GRINNELL COLLEGE

FINANCIAL REPORT

June 30, 2007

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, 2007 and 2006, 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, 2007 and 2006, 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.

As discussed in Notes 1 and 2 to the financial statements, the financial statements include investments valued at $725.1 million (36% of total assets) and $602.3 million (34% of total assets) as of June 30, 2007 and 2006, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the general partners or partnership valuation committees.

As discussed in Note 1 to the financial statements, the College adopted *Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements N. 87, 88, 106, and 132(R)*, during the year ended June 30, 2007.

Deloitte & Touche LLP

October 4, 2007

TRUSTEES OF GRINNELL COLLEGE

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006
(Dollars in Thousands)

ASSETS	2007	2006
Cash and cash equivalents	$ 1,563	$ 1,948
Accounts receivable, less allowance for doubtful accounts of $126 in 2007 and $184 in 2006	698	367
Inventories and prepaid expenses	2,303	1,788
Loans to students, less allowance for doubtful loans of $308 in 2007 and $359 in 2006	7,258	6,772
Investments (Note 2)	1,799,931	1,562,516
Property and equipment, net (Note 3)	213,396	184,887
Total assets	$2,025,149	$1,758,278
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 7,791	$ 7,306
Accrued payroll and fringe benefits (Note 5)	14,034	11,226
Deferred revenue and deposits	4,793	4,651
Annuities payable	7,876	8,129
Funds held in trust for others	63	59
Bonds payable (Note 8)	50,000	50,000
United States government grants refundable	2,543	2,564
Total liabilities	87,100	83,935
COMMITMENTS AND CONTINGENCIES (Notes 2 and 3)		
NET ASSETS:		
Unrestricted (Note 9)	1,845,299	1,587,104
Temporarily restricted (Note 6)	9,563	8,627
Permanently restricted (Note 6)	83,187	78,612
Total net assets	1,938,049	1,674,343
Total liabilities and net assets	$2,025,149	$1,758,278

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITY:				
Revenue, gains and other support:				
Tuition and fees	$ 44,582	$ -	$ -	$ 44,582
Grants and scholarships	(23,221)	-	-	(23,221)
Net tuition and fees	21,361	-	-	21,361
Government grants and contracts	-	1,277	-	1,277
Private gifts and grants	2,485	1,341	-	3,826
Net realized and unrealized losses on investments	(2)	-	-	(2)
Investment income	716	-	-	716
Auxiliary income	11,182	-	-	11,182
Other	631	1	-	632
Net operating revenues	36,373	2,619	-	38,992
Endowment spending distribution	50,795	-	-	50,795
Net assets released from restrictions	3,257	(3,137)	-	120
Net resources funding operations	90,425	(518)	-	89,907
Expenses and losses:				
Instruction	29,649	-	-	29,649
Academic support	11,055	-	-	11,055
Student services	15,512	-	-	15,512
Institutional support	12,710	-	-	12,710
Auxiliary enterprises	12,427	-	-	12,427
Total operating expenses	81,353	-	-	81,353
Change in net assets from operating activity	9,072	(518)	-	8,554
NON-OPERATING ACTIVITY:				
Private gifts and grants	2,765	4,181	1,395	8,341
Net realized and unrealized gains on investments	268,985	463	836	270,284
Investment income	27,406	8	1,040	28,454
Endowment spending distribution	(50,795)	-	-	(50,795)
Net assets released from restrictions	1,568	(2,190)	502	(120)
Change in value of split interest agreements	-	(1,008)	802	(206)
Loss on disposal of property and equipment	(101)	-	-	(101)
Change in net assets from non-operating activity	249,828	1,454	4,575	255,857
Cumulative effect of a change in accounting principle (Note 1)	(705)	-	-	(705)
TOTAL CHANGE IN NET ASSETS	258,195	936	4,575	263,706
NET ASSETS AT BEGINNING OF YEAR	1,587,104	8,627	78,612	1,674,343
NET ASSETS AT END OF YEAR	$ 1,845,299	$ 9,563	$ 83,187	$ 1,938,049

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITY:				
Revenue, gains and other support:				
Tuition and fees	$ 41,991	$ -	$ -	$ 41,991
Grants and scholarships	(21,627)	-	-	(21,627)
Net tuition and fees	20,364	-	-	20,364
Government grants and contracts	-	1,188	-	1,188
Private gifts and grants	2,244	2,013	-	4,257
Net realized and unrealized losses on investments	(1)	-	-	(1)
Investment income	465	-	-	465
Auxiliary income	10,652	-	-	10,652
Other	661	24	-	685
Net operating revenues	34,385	3,225	-	37,610
Endowment spending distribution	49,155	-	-	49,155
Net assets released from restrictions	3,511	(3,376)	-	135
Net resources funding operations	87,051	(151)	-	86,900
Expenses and losses:				
Instruction	28,353	-	-	28,353
Academic support	10,660	-	-	10,660
Student services	15,323	-	-	15,323
Institutional support	11,612	-	-	11,612
Auxiliary enterprises	10,984	-	-	10,984
Total operating expenses	76,932	-	-	76,932
Change in net assets from operating activity	10,119	(151)	-	9,968
NON-OPERATING ACTIVITY:				
Private gifts and grants	249	3,901	720	4,870
Net realized and unrealized gains on investments	101,013	58	268	101,339
Investment income	28,436	53	861	29,350
Endowment spending distribution	(49,155)	-	-	(49,155)
Net assets released from restrictions	6,028	(6,214)	51	(135)
Change in value of split interest agreements	-	-	(88)	(88)
Loss on disposal of property and equipment	(136)	-	-	(136)
Change in net assets from non-operating activity	86,435	(2,202)	1,812	86,045
TOTAL CHANGE IN NET ASSETS	96,554	(2,353)	1,812	96,013
NET ASSETS AT BEGINNING OF YEAR	1,490,550	10,980	76,800	1,578,330
NET ASSETS AT END OF YEAR	$ 1,587,104	$ 8,627	$ 78,612	$ 1,674,343

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 263,706	$ 96,013
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Cumulative effect of change in accounting principle	705	-
Depreciation	9,150	7,992
Net realized and unrealized gains on investments	(270,544)	(101,445)
Provision for recoveries of losses	(81)	(12)
Loss on disposal of property and equipment	53	89
Restricted contributions	(8,194)	(7,822)
Restricted investment income	(1,048)	(914)
Actuarial loss on annuities payable	206	88
Change in assets and liabilities:		
Accounts receivable	(211)	(239)
Inventories and prepaid expenses	(515)	(193)
Accounts payable and accrued liabilities	3,826	1,909
Deferred revenue and deposits	142	110
Net cash flows from operating activities	(2,805)	(4,424)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(38,998)	(37,773)
Disbursements on loans to students	(1,599)	(1,455)
Principal payments received on loans to students	1,074	1,142
Purchases of investments	(374,730)	(848,608)
Proceeds from sales of property and equipment	48	47
Proceeds from sales and maturities of investments	407,859	883,352
Net cash flows from investing activities	(6,346)	(3,295)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restricted contributions	8,194	7,822
Restricted investment income	1,048	914
Change in United States government grants refundable	(21)	22
Payments on annuities payable	(455)	(545)
Net cash flows from financing activities	8,766	8,213
NET CHANGE IN CASH AND CASH EQUIVALENTS	(385)	494
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	1,948	1,454
END OF YEAR	$ 1,563	$ 1,948
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,814	$ 1,439

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 investments 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. Common collective trust funds are stated at fair value as determined by the issuer of the common/collective trust funds based on the fair market value of the underlying investments. Common collective trust funds with underlying investments in investment contracts are valued at fair market value of the underlying investments. 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.

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

Expenditures for new equipment and buildings and improvements which substantially extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. Costs incurred for building materials and equipment comprises construction in progress.

U.S. Government Grants Refundable **-** Funds provided by the U.S. government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the U.S. government and are included as a liability in the statements of financial position.

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 3.10% and 12.40% as of June 30, 2007 and 2006 based upon actuarially determined mortality rates. The assets of these agreements, for which the College is the trustee, total approximately $16,117 and $13,199 as of June 30, 2007 and 2006, 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 **-** Financial instruments are generally described as cash, contractual obligations or rights to pay or receive cash. The carrying amount approximates fair value for certain financial instruments because of the short-term maturity of these instruments, which include cash and cash equivalents, accounts receivable, U.S. government receivables, accounts payable and accrued expenses, and student deposits and deferred income.

Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Investments are recorded at fair value.

U.S. government loans receivable and U.S. government grants refundable are not saleable and can only be assigned to the U.S. Government or its designees. The carrying value approximates fair value.

The carrying value of bonds payable approximates its fair value as the interest rate is adjusted with changes in market interest rates.

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.

Adoption of New Accounting Pronouncement **-** During the year ended June 30, 2007, the College adopted Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans–an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. SFAS No. 158 requires an employer to recognize in its statement of financial position the over-funded or under-funded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. SFAS No. 158 does not impact the calculation of net periodic benefit cost. In addition, SFAS No. 158 requires that the measurement date of the plan obligation coincide with an employer's fiscal year-end. Note that the funded status recognition provision of SFAS No. 158 was adopted by the College during the year ended June 30, 2007. See the impact of the adoption of SFAS 158 in Note 5. The measurement date provision of SFAS No. 158 is not effective for the College until its fiscal year ending June 30, 2009. The College is currently assessing the impact that adoption of the measurement date provision of SFAS No. 158 will have on its financial position, changes in net assets, and cash flows.

2. INVESTMENTS AND COMMITMENTS

Investments include a mix of short-term investments, marketable securities and other investments as of June 30, 2007 and 2006 as follows:

	2007	2006
Short-term investments	$ 104,607	$ 175,071
United States government and agency notes and bonds	57,105	123,401
Corporate and other bonds	20,458	35,749
Marketable equity interests	889,141	623,780
Limited partnership and similar nonmarketable equity interests	725,072	602,292
Other	3,548	2,223
	$1,799,931	$1,562,516

The College is committed, as of June 30, 2007 to invest $281,877 in certain limited partnerships.

The College has forward currency contracts at June 30, 2007 and 2006, 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 tables below present the notional amount, cost and fair value of foreign exchange contracts as of June 30, 2007 and 2006. 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.

	2007		
	Notional Amount	Cost	Fair Value
Currency:			
Yen	¥ 7,817,090	$ 67,535	$ 65,110

	2006		
	Notional Amount	Cost	Fair Value
Currency:			
Yen	¥ 5,075,376	$ 46,052	$ 46,178
Pound Sterling	£ -	$ 172	$ -

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, 2007 and 2006 is as follows:

	2007	2006
Long forward currency positions	$ -	$ 744
Short forward currency positions	(2,425)	(698)
Net unrealized gain (loss)	$ (2,425)	$ 46

The College's endowment includes the majority of investments shown above. For the years ended June 30, 2007 and 2006, the College operated under a spending policy with respect to endowment income equal to 4.00% and 4.25%, respectively, of a twelve quarter moving average of the fair value of endowment assets.

	2007	2006
Endowment:		
Beginning endowment balance	$ 1,471,804	$ 1,390,545
Endowment return:		
Investment income, net of expenses	25,547	26,285
Net realized and unrealized gains on investments	268,371	101,522
Net endowment return	293,918	127,807
Gifts	1,387	767
Other additions	45	134
Transfers	1,954	1,706
Endowment spending distribution	(50,795)	(49,155)
Ending endowment balance	$ 1,718,313	$ 1,471,804

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following components as of June 30, 2007 and 2006:

	2007	2006
Land and improvements	$ 10,259	$ 9,821
Buildings and improvements	203,334	164,500
Equipment and furnishings	56,468	50,527
Construction in process	44,324	52,235
	314,385	277,083
Less accumulated depreciation	100,989	92,196
	$ 213,396	$ 184,887

As of June 30, 2007, the College has outstanding construction contract commitments totaling $5,751, which are expected to be fulfilled over the next year. Subsequent to June 30, 2007, the College has agreed to additional contract commitments of approximately $4,870.

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, 2007 and 2006 were $3,138 and $2,970, respectively.

5. POSTRETIREMENT BENEFIT PLAN

Postretirement 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.

During the year ended June 30, 2007, the College adopted the recognition provision of SFAS 158. As a result, the College recognized an unrealized actuarial loss of $705. This item is included in the cumulative effect of changes in accounting principle line of the consolidated statement of activities.

The measurement date for the postretirement plan is March 31. The following tables set forth the plan's benefit obligation, fair value of plan assets, accrued liability, components of net periodic benefit costs, and weighted average actuarial assumptions as of June 30, 2007 and 2006:

	2007	2006
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 13,829	$ 10,313
Service cost	711	528
Interest cost	821	584
Actuarial (gain) loss	(4,559)	2,683
Medicare Part D subsidy	75	-
Benefits paid in excess of retiree contributions	(367)	(279)
Benefit obligation at end of year	$ 10,510	$ 13,829

	2007	2006
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 1,193	$ 845
Return on plan assets	45	338
Employer contributions	307	289
Retiree contributions	289	275
Medicare Part D subsidy	75	-
Benefits paid	(656)	(554)
Fair value of plan assets at end of year	$ 1,253	$ 1,193

	2007	2006
Reconciliation of the Accrued Liability:		
Funded status	$ 9,257	$ 12,635
Unrecognized accumulated net gain (loss)	81	(4,700)
Unrecognized prior service cost	(786)	(861)
Accrued postretirement benefit obligation before cumulative effect of SFAS 158	8,552	7,074
Cumulative effect of SFAS 158	705	-
Estimated premium payments made between measurement date and fiscal year end	-	(75)
Accrued balance sheet liability at end of year	$ 9,257	$ 6,999

	2007	2006
Components of Net Periodic Benefit Cost:		
Service cost	$ 711	$ 528
Interest cost	821	584
Amortization of loss	249	176
Amortization of prior service cost	75	75
Expected return on assets	(72)	(50)
Net periodic benefit cost	$ 1,784	$ 1,313

	2007	2006
Actuarial Assumptions:		
Discount rate	6.00 %	6.00 %
Expected return on plan assets	6.00 %	6.00 %
Healthcare cost present trend rate for participants up to 65	8.00 %	9.50 %
Healthcare cost present trend rate for participants 65 and over	8.00 %	11.30 %
Healthcare cost ultimate trend rate (year of stabilization)	5.00% (2015)	5.00% (2015)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 348	$ (269)
Effect on postretirement benefit obligations	1,828	(1,463)

Cash Contributions and Benefit Payments

The College’s postretirement benefits are partially 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 2008 through 2017:

2008	$ 273
2009	330
2010	388
2011	455
2012	522
Years 2013-2017	3,083

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 2008 postretirement benefit payments will be made from cash generated from operations.

Asset Allocation

The College's postretirement plan's asset allocation as of March 31, 2007 (measurement date) is 100% in cash and cash equivalents.

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 interest bearing cash.

Medicare Prescription Drug, Improvements and Modernization Act of 2003

The Medicare Prescription Drug, Improvements and Modernization Act of 2003 (the "Act") introduced a prescription drug benefit under Medicare Part D beginning in 2006 as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D.

The College 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 received a federal subsidy related to these benefits in fiscal year 2007 in the amount of $75.

6. NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2007 and 2006:

	2007	2006
Instruction	$ 1,270	$ 1,147
Academic support	1,679	2,291
Student services	211	182
Institutional support	19	19
Scholarships, grants and loans	411	463
Property and equipment	1,617	1,733
Split interest agreements	4,356	2,792
	$ 9,563	$ 8,627

Permanently restricted net assets (investments to be held in perpetuity) are available for the following purposes as of June 30, 2007 and 2006:

	2007	2006
General purposes	$ 9,477	$ 9,406
Instruction	31,721	29,016
Academic support	3,923	3,869
Student services	7,105	6,693
Institutional support	2,515	2,515
Facilities operations	(236)	(290)
Scholarships, grants and loans	28,682	27,403
	$ 83,187	$ 78,612

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 $3,472 at June 30, 2007, 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 based on the lowest rate among a number of measures including prime and commercial paper, payable on the first business day of each calendar month. The interest rate for the week of June 28, 2007 through July 4, 2007 was 3.74%. Principal is due at maturity on December 1, 2011.

9. BOARD DESIGNATED UNRESTRICTED NET ASSETS

As of June 30, 2007 the Board of Trustees have designated approximately $46,312 of unrestricted net assets primarily for construction purposes.

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