)

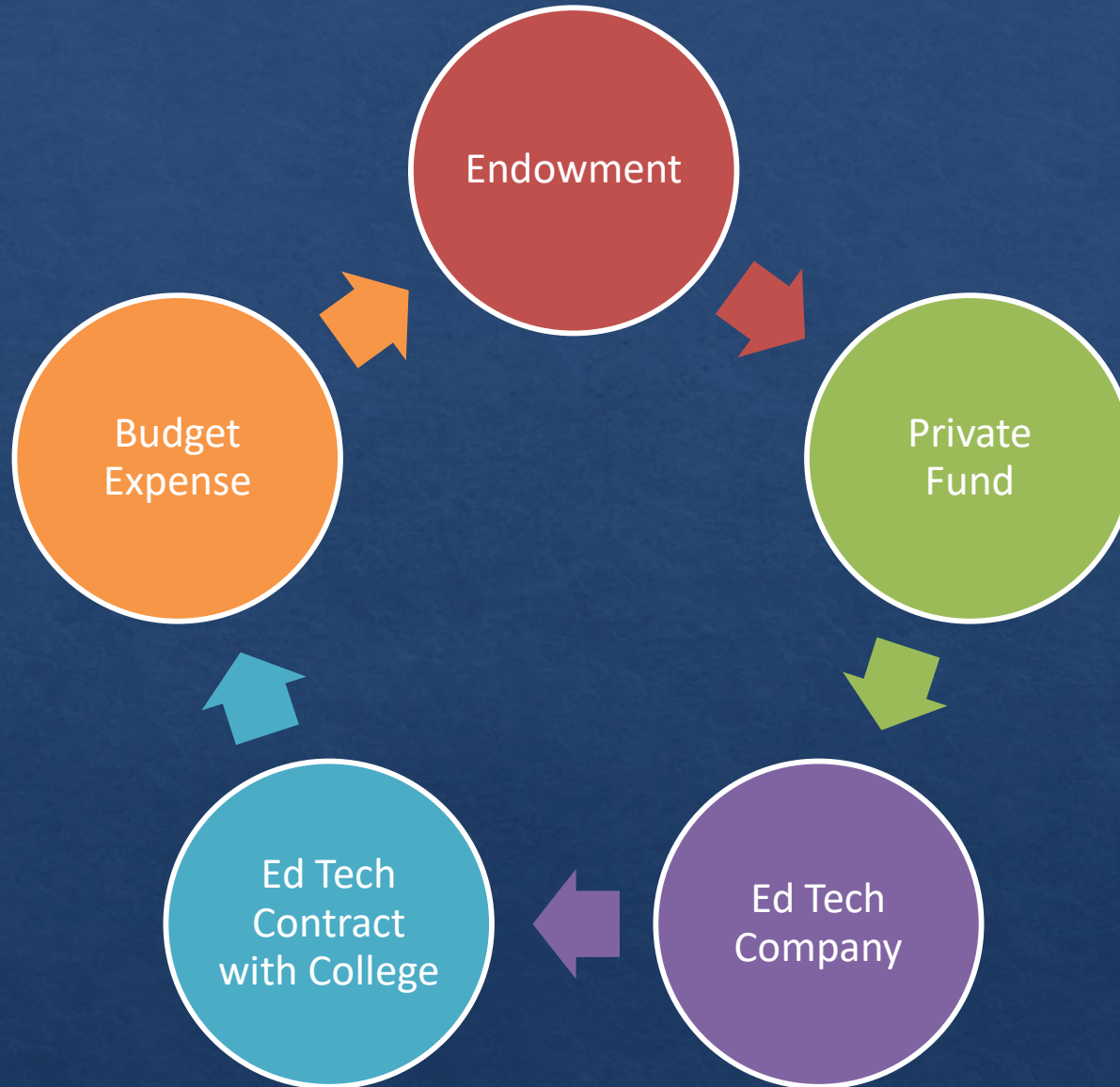


The Social Costs of Alternatives

- Job losses
- Imposed austerity & increasingly top-down, antidemocratic governance
- Acceleration of work & deterioration of working conditions
- Declines in service quality
- Bankruptcies and pension losses
- Opaque ownership structures that hinder accountability
- Maximizing “shareholder value” (profits) at the expense of any other values
- Increasingly enormous income inequality

Sound Familiar?

An Additional Hypothesis:



Did Oberlin Beat the Market, #1?

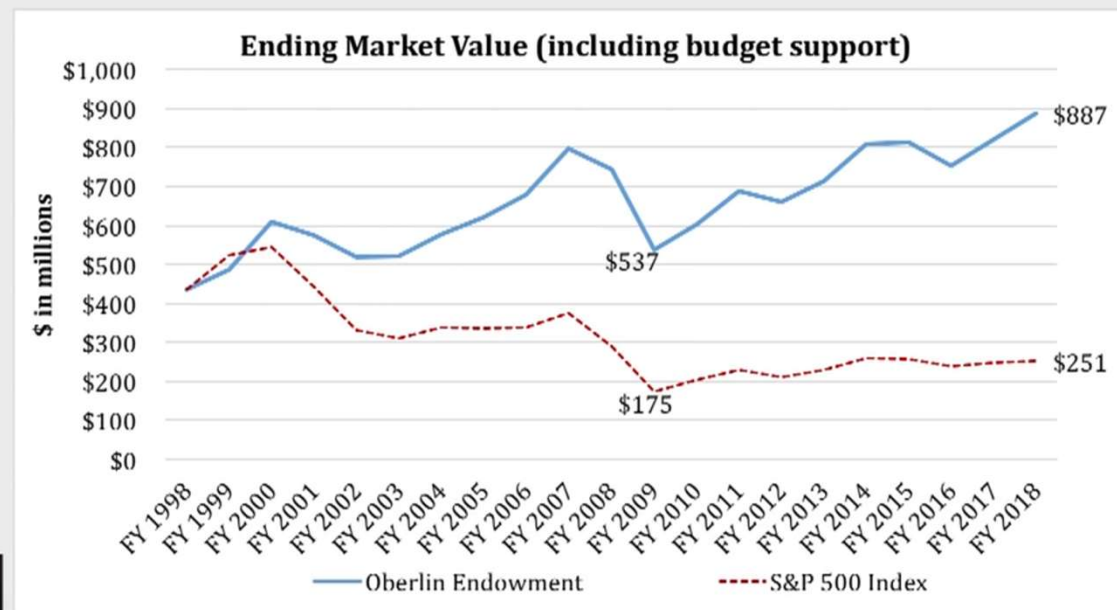
Source: Ambar/Canavan "One Oberlin Webinar Series: Endowment Performance and Management" Oct. 18, 2018



Webinar #3: Endowment Performance and Management

Oberlin College and Conservatory

Performance including budget support



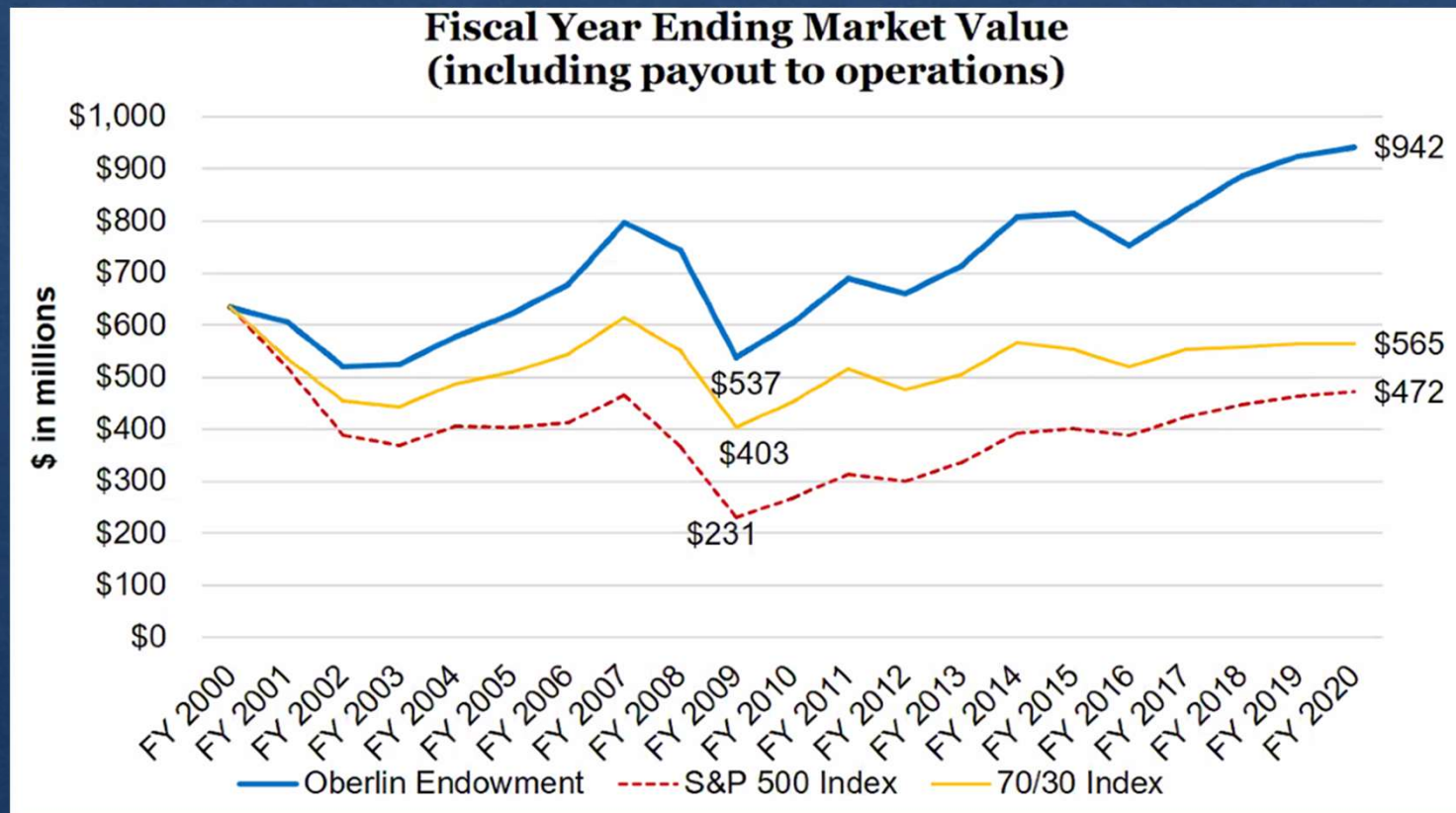
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Did Oberlin Beat the Market, #2?

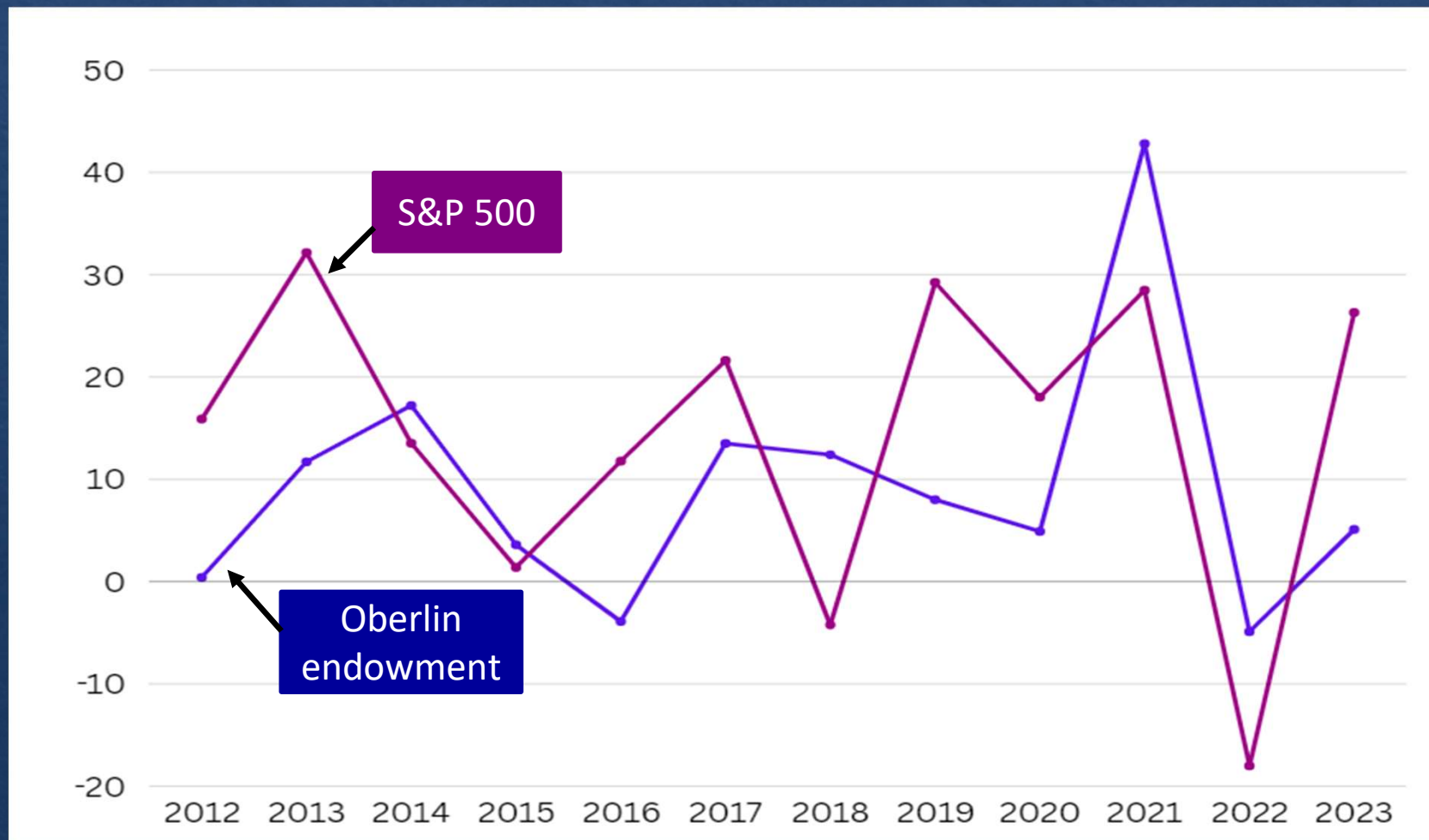
While this & the previous chart makes it appear that the endowment performed better than the two indexes shown, note that: 1) gifts to the endowment are included in the returns; and 2) the graph relies on a cherry-picked starting date. For example, starting from 2009, the S&P far outpaced the endowment (104% v. 75%, respectively). Oberlin statistics professor Jeff Witmer has compared the endowment to the S&P using 25 different starting years and found that the S&P outperformed the endowment in almost all cases.



Source: BOT Chair Chris Canavan, Presentation to Faculty, 2021

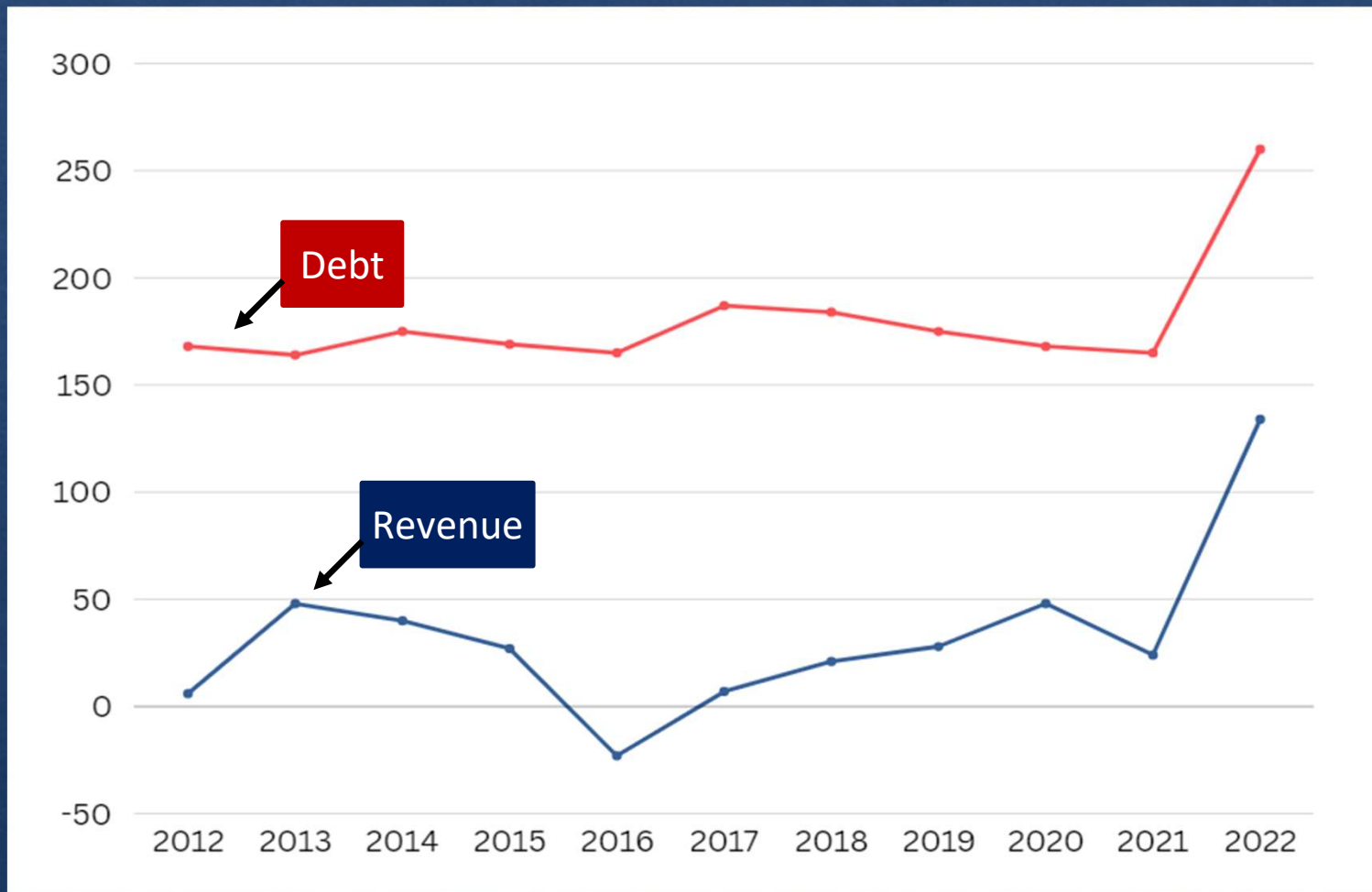
10% Average for OC us. 16% Avg for S&P 500

Sources: OC Financial Reports, Investopedia



Debt and Revenue, 2012-2022

Figures in millions; Source – OC 990s



Moody's Higher Ed Scorecard

FINANCIAL POLICY	10%
LEVERAGE & COVERAGE	20%
FINANCIAL RESOURCES & LIQUIDITY	25%
OPERATING PERFORMANCE	10%
SCALE	15%
OPERATING ENVIRONMENT	10%
BRAND & STRATEGIC MARKETING	10%

You and all you value about Oberlin are floating somewhere in here

Is Oberlin being 'Devalued'?

- ◆ New “peer groups” include institutions like Hillsdale College
- ◆ Faculty, staff, student, and alumni morale is low
- ◆ Governance has become increasingly top-down, antidemocratic, and chaotic (e.g., it's not always clear what authorities/responsibilities have been entrusted to whom)
- ◆ Changes caused chiefly by financialization & commodification are routinely treated by leadership as “facts of nature” and opposition is considered nostalgic, naïve, or irrelevant (if it is acknowledged at all)
- ◆ Oberlin is no longer a leading, innovative, and unique institution capable of defining strong commitments at odds with the status quo
- ◆ Is Oberlin little more than an expensive finishing school, chiefly for the upper middle class?

Learning & Labor: Considering Oberlin Values (with a little help from Ruskin)

“Lately in a wreck of a Californian ship, one of the passengers fastened a belt about him with two hundred pounds of gold in it, with which he was found afterwards at the bottom. Now, as he was sinking- had he the gold? or the gold him?”

“Labor is the contest of the life of man with an opposite; the term ‘life’ including his intellect, soul, and physical power, contending with question, difficulty, trial, or material force.”

-John Ruskin, *Unto This Last*, 1862

Oberlin Values Up for Discussion

- ◆ Promoting greater transparency in budget and endowment so that the true financial condition of the college is clear to all stakeholders
- ◆ Opposing the financialization and commodification of Oberlin, which has repeatedly threatened cherished Oberlin values by reducing them to \$\$\$ (e.g., Lahey & Pell) or kitsch
- ◆ Building an effective independent alumni organization & mobilizing the unique perspectives, talents, and experiences of the cross-generational AOV alumni community
- ◆ Identifying key future actions needed to defend Oberlin values and Oberlin's unique character and mission (OSCA, for example) & overcoming institutional intransigence and Oberlin's current race toward a devalued and cheapened norm



Epreuve d'archer