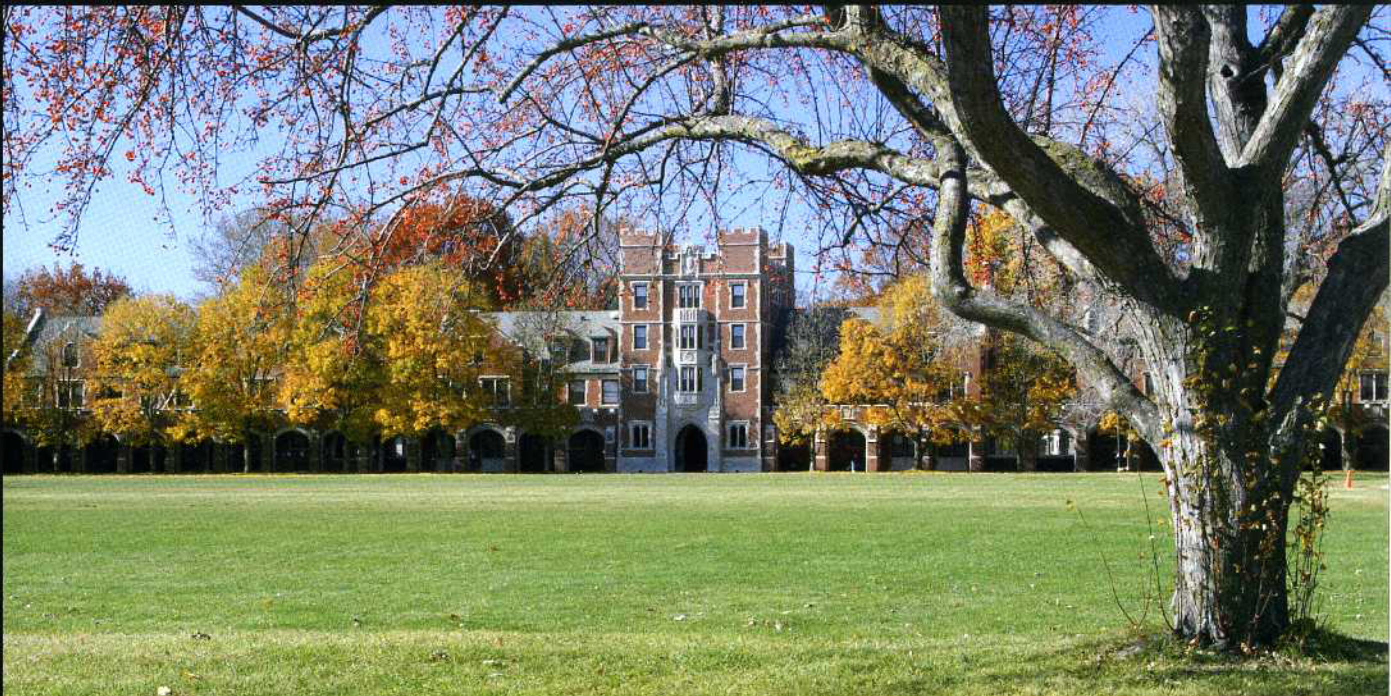

GRINNELL COLLEGE

Financial Report

June 30, 2008
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, 2008 and 2007, 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, 2008 and 2007, 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 $674.6 million (37% of total assets) and $725.1 million (36% of total assets) as of June 30, 2008 and 2007, 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 Notes 1 and 5 to the financial statements, the College adopted the measurement date provision of Statement of Financial Accounting Standards No. 158*, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)* during the year ended June 30, 2008.

Deloitte & Touche LLP

October 17, 2008

TRUSTEES OF GRINNELL COLLEGE

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007
(Dollars in Thousands)

ASSETS	2008	2007
Cash and cash equivalents	$ 1,588	$ 1,563
Accounts receivable, less allowance for doubtful accounts of $126 in 2008 and $126 in 2007	442	698
Inventories and prepaid expenses	2,898	2,303
Loans to students, less allowance for doubtful loans of $296 in 2008 and $308 in 2007	7,795	7,258
Investments (Note 2)	1,617,465	1,799,931
Property and equipment, net (Note 3)	221,376	213,396
Total assets	$ 1,851,564	$ 2,025,149

LIABILITIES AND NET ASSETS

	2008	2007
LIABILITIES:		
Accounts payable	$ 3,938	$ 7,791
Accrued payroll and fringe benefits (Note 5)	13,624	14,034
Deferred revenue and deposits	4,088	4,793
Annuities payable	9,733	7,876
Funds held in trust for others	1,069	63
Bonds payable (Note 8)	110,000	50,000
United States government grants refundable	2,488	2,543
Total liabilities	144,940	87,100
COMMITMENTS AND CONTINGENCIES (Notes 2 and 3)		
NET ASSETS:		
Unrestricted (Note 9)	1,612,461	1,845,299
Temporarily restricted (Note 6)	8,578	9,563
Permanently restricted (Note 6)	85,585	83,187
Total net assets	1,706,624	1,938,049
Total liabilities and net assets	$ 1,851,564	$ 2,025,149

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITY:				
Revenue, gains and other support:				
Tuition and fees	$ 50,200	$ -	$ -	$ 50,200
Grants and scholarships	(26,048)	-	-	(26,048)
Net tuition and fees	24,152	-	-	24,152
Government grants and contracts	-	1,235	-	1,235
Private gifts and grants	2,689	2,214	-	4,903
Net realized and unrealized losses on investments	(3)	-	-	(3)
Investment income	602	-	-	602
Auxiliary income	12,034	-	-	12,034
Other	657	1	-	658
Net operating revenues	40,131	3,450	-	43,581
Endowment spending distribution	56,110	-	-	56,110
Net assets released from restrictions	2,990	(2,994)	-	(4)
Net resources funding operations	99,231	456	-	99,687
Expenses and losses:				
Instruction	33,190	-	-	33,190
Academic support	11,637	-	-	11,637
Student services	16,418	-	-	16,418
Institutional support	14,092	-	-	14,092
Auxiliary enterprises	13,597	-	-	13,597
Total operating expenses	88,934	-	-	88,934
Change in net assets from operating activity	10,297	456	-	10,753
NON-OPERATING ACTIVITY:				
Private gifts and grants	839	2,447	3,742	7,028
Net realized and unrealized losses on investments	(223,733)	(584)	(969)	(225,286)
Investment income	32,080	7	1,276	33,363
Endowment spending distribution	(56,110)	-	-	(56,110)
Net assets released from restrictions	2,541	(3,159)	622	4
Change in value of split interest agreements	-	(152)	(2,273)	(2,425)
Loss on disposal of property and equipment	(267)	-	-	(267)
Change in accumulated post retirement benefit obligation	1,800	-	-	1,800
Change in net assets from non-operating activity	(242,850)	(1,441)	2,398	(241,893)
Cumulative effect of a change in accounting principle (Notes 1 and 5)	(285)	-	-	(285)
TOTAL CHANGE IN NET ASSETS	(232,838)	(985)	2,398	(231,425)
NET ASSETS AT BEGINNING OF YEAR	1,845,299	9,563	83,187	1,938,049
NET ASSETS AT END OF YEAR	$ 1,612,461	$ 8,578	$ 85,585	$ 1,706,624

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 (Notes 1 and 5)	(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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Dollars in Thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (231,425)	$ 263,706
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Cumulative effect of change in accounting principle	285	705
Depreciation	10,492	9,150
Net realized and unrealized (gain)/loss on investments	225,520	(270,544)
Provision for recoveries of losses	(12)	(81)
Loss on disposal of property and equipment	255	53
Restricted contributions	(9,638)	(8,194)
Restricted investment income	(1,283)	(1,048)
Actuarial loss on annuities payable	2,425	206
Change in assets and liabilities:		
Accounts receivable	206	(211)
Inventories and prepaid expenses	(216)	(515)
Accounts payable and accrued liabilities	(2,645)	3,826
Funds held in trust for others	1,006	-
Deferred revenue and deposits	(705)	142
Net cash flows from operating activities	(5,735)	(2,805)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(20,641)	(38,998)
Disbursements of loans to students	(1,498)	(1,599)
Principal payments received on loans to students	1,022	1,074
Purchases of investments	(480,743)	(374,730)
Proceeds from sales of property and equipment	12	48
Proceeds from sales and maturities of investments	437,689	407,859
Net cash flows from investing activities	(64,159)	(6,346)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restricted contributions	9,638	8,194
Restricted investment income	1,283	1,048
Change in United States government grants refundable	(55)	(21)
Payments on annuities payable	(568)	(455)
Proceeds from issuance of bonds	60,000	-
Payments of bond issuance costs	(379)	-
Net cash flows from financing activities	69,919	8,766
NET CHANGE IN CASH AND CASH EQUIVALENTS	25	(385)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	1,563	1,948
END OF YEAR	$ 1,588	$ 1,563
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,536	$ 1,814

See notes to financial statements.

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 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. Construction in progress comprises costs incurred for building materials and equipment.

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. See discussion of the endowment spending distribution in Note 2.

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 3.30% and 12.40% and between 3.10% and 12.40% as of June 30, 2008 and 2007, respectively, based upon actuarially determined mortality rates. The assets of these agreements, for which the College is the trustee, total approximately $17,632 and $16,117 as of June 30, 2008 and 2007, respectively, and are included in investments on the statements of financial position.

Funds Held in Trust for Others **-** Funds held in trust for others are recorded at fair value. These investments, which are in the possession or under the control of the College, are administered by the College for outside fiscal agents, with the College deriving income from the investments as stipulated by the various gift instruments.

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*, as amended by 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").

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 - The College adopted SFAS No. 158. 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. The measurement date provision of SFAS No. 158 was adopted by the College during the year ended June 30, 2008. See the impact of the adoption of SFAS No. 158 in Note 5.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "*Accounting for Income Taxes*" (FAS 109), and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a return. Guidance is also provided on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The College adopted FIN 48 during the year ended June 30, 2008. The impact of adoption was immaterial on its financial statements.

Recent Accounting Pronouncement - In August 2008, FASB issued the final FASB Staff Position (FSP) No. 117-1 *Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.* The FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The FSP also improves disclosures about an organization's endowment funds, whether or not the organization is subject to UPMIFA. The UPMIFA was enacted in Iowa in 2008. FSP 117-1 is effective for fiscal years ending after December 15, 2008. The College is assessing the impact of FSP 117-1 on its financial statements.

2. INVESTMENTS AND COMMITMENTS

Investments at June 30, 2008 and 2007 consists of the following:

	2008	2007
Short-term investments	$ 63,881	$ 104,607
United States government and agency notes and bonds	113,736	57,105
Corporate and other bonds	10,320	20,458
Marketable equity interests	750,539	889,141
Limited partnership and similar nonmarketable equity interests	674,635	725,072
Other	4,354	3,548
	$ 1,617,465	$ 1,799,931

The College is committed, as of June 30, 2008 to invest $296,330 in certain limited partnerships.

The College has forward currency contracts at June 30, 2008 and 2007, 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, 2008 and 2007. 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.

	2008		
	Notional Amount	**Cost**	**Fair Value**
Currency:			
Yen	¥ 4,282,411	$ 41,168	$ 41,097
Won	₩ 5,503,090	6,097	5,246
Euro	€ 3,958	5,912	6,176
Franc	€ 5,730	4,443	5,630

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

As the fair value of the forward contract fluctuates, the College records an unrealized gain (loss). A summary of net forward currency contracts outstanding as of June 30, 2008 and 2007 is as follows:

	2008	**2007**
Long forward currency positions	$ (212)	$ -
Short forward currency positions	741	(2,425)
Net unrealized gain (loss)	$ 529	$ (2,425)

The College's endowment consists of donor gifts (permanently restricted) plus other Board designated funds (unrestricted) which are deemed to be held and invested in perpetuity. The Board of Trustees approves a spending policy annually for the endowment. The College's endowment includes the majority of investments shown above. For the years ended June 30, 2008 and 2007, the College operated under a spending policy with respect to endowment income equal to 4.00% of a twelve quarter moving average of the fair value of endowment assets.

	2008	2007
Endowment:		
Beginning endowment balance	$ 1,718,313	$ 1,471,804
Endowment return:		
Investment income, net of expenses	31,382	25,547
Net realized and unrealized gains (losses) on investments	(223,883)	268,371
Net endowment return	(192,501)	293,918
Gifts	1,116	1,387
Other additions	201	45
Transfers	1,429	1,954
Endowment spending distribution	(56,110)	(50,795)
Ending endowment balance	$ 1,472,448	$ 1,718,313

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following components as of June 30, 2008 and 2007:

	2008	2007
Land and improvements	$ 10,332	$ 10,259
Buildings and improvements	251,313	203,334
Equipment and furnishings	60,021	56,468
Construction in process	10,871	44,324
	332,537	314,385
Less accumulated depreciation	111,161	100,989
	$ 221,376	$ 213,396

As of June 30, 2008, the College has outstanding construction contract commitments totaling $59,551.

4. EMPLOYEE BENEFITS

The College is a participant in the Teachers Insurance and Annuity Association – College Retirement Equity Fund ("TIAA-CREF"), which is a defined contribution plan for academic and nonacademic personnel. TIAA-CREF does not segregate the assets, liabilities, or costs by participating employer, since the accounts are maintained on an employee-basis only. Total pension expense for the years ended June 30, 2008 and 2007, was $3,306 and $3,138, respectively. Contributions are funded on a current basis.

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 July 1, 2007, the plan was amended to provide for employer-paid coverage from age 55 to 65 based on a service-related tiered structure.

During the year ended June 30, 2008, the College adopted the measurement date provision of SFAS 158. As a result, the College recognized a net periodic postretirement benefit cost of $285. 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. These items are included in the cumulative effect of changes in accounting principle line of the statements of activities for 2008 and 2007, respectively.

The measurement date for the postretirement plan is June 30. 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, 2008 and 2007:

	2008	2007
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 10,510	$ 13,829
Service cost	688	711
Interest cost	897	821
Plan amendments	1,276	-
Actuarial gain	(1,681)	(4,559)
Medicare Part D subsidy	72	75
Benefits paid in excess of retiree contributions	(268)	(367)
Benefit obligation at end of year	$ 11,494	$ 10,510

	2008	2007
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 1,253	$ 1,193
Return on plan assets	45	45
Employer contributions	1,255	307
Retiree contributions	324	289
Medicare Part D subsidy	72	75
Benefits paid	(591)	(656)
Fair value of plan assets at end of year	$ 2,358	$ 1,253

	2008	2007
Reconciliation of the Accrued Liability:		
Funded status	$ 9,136	$ 9,257
Unrecognized accumulated net gain	-	81
Unrecognized prior service cost	-	(786)
Accrued postretirement benefit obligation before cumulative effect of SFAS 158	9,136	8,552
Cumulative effect of SFAS 158	-	705
Accrued balance sheet liability at end of year	$ 9,136	$ 9,257

	2008	2007
Components of Net Periodic Benefit Cost:		
Service cost	$ 558	$ 711
Interest cost	741	821
Amortization of loss	-	249
Amortization of prior service cost	187	75
Expected return on assets	(92)	(72)
Net periodic benefit cost	$ 1,394	$ 1,784

	2008	2007
Actuarial Assumptions:		
Discount rate	6.82 %	6.00 %
Expected return on plan assets	6.00 %	6.00 %
Healthcare cost present trend rate for participants up to 65	7.63 %	8.00 %
Healthcare cost present trend rate for participants 65 and over	7.63 %	8.00 %
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	$ 131	$ (317)
Effect on postretirement benefit obligations	1,851	(1,500)

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 2009 through 2018:

2009	$	404
2010		482
2011		541
2012		579
2013		625
Years 2014-2018		4,085

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 2009 postretirement benefit payments will be made from cash generated from operations.

Asset Allocation

The College's postretirement plan's asset allocation as of June 30, 2008 (measurement date) is 81% in fixed income investments and 19% in cash and cash equivalents.

The investment strategy for postretirement plan assets is to maintain a conservative portfolio designed to preserve principal value.

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 the amount of $72 and $75 for fiscal years 2008 and 2007, respectively.

6. NET ASSETS

Temporarily restricted net assets as of June 30, 2008 and 2007 consist of the following:

	2008	2007
General purposes	$ 4	$ -
Instruction	1,203	1,270
Academic support	2,246	1,679
Student services	205	211
Institutional support	40	19
Scholarships, grants and loans	352	411
Property and equipment	827	1,617
Split interest agreements	3,701	4,356
	$ 8,578	$ 9,563

Permanently restricted net assets (investments to be held in perpetuity) as of June 30, 2008 and 2007 consist of the following:

	2008	2007
General purposes	$ 9,448	$ 9,477
Instruction	31,096	31,721
Academic support	3,944	3,923
Student services	7,608	7,105
Institutional support	2,515	2,515
Facilities operations	(228)	(236)
Scholarships, grants and loans	31,202	28,682
	$ 85,585	$ 83,187

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 $4,201 at June 30, 2008, primarily restricted to facilities use, are expected to be received during the next five fiscal years.

8. BONDS PAYABLE

Bonds payable at June 30, 2008 and 2007 consists of the following:

	2008	2007
Revenue bonds dated December 13, 2001 maturing on December 1, 2011. As of June 30, 2008 and 2007, the bond interest rate was 1.58% and 3.74%, respectively.	$ 50,000	$ 50,000
Revenue bonds dated June 26, 2008 maturing on June 1, 2023. As of June 30, 2008, the bond interest rate was 1.62%.	60,000	-
	$ 110,000	$ 50,000

On December 13, 2001 and June 26, 2008, the Iowa Higher Education Loan Authority ("IHELA") issued $50,000 and $60,000, respectively, of Private College Facility Variable Rate Demand Revenue Bonds on behalf of the College. Bond repayment is subject to Loan Agreements between IHELA and the College. The obligations of the College to make loan repayments under the Loan Agreements are general obligations of the College and are 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.

9. BOARD DESIGNATED UNRESTRICTED NET ASSETS

As of June 30, 2008 the Board of Trustees have designated approximately $61,210 of unrestricted net assets primarily for construction purposes.

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