

GRINNELL COLLEGE



FINANCIAL REPORT

June 30, 2005

Trustees of Grinnell College

TRUSTEES OF GRINNELL COLLEGE

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INDEPENDENT AUDITORS' REPORT

Trustees of Grinnell College
Grinnell, Iowa

We have audited the accompanying statements of financial position of Trustees of Grinnell College (the "College") as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the College. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the College, as of June 30, 2005 and 2004, 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.

Deloitte & Touche LLP

September 9, 2005

TRUSTEES OF GRINNELL COLLEGE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2005 AND 2004

(Dollars in Thousands)

ASSETS	2005	2004
Cash and cash equivalents	\$ 1,454	\$ 1,993
Accounts receivable, less allowance for doubtful accounts of \$182 in 2005 and \$186 in 2004	134	196
Inventories and prepaid expenses	1,595	1,848
Loans to students, less allowance for doubtful loans of \$373 in 2005 and \$372 in 2004	6,441	6,136
Investments (Note 2)	1,495,815	1,405,513
Property and equipment, net (Note 3)	<u>155,331</u>	<u>128,911</u>
Total assets	<u>\$1,660,770</u>	<u>\$1,544,597</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 6,580	\$ 2,589
Accrued payroll and fringe benefits (Note 5)	10,131	8,271
Deferred revenue and deposits	4,541	3,662
Annuities payable	8,586	8,692
Funds held in trust for others	60	61
Bonds payable (Note 8)	50,000	50,000
United States government grants refundable	<u>2,542</u>	<u>2,680</u>
Total liabilities	<u>82,440</u>	<u>75,955</u>
COMMITMENTS AND CONTINGENCIES (Notes 2 and 3)		
NET ASSETS:		
Unrestricted (Note 9)	1,490,550	1,383,480
Temporarily restricted (Note 6)	10,980	11,444
Permanently restricted (Note 6)	<u>76,800</u>	<u>73,718</u>
Total net assets	<u>1,578,330</u>	<u>1,468,642</u>
Total liabilities and net assets	<u>\$1,660,770</u>	<u>\$1,544,597</u>

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005 (Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITY:				
Revenue, gains and other support:				
Tuition and fees	\$ 38,673	\$ -	\$ -	\$ 38,673
Grants and scholarships	(19,578)	-	-	(19,578)
Net tuition and fees	19,095			19,095
Government grants and contracts	-	924	-	924
Private gifts and grants	1,914	1,534	-	3,448
Net realized and unrealized gains on investments	1	-	-	1
Investment income	109	-	-	109
Auxiliary income	9,913	-	-	9,913
Other	598	20	-	618
Net operating revenues	31,630	2,478		34,108
Endowment spending distribution	45,400	-	-	45,400
Net assets released from restrictions	2,853	(2,829)	-	24
Net resources funding operations	79,883	(351)	-	79,532
Expenses and losses:				
Instruction	26,497	-	-	26,497
Academic support	9,537	-	-	9,537
Student services	14,360	-	-	14,360
Institutional support	10,761	-	-	10,761
Auxiliary enterprises	10,669	-	-	10,669
Total operating expenses	71,824	-	-	71,824
Change in net assets from operating activity	8,059	(351)	-	7,708
NON-OPERATING ACTIVITY:				
Private gifts and grants	737	2,370	2,414	5,521
Net realized and unrealized gains on investments	115,549	44	187	115,780
Investment income	25,857	97	870	26,824
Endowment spending distribution	(45,400)	-	-	(45,400)
Net assets released from restrictions	2,525	(2,556)	7	(24)
Change in value of split interest agreements	-	(68)	(396)	(464)
Loss on disposal of property and equipment	(257)	-	-	(257)
Change in net assets from non-operating activity	99,011	(113)	3,082	101,980
TOTAL CHANGE IN NET ASSETS	107,070	(464)	3,082	109,688
NET ASSETS AT BEGINNING OF YEAR	1,383,480	11,444	73,718	1,468,642
NET ASSETS AT END OF YEAR	\$ 1,490,550	\$ 10,980	\$ 76,800	\$ 1,578,330

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004 (Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITY:				
Revenue, gains and other support:				
Tuition and fees	\$ 35,801	\$ -	\$ -	\$ 35,801
Grants and scholarships	(17,959)	-	-	(17,959)
Net tuition and fees	17,842	-	-	17,842
Government grants and contracts	-	1,461	-	1,461
Private gifts and grants	2,231	1,071	-	3,302
Net realized and unrealized gains				
on investments	80	-	-	80
Investment income	60	-	-	60
Auxiliary income	9,479	-	-	9,479
Other	393	10	-	403
Net operating revenues	30,085	2,542	-	32,627
Endowment spending distribution	44,392	-	-	44,392
Net assets released from restrictions	3,241	(3,124)	-	117
Net resources funding operations	77,718	(582)	-	77,136
Expenses and losses:				
Instruction	25,491	-	-	25,491
Academic support	9,411	-	-	9,411
Student services	13,185	-	-	13,185
Institutional support	10,454	-	-	10,454
Auxiliary enterprises	9,707	-	-	9,707
Total operating expenses	68,248	-	-	68,248
Change in net assets from operating activity	9,470	(582)	-	8,888
NON-OPERATING ACTIVITY:				
Private gifts and grants	594	1,955	2,134	4,683
Net realized and unrealized gains				
(losses) on investments	215,241	(191)	510	215,560
Investment income	6,773	566	849	8,188
Endowment spending distribution	(44,392)	-	-	(44,392)
Net assets released from restrictions	3,897	(4,114)	100	(117)
Change in value of split interest agreements	-	(411)	(594)	(1,005)
Loss on disposal of property and equipment	(240)	-	-	(240)
Other	141	-	-	141
Change in net assets from non-operating activity	182,014	(2,195)	2,999	182,818
TOTAL CHANGE IN NET ASSETS	191,484	(2,777)	2,999	191,706
NET ASSETS AT BEGINNING OF YEAR	1,191,996	14,221	70,719	1,276,936
NET ASSETS AT END OF YEAR	\$ 1,383,480	\$ 11,444	\$ 73,718	\$ 1,468,642

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004 (Dollars in Thousands)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 109,688	\$ 191,706
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	7,481	7,356
Net realized and unrealized gains on investments	(115,793)	(215,750)
Provision for collection (recoveries) of losses	(3)	(27)
Loss on disposal of property and equipment	136	195
Restricted contributions	(7,242)	(6,621)
Restricted investment income	(967)	(1,415)
Actuarial loss on annuities payable	464	1,005
Change in assets and liabilities:		
Accounts receivable	58	262
Inventories and prepaid expenses	253	(242)
Accounts payable and accrued liabilities	2,185	618
Deferred revenue and deposits	879	1,113
Net cash flows from operating activities	<u>(2,861)</u>	<u>(21,800)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(30,492)	(18,270)
Disbursements on loans to students	(1,511)	(1,567)
Principal payments received on loans to students	1,213	1,331
Purchases of investments	(428,718)	(599,922)
Proceeds from sales of property and equipment	121	45
Proceeds from sales and maturities of investments	454,209	633,024
Net cash flows from investing activities	<u>(5,178)</u>	<u>14,641</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restricted contributions	7,242	6,621
Restricted investment income	967	1,415
Change in United States government grants refundable	(138)	(27)
Payments on annuities payable	(571)	(577)
Net cash flows from financing activities	<u>7,500</u>	<u>7,432</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(539)	273
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	<u>1,993</u>	<u>1,720</u>
END OF YEAR	<u>\$ 1,454</u>	<u>\$ 1,993</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 864</u>	<u>\$ 488</u>

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004 (Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

Operations – Trustees of Grinnell College (the “College”) is a liberal arts institution in Grinnell, Iowa. The College is accredited as a baccalaureate institution by the North Central Association of Colleges and Universities.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The College maintains its internal accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the College has adopted Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-For-Profit Organizations*, which requires resources be classified for reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions as follows:

Permanently Restricted – Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets. Such assets primarily include the College’s permanent endowment funds.

Temporarily Restricted – Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College or that expire by the passage of time.

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Expenses are generally reported as decreases in unrestricted net assets. Expirations or modifications of donor-imposed stipulations are reported as reclassifications between the applicable classes of net assets.

Use of Estimates – The 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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The College considers all highly-liquid debt instruments purchased with temporary operating cash with an original maturity of three months or less to be cash equivalents.

Income Taxes – The College has a tax determination letter from the IRS stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

Inventories – Inventories are valued at the lower of cost (first-in, first-out method) or market.

Investments – The College carries its debt and equity securities at fair value. Unrealized appreciation or depreciation is reported as increases or decreases to net assets. Realized gains and losses on investments are determined on the specific identification method.

Fair values on short-term investments and marketable securities are based on quoted market prices. The fair value of limited partnerships and similar nonmarketable equity interests which invest in both publicly and privately owned securities are based on estimates and assumptions of general partners or partnership valuation committees in the absence of readily determined market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. The value of all other investments is estimated by management.

Property and Equipment – Property and equipment is stated at cost at date of acquisition or estimated fair value at date of gift, less accumulated depreciation computed on a straight-line basis over the following estimated useful lives:

	Years
Buildings and improvements	20 – 40
Equipment and furnishings	3 – 10

Operating Activities – The College defines operating activities as activities closely related to the educational mission of the College and related auxiliary services. Included in operating revenues is the endowment spending distribution.

Gifts – The College reports gifts of cash and other assets as restricted support if the gifts are received with donor stipulations that limit the use of the donated assets. Gifts received with donor-imposed restrictions that stipulate resources be maintained permanently but permit the use of all or part of the income derived from the donated assets are reported as permanently restricted assets. Gifts received with donor-imposed restrictions that permit the use of the donated assets as specified are reported as temporarily restricted assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The College reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expiration of donor restrictions when the long-lived assets are acquired or donated.

Split Interest Agreements – The College is the beneficiary of various trusts and annuities. The College's interest in these split interest agreements is reported as a contribution in the year received at its net present value discounted at rates between 3.1% and 12.4% as of June 30, 2005 and 2004 based upon actuarially determined mortality rates. The assets of these agreements, for which the College is the trustee, total approximately \$13,640 and \$13,804 as of June 30, 2005 and 2004, respectively, and are included in investments on the statements of financial position.

Postretirement Benefits – The College provides certain healthcare benefits for all retired employees who meet eligibility requirements. The College’s share of the estimated costs that will be paid after retirement is being accrued by charges to unrestricted net assets over the employees’ active service periods to the date they are fully eligible for benefits in accordance with Financial Accounting Standards Board (“FASB”) Statement No. 106, *Employers’ Accounting for Postretirement Benefits Other Than Pensions*.

Financial Instruments – The carrying value of investments is their fair value. The fair value of cash and cash equivalents, loans to students, annuities payable and bonds payable approximates carrying value.

Revenue Recognition – Net tuition and fees and auxiliary income are recognized as income in the period the services are rendered.

Grants and Scholarships – Primarily scholarships, grants and other aid are offered by the College to attract and retain students. The College offers institutional support to students in the form of merit and need-based financial aid at the College’s discretion.

2. INVESTMENTS AND COMMITMENTS

Investments include a mix of short-term investments, marketable securities and other investments as of June 30, 2005 and 2004 as follows:

	2005	2004
Short-term investments	\$ 83,421	\$ 139,436
United States government and agency notes and bonds	155,787	137,184
Corporate and other bonds	34,007	36,069
Marketable equity interests	741,891	824,574
Limited partnership and similar nonmarketable equity interests	478,429	265,728
Other	<u>2,280</u>	<u>2,522</u>
	<u>\$ 1,495,815</u>	<u>\$ 1,405,513</u>

The College is committed, as of June 30, 2005 to invest \$116,678 in certain limited partnerships.

The College has forward currency contracts at June 30, 2005 and 2004, to hedge existing foreign exchange exposure. Foreign currency contracts require the College, at a future date, to buy or sell foreign currency in exchange for U.S. dollars and other currency. The market values of the foreign currency contracts are obtained from dealer quotes.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The table below presents the notional amount, carrying amount and fair value of foreign exchange contracts as of June 30, 2005 and 2004. The notional amounts represent agreed-upon amounts on which calculations of dollars to be exchanged are based, and are an indication of the extent of the College's involvement in such instruments. These notional amounts do not represent amounts exchanged by the parties and, therefore, are not a measure of the instruments.

	2005		
	Notional Amount	Carrying Amount	Fair Value
Currency:			
Yen	¥ 3,853,000	\$ 36,898	\$ 36,027
Pound Sterling	£ 5,624	\$ 9,794	\$ 10,054
Euro	€ -	\$ 28	\$ -

	2004		
	Notional Amount	Carrying Amount	Fair Value
Currency:			
Yen	¥ 1,375,000	\$ 12,962	\$ 12,894

As the fair value of the forward contract fluctuates, the College records an unrealized gain or loss. A summary of net forward currency contracts outstanding as of June 30, 2005 and 2004, is as follows:

	2005	2004
Long forward currency positions	\$ (121)	\$ -
Short forward currency positions	<u>760</u>	<u>68</u>
Net unrealized gains	<u>\$ 639</u>	<u>\$ 68</u>

The College's endowment includes the majority of investments shown above. For the years ended June 30, 2005 and 2004, the College operated under a spending policy with respect to endowment income equal to 4.25% and 4.50%, respectively, of a twelve quarter moving average of the fair value of endowment assets.

	2005	2004
Endowment:		
Beginning fund balance	<u>\$1,291,781</u>	<u>\$1,111,615</u>
Endowment return:		
Investment income, net of expenses	23,636	4,759
Net realized and unrealized gains on investments	<u>116,919</u>	<u>217,623</u>
Net endowment return	140,555	222,382
Gifts	2,108	2,063
Other additions	124	113
Transfers	1,377	-
Endowment spending distribution	<u>(45,400)</u>	<u>(44,392)</u>
Ending fund balance	<u>\$1,390,545</u>	<u>\$1,291,781</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following components as of June 30, 2005 and 2004:

	2005	2004
Land and improvements	\$ 9,490	\$ 9,146
Buildings and improvements	163,669	139,179
Equipment and furnishings	48,123	46,308
Construction in process	<u>18,870</u>	<u>12,223</u>
	240,152	206,856
Less accumulated depreciation	<u>84,821</u>	<u>77,945</u>
	<u>\$ 155,331</u>	<u>\$ 128,911</u>

As of June 30, 2005, the College has outstanding construction contracts totaling \$26,707. Subsequent to June 30, 2005, the College has agreed to contract commitments of approximately \$36,803.

4. EMPLOYEE BENEFITS

The College has a noncontributory defined contribution pension plan for academic and nonacademic personnel. Total pension plan costs for the years ended June 30, 2005 and 2004 were \$2,859 and \$2,758, respectively.

5. POSTRETIREMENT BENEFIT PLAN

Post Retirement Benefits

The College sponsors a postretirement healthcare plan for all employees who meet eligibility requirements. The plan is contributory with retiree contributions that are adjustable annually based on various factors, some of which are discretionary. Effective January 1, 2005, the Plan was amended to provide for employer-paid coverage from age 60 to 65 based on a service-related tiered structure.

The measurement date for the postretirement plan is March 31. The following tables set forth the plan's benefit obligation, accrued liability, components of net periodic benefit costs, amounts recognized in the accompanying statements of financial position and weighted average actuarial assumptions as of June 30, 2005 and 2004:

	2005	2004
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 11,845	\$ 6,949
Service cost	639	283
Interest cost	701	427
Plan amendments	955	-
Actuarial (gain) loss	(3,559)	4,448
Benefits paid in excess of retiree contributions	<u>(268)</u>	<u>(262)</u>
	<u>\$ 10,313</u>	<u>\$ 11,845</u>
Benefit obligation at end of year		

	2005	2004
Reconciliation of the Accrued Liability:		
Funded status	\$ 10,313	\$ 11,845
Unrecognized accumulated net loss	(2,482)	(5,957)
Unrecognized prior service cost	(955)	-
Assets at beginning of year	(1,188)	(1,180)
Expected return on assets	(71)	(71)
Asset loss	404	31
College contributions	(257)	(230)
Benefits paid in excess of retiree contributions	268	262
Estimated premium payments made between measurement date and fiscal year end	<u>(70)</u>	<u>(63)</u>
Accrued balance sheet liability at end of year	<u>\$ 5,962</u>	<u>\$ 4,637</u>

	2005	2004
Components of Net Periodic Benefit Cost:		
Service cost	\$ 639	\$ 283
Interest cost	701	427
Amortization of loss	312	54
Amortization of prior service cost	18	-
Expected return on assets	<u>(71)</u>	<u>(71)</u>
Net periodic benefit cost	<u>\$ 1,599</u>	<u>\$ 693</u>

	2005	2004
Actuarial Assumptions:		
Discount rate	5.75 %	5.75 %
Expected return on plan assets	6.00 %	6.00 %
Healthcare cost present trend rate for participants under 65	10.00 %	8.00 %
Healthcare cost present trend rate for participants over 65	12.00 %	10.00 %
Healthcare cost ultimate trend rate (year of stabilization)	5.00% (2015)	5.00% (2014)

Cash Contributions and Benefit Payments

The College's postretirement benefits are unfunded, therefore cash contributions for postretirement benefits are equal to the benefit payments.

The following table details the expected cash contributions and benefit payments for 2006 through 2015:

2006	\$ 315
2007	271
2008	292
2009	327
2010	380
Years 2011-2015	2,720

All benefit payments for other postretirement benefits are voluntary, as the postretirement plans are not funded, and are not subject to any minimum regulatory funding requirements. Benefit payments for each year represent claims paid for medical expenses, and the College anticipates the 2006 postretirement benefit payments will be made from cash generated from operations.

Asset Allocation

The College’s postretirement plan asset allocation as of March 31, 2005 (measurement date) is as follows:

Asset Category	Percentage of Plan Assets as of March 31, 2005
Equity securities	0 %
Debt securities	74 %
Real estate	0 %
Cash and cash equivalents	<u>26 %</u>
Total	<u>100 %</u>

The investment strategy for postretirement plan assets is to maintain a conservative portfolio designed to preserve principal value. All of the plan’s assets are invested in either certificates of deposit or interest bearing cash.

Recent Changes in Medicare

The Medicare Prescription Drug, Improvements and Modernization Act of 2003 (the “Act”) was signed into law on December 8, 2003. In accordance with FASB Staff Position No. FAS 106-1, released in January 2004, the College had previously elected to defer recognition of the effects of this Act.

Effective March 31, 2005, the College has determined that the postretirement medical benefits provided under its plan are actuarially equivalent to the benefits provided under the Act. As a result, the College is expected to receive a federal subsidy related to these benefits beginning in fiscal year 2006. The effect of the subsidy has been valued in accordance with FASB Staff Position No. FAS 106-2, which was released in May 2004.

The recognition of this subsidy reduced the Accumulated Postretirement Benefit Obligation (APBO) by approximately \$5.8 million as of March 31, 2005. It had no impact on the fiscal year 2005 Net Periodic Postretirement Benefit Cost, and decreased the fiscal year 2006 Net Periodic Postretirement Benefit Cost by approximately \$1.0 million.

6. NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2005 and 2004:

	2005	2004
Instruction	\$ 1,093	\$ 1,022
Academic support	2,394	2,856
Student services	249	170
Institutional support	52	33
Scholarships, grants and loans	466	523
Property and equipment	3,901	4,010
Split interest agreements	<u>2,825</u>	<u>2,830</u>
	<u>\$ 10,980</u>	<u>\$ 11,444</u>

Permanently restricted net assets (investments to be held in perpetuity) are available for the following purposes as of June 30, 2005 and 2004:

	2005	2004
General purposes	\$ 9,396	\$ 9,398
Instruction	28,412	28,033
Academic support	3,725	3,728
Student services	6,213	5,324
Institutional support	2,515	2,515
Facilities operations	(268)	(240)
Scholarships, grants and loans	<u>26,807</u>	<u>24,960</u>
	<u>\$ 76,800</u>	<u>\$ 73,718</u>

7. CONDITIONAL PROMISES TO GIVE

Conditional promises to give are not reported in the financial statements until the promises become unconditional. Conditional promises totaling approximately \$5,895 at June 30, 2005, primarily restricted to facilities use, are expected to be received during the next five fiscal years.

8. BONDS PAYABLE

In December 2001, the Iowa Higher Education Loan Authority ("IHELA") issued \$50,000 of Private College Facility Variable Rate Demand Revenue Bonds on behalf of the College. Bond repayment is subject to a Loan Agreement between IHELA and the College. The obligation of the College to make loan repayments under the Loan Agreement is a general obligation of the College and is unsecured. The bonds bear interest at a variable weekly rate, payable on the first business day of each calendar month. The interest rate for the week of June 30, 2005 through July 6, 2005 was 2.27%. Principal is due at maturity on December 1, 2011.

9. BOARD DESIGNATED UNRESTRICTED NET ASSETS

As of June 30, 2005 the Board of Trustees have designated approximately \$68,214 of unrestricted net assets primarily for construction purposes.

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