GRINNELL COLLEGE

Financial Report

June 30, 2009
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, 2009 and 2008, 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, 2009 and 2008, 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 $586.5 million (40% of total assets) and $688.9 million (37% of total assets) as of June 30, 2009 and 2008, 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 Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds,* during the year ended June 30, 2009.

Deloitte & Touche LLP

October 29, 2009

TRUSTEES OF GRINNELL COLLEGE

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008
(Dollars in Thousands)

ASSETS	2009	2008
Cash and cash equivalents	$ 1,306	$ 1,588
Accounts receivable, less allowance for doubtful accounts of $127 in 2009 and $126 in 2008	417	442
Inventories and prepaid expenses	2,952	2,898
Loans to students, less allowance for doubtful loans of $312 in 2009 and $296 in 2008	7,887	7,795
Investments (Note 2)	1,197,612	1,617,465
Property and equipment, net (Note 4)	239,645	221,376
Total assets	$ 1,449,819	$ 1,851,564
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 5,732	$ 3,938
Accrued payroll and fringe benefits (Note 6)	16,093	13,624
Deferred revenue and deposits	3,547	4,088
Annuities payable	7,779	9,733
Funds held in trust for others	1,042	1,069
Bonds payable (Note 9)	110,000	110,000
United States government grants refundable	2,505	2,488
Total liabilities	146,698	144,940
COMMITMENTS AND CONTINGENCIES (Notes 2 and 4)		
NET ASSETS:		
Unrestricted (Note 10)	946,655	1,612,461
Temporarily restricted (Note 7)	267,862	8,578
Permanently restricted (Note 7)	88,604	85,585
Total net assets	1,303,121	1,706,624
Total liabilities and net assets	$ 1,449,819	$ 1,851,564

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITY:				
Revenue, gains and other support:				
Tuition and fees	$ 54,415	$ -	$ -	$ 54,415
Grants and scholarships	(30,936)	-	-	(30,936)
Net tuition and fees	23,479	-	-	23,479
Government grants and contracts	-	1,579	-	1,579
Private gifts and grants	2,302	2,158	-	4,460
Net realized and unrealized losses on investments	(1)	-	-	(1)
Investment income	116	-	-	116
Auxiliary income	12,791	-	-	12,791
Other	645	2	-	647
Net operating revenues	39,332	3,739	-	43,071
Endowment spending distribution	43,033	-	-	43,033
Net assets released from restrictions	3,610	(3,566)	-	44
Net resources funding operations	85,975	173	-	86,148
Expenses and losses:				
Instruction	35,267	-	-	35,267
Academic support	11,894	-	-	11,894
Student services	16,943	-	-	16,943
Institutional support	15,565	-	-	15,565
Auxiliary enterprises	14,349	-	-	14,349
Total operating expenses	94,018	-	-	94,018
Change in net assets from operating activity	(8,043)	173	-	(7,870)
NON-OPERATING ACTIVITY:				
Private gifts and grants	642	899	741	2,282
Net realized and unrealized losses on investments	(251,688)	(116,373)	(1,361)	(369,422)
Investment income	10,145	3,440	1,886	15,471
Endowment spending distribution	(43,033)	-	-	(43,033)
Net assets released from restrictions	13,934	(14,453)	475	(44)
Change in value of split interest agreements	-	85	1,278	1,363
Loss on disposal of property and equipment	(57)	-	-	(57)
Change in accumulated post retirement benefit obligation	(2,193)	-	-	(2,193)
Change in net assets from non-operating activity	(272,250)	(126,402)	3,019	(395,633)
Cumulative effect of change in accounting principle (Notes 1 and 3)	(385,513)	385,513	-	-
TOTAL CHANGE IN NET ASSETS	(665,806)	259,284	3,019	(403,503)
NET ASSETS AT BEGINNING OF YEAR	1,612,461	8,578	85,585	1,706,624
NET ASSETS AT END OF YEAR	$ 946,655	$ 267,862	$ 88,604	$ 1,303,121

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 (Note 6)	(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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Dollars in Thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (403,503)	$ (231,425)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Cumulative effect of change in accounting principle	-	285
Depreciation	10,328	10,492
Net realized and unrealized loss on investments	369,773	225,520
Provision for recoveries of losses	20	(12)
Loss on disposal of property and equipment	24	255
Restricted contributions	(5,377)	(9,638)
Restricted investment income	(5,326)	(1,283)
Actuarial (gain)/loss on annuities payable	(1,363)	2,425
Change in assets and liabilities:		
Accounts receivable	22	206
Inventories and prepaid expenses	83	(216)
Accounts payable and accrued liabilities	1,986	(2,645)
Funds held in trust for others	(27)	1,006
Deferred revenue and deposits	(541)	(705)
Net cash flows used in operating activities	(33,901)	(5,735)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(26,377)	(20,641)
Disbursements of loans to students	(1,060)	(1,498)
Principal payments received on loans to students	951	1,022
Purchases of investments	(349,367)	(480,743)
Proceeds from sales of property and equipment	33	12
Proceeds from sales and maturities of investments	399,447	437,689
Net cash flows provided by (used in) investing activities	23,627	(64,159)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restricted contributions	5,377	9,638
Restricted investment income	5,326	1,283
Change in United States government grants refundable	17	(55)
Payments on annuities payable	(591)	(568)
Proceeds from issuance of bonds	-	60,000
Payments of bond issuance costs	(137)	(379)
Net cash flows provided by financing activities	9,992	69,919
NET CHANGE IN CASH AND CASH EQUIVALENTS	(282)	25
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	1,588	1,563
END OF YEAR	$ 1,306	$ 1,588
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,424	$ 1,536
Amounts included in year end accounts payable for the purchase of property and equipment	$ 3,835	$ 1,558

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.

The Board of Trustees of Grinnell College (the "Board") has interpreted the Iowa Uniform Prudent Management of Institutional Funds Act ("IUPMIFA") as requiring the preservation of the historic value of the original gift absent explicit donor stipulation stating otherwise. Therefore the College classifies the following as permanently restricted net assets in relation to donor restricted endowment funds: (a) the value of the original gifts to the endowment at the time of the gift, (b) the value of all new gifts to the endowment as of the date of the gift, (c) accumulations to the endowment specifically stated in the donor gift instrument at the time added to the fund, and (d) the value of the amounts appropriated for expenditure in accordance with the College's spending policy, but unspent at the end of the fiscal year.

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 cash with an original maturity of three months or less to be cash equivalents, except for cash and cash equivalents held in the investment portfolio.

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.

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 3.

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 3.20% and 12.00% and between 3.30% and 12.40% as of June 30, 2009 and 2008, respectively, based upon actuarially determined mortality rates. The assets of these agreements, for which the College is the trustee, total approximately $14,652 and $17,632 as of June 30, 2009 and 2008, 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.

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 on the Series 2009 bonds are adjusted with changes in market interest rates and the term of the Series 2001 bonds, which are fixed rate, is of a short duration.

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 Pronouncements - On July 1, 2008, the College adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Note 2, Investments and Commitments, discloses the College's valuation methodology utilized in assessing the fair value of its investments. The adoption of SFAS No. 157 did not have a material impact on the College's financial statements.

In August 2008, FASB issued the final FASB Staff Position ("FSP No. 117-1") 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.* FSP No. 117-1 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"). FSP No. 117-1 also improves disclosures about an organization's endowment funds, whether or not the organization is subject to UPMIFA. The IUPMIFA was enacted in Iowa in July, 2008 and the College adopted FSP No 117-1 during the year ended June 30, 2009. See Note 3, Endowment, for more information on the impact on the College's financial statements.

Subsequent Events - In May 2009, the FASB issued SFAS No. 165, *Subsequent Events.* SFAS No. 165 establishes general standards of accounting for the disclosure of events that occur after the balance sheet date but before financial statements are issued. This includes disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. SFAS No. 165 is effective for annual financial periods ending after June 15, 2009. Pursuant to SFAS No. 165, the College has evaluated subsequent events through October 29, 2009. No subsequent events requiring adjustment to, or disclosure in, the financial statements were identified as a result of this evaluation.

2. INVESTMENTS AND COMMITMENTS

Investments at June 30, 2009 and 2008 consist of the following:

	2009	2008
Short-term investments	$ 81,292	$ 63,881
United States government and agency notes and bonds	48,801	113,736
Corporate and other bonds	26,426	10,320
Marketable equity interests	455,183	750,539
Limited partnership and similar nonmarketable equity interests	584,539	674,635
Other	1,371	4,354
	$ 1,197,612	$ 1,617,465

Fair value is defined under SFAS No. 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS No. 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS No. 157 establishes a hierarchical framework that classifies assets, based on the market observability of the inputs used to determine fair value, into the following three categories:

Level 1 – Quoted prices for identical instruments in active markets to which the College has access to at the date of measurement.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets in markets that are not active; and model-derived valuations in which all significant inputs are directly or indirectly observable.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques, which incorporate management's own estimates of assumptions that market participants would use in pricing the instrument or valuations that require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques for determining fair value and may include price information, market transaction data, investment liquidity and other factors. An investment's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value.

Fair values on marketable securities are based on quoted market prices from an active exchange. The College's short term investment funds and mutual funds, regardless of the underlying asset (i.e. equity, treasuries, credit), are all registered investment companies and have daily net asset values ("NAV"). Forward currency contracts, entered into by the College, are valued using quoted prices on active markets or exchanges. All of these investments, except those held in a common collective trust fund and subject to withdrawal limitations, are classified in Level 1.

Direct investments in United States government and agency notes and bonds are priced based through wire services that look at the bid/ask quote across the market for that issue. Certain issues, that trade less frequently, are priced based on an estimate using previous market data. Corporate and other bonds are often traded in less active markets with pricing being determined by looking at a similar asset that is currently trading. As such, these investments are classified in Level 2.

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. These investments have been classified as Level 3.

The following table sets forth the College's investments by level within the fair value hierarchy as of June 30, 2009 as required by SFAS No. 157.

	Level 1	Level 2	Level 3	Total
Short-term investments	$ 80,748	$ -	$ 544	$ 81,292
United States government and agency notes and bonds	11,338	37,463	-	48,801
Corporate and other bonds	25,346	1,080	-	26,426
Marketable equity interests	455,183	-	-	455,183
Limited partnership and similar nonmarketable equity interests	-	-	584,539	584,539
Other	-	-	1,371	1,371
Total investments	$ 572,615	$ 38,543	$ 586,454	$ 1,197,612

The following table sets forth the changes in fair value of the College's Level 3 investments for the period from July 1, 2008 to June 30, 2009 as required by SFAS No. 157.

	Level 3 Investments, at Fair Value
Balance as of July 1, 2008	$ 688,892
Net realized gains	11,656
Net unrealized losses	(139,018)
Net purchases	24,924
Balance as of June 30, 2009	$ 586,454

The College is committed, as of June 30, 2009 to invest $227,598 in certain limited partnerships.

The College has forward currency contracts at June 30, 2009 and 2008, 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, 2009 and 2008. 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.

	2009		
	Notional Amount	**Cost**	**Fair Value**
Currency:			
Yen	¥ 2,430,000	$ 25,593	$ 25,285
Euro	€ 17,720	23,885	24,851
Franc	€ -	59	-

	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

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, 2009 and 2008 is as follows:

	2009	**2008**
Long forward currency positions	$ (55)	$ (212)
Short forward currency positions	654	741
Net unrealized gain	$ 599	$ 529

3. ENDOWMENT

The College's endowment consists of donor gifts plus other Board designated funds which are deemed to be held and invested in perpetuity.

In July 2008, Iowa enacted a new version of the UPMIFA. IUPMIFA prescribes new guidelines for expenditure of donor-restricted endowment funds. Per IUPMIFA, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for uses, benefits, purposes and duration for which the endowment is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. Per FSP No. 117-1, adopted by the College during the year ended June 30, 2009, appropriation for expenditure is deemed to occur upon approval for expenditure unless approval is for a future period, in which case appropriation is deemed to occur when that period is reached. As a result, the College has reinstated purpose restrictions for amounts previously released but not appropriated for expenditure and reclassified $385,513 in net assets from unrestricted to temporarily restricted. IUPMIFA does not apply to board designated endowment funds and therefore the appreciation on these funds remains a part of unrestricted net assets.

The endowment consists of the following net asset components as of June 30, 2009 and 2008:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (1,466)	$ 260,775	$ 84,957	$ 344,266
Board designated	731,983	-	-	731,983
Total endowment net assets	$ 730,517	$ 260,775	$ 84,957	$ 1,076,249

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ 385,229	$ 3	$ 81,722	$ 466,954
Board designated	1,005,494	-	-	1,005,494
Total endowment net assets	$ 1,390,723	$ 3	$ 81,722	$ 1,472,448

Return Objectives and Risk Parameters

The College intends that its endowment shall be invested to ensure the long-term growth of its capital rather than to maximize annual income or short-term returns, in order to provide predictable and stable financial support for the College's mission as a fine liberal arts college. Total return is expected to preserve or enhance the real purchasing power of the endowment into perpetuity.

Strategies Employed for Achieving Objectives

The College seeks to achieve these objectives via a liquidity-oriented asset allocation and bottom-up, value-oriented investment decision-making.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Trustees reaffirmed the current endowment spending policy on April 25, 2008. For the years ended June 30, 2009 and 2008, the endowment distribution under this policy was calculated as 4.00% of a twelve quarter moving average of the fair value of endowment net assets. The policy precludes allocating the entire distribution to the College's operating budget. The Board of Trustees annually approves allocation of the distribution between the operating budget and reserve funds. For the year ended June 30, 2009, the reserve fund allocation was suspended.

Endowment activity was as follows for the fiscal years ended June 30, 2009 and 2008:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of July 1, 2008	$ 1,390,723	$ 3	$ 81,722	$ 1,472,448
Net asset reclassification for IUPMIFA	(385,513)	385,513	-	-
Endowment net assets after reclassification	1,005,210	385,516	81,722	1,472,448
Endowment return:				
Investment income, net of expenses	6,459	3,438	1,869	11,766
Net realized and unrealized losses on investments	(250,827)	(115,474)	-	(366,301)
Net endowment return	(244,368)	(112,036)	1,869	(354,535)
Gifts	-	4	741	745
Endowment spending distribution	(43,033)	-	-	(43,033)
Release or change in restriction	12,208	(12,709)	501	-
Transfers	500	-	124	624
Endowment net assets as of June 30, 2009	$ 730,517	$ 260,775	$ 84,957	$ 1,076,249

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of July 1, 2007	$ 1,639,674	$ -	$ 78,639	$ 1,718,313
Endowment return:				
Investment income, net of expenses	30,113	-	1,269	31,382
Net realized and unrealized losses on investments	(223,883)	-	-	(223,883)
Net endowment return	(193,770)	-	1,269	(192,501)
Gifts	-	3	1,113	1,116
Endowment spending distribution	(56,110)	-	-	(56,110)
Release or change in restriction	(500)	-	701	201
Transfers	1,429	-	-	1,429
Endowment net assets as of June 30, 2008	$ 1,390,723	$ 3	$ 81,722	$ 1,472,448

Funds with Deficiencies

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or IUPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $1,466 and $284 for the years ended June 30, 2009 and 2008, respectively. The College applies its standard spending policy to these funds.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following components as of June 30, 2009 and 2008:

	2009	2008
Land and improvements	$ 10,880	$ 10,332
Buildings and improvements	253,561	251,313
Equipment and furnishings	61,279	60,021
Construction in process	35,166	10,871
	360,886	332,537
Less accumulated depreciation	121,241	111,161
	$ 239,645	$ 221,376

As of June 30, 2009, the College has outstanding construction contract commitments totaling $37,814.

5. 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, 2009 and 2008, was $3,611 and $3,306, respectively. Contributions are funded on a current basis.

6. 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.

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. This item is included in the cumulative effect of changes in accounting principle line of the statements of activities for 2008. 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, 2009 and 2008:

	2009	2008
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 11,494	$ 10,510
Service cost	530	688
Interest cost	770	897
Plan amendments	-	1,276
Actuarial (gain) loss	2,521	(1,681)
Medicare Part D subsidy	70	72
Benefits paid in excess of retiree contributions	(287)	(268)
Benefit obligation at end of year	$ 15,098	$ 11,494

	2009	2008
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 2,358	$ 1,253
Return on plan assets	194	45
Employer contributions	225	1,255
Retiree contributions	217	324
Medicare Part D subsidy	70	72
Benefits paid	(504)	(591)
Fair value of plan assets at end of year	$ 2,560	$ 2,358

	2009	2008
Funded status (deficiency)	$ (12,538)	$ (9,136)

	2009	2008
Components of Net Periodic Benefit Cost:		
Service cost	$ 530	$ 558
Interest cost	770	741
Amortization of gain	(132)	-
Amortization of prior service cost	177	187
Expected return on assets	(136)	(92)
Net periodic benefit cost	$ 1,209	$ 1,394

	2009	2008
Actuarial Assumptions:		
Discount rate	6.25 %	6.82 %
Expected return on plan assets	6.00 %	6.00 %
Healthcare cost present trend rate for participants up to 65 Medical/prescription drug	8.0%/10.0%	7.63%/7.63%
Healthcare cost present trend rate for participants 65 and over Medical/prescription drug	8.0%/10.0%	7.63%/7.63%
Healthcare cost ultimate trend rate (year of stabilization)	5.00% (2019)	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	$ 259	$ (204)
Effect on postretirement benefit obligations	2,600	(2,095)

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 2010 through 2019:

2010	$ 364
2011	443
2012	515
2013	577
2014	646
Years 2015-2019	4,299

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 2010 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, 2009 (measurement date) is 82% in fixed income investments and 18% 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 $70 and $72 for fiscal years 2009 and 2008, respectively.

7. NET ASSETS

Temporarily restricted net assets as of June 30, 2009 and 2008 consist of the following:

	2009	2008
General purposes	$ 54,622	$ 4
Instruction	82,632	1,203
Academic support	24,009	2,246
Student services	29,320	205
Institutional support	12,466	40
Scholarships, grants and loans	61,575	352
Facilities operations	467	827
Split interest agreements	2,771	3,701
	$ 267,862	$ 8,578

Permanently restricted net assets (investments to be held in perpetuity) as of June 30, 2009 and 2008 consist of the following:

	2009	2008
General purposes	$ 9,202	$ 9,211
Instruction	35,414	33,140
Academic support	3,964	3,944
Student services	7,733	7,508
Institutional support	2,515	2,515
Scholarships, grants and loans	29,767	29,258
Facilities operations	9	9
	$ 88,604	$ 85,585

8. CONDITIONAL PROMISES TO GIVE

Conditional promises to give are not reported in the financial statements until the promises become unconditional. Conditional promises totaling approximately $3,699 at June 30, 2009, primarily restricted to facilities use, are expected to be received during the next five fiscal years.

9. BONDS PAYABLE

Bonds payable at June 30, 2009 and 2008 consists of the following:

	2009	2008
Revenue bonds dated December 13, 2001 maturing on December 1, 2011. As of June 30, 2009 and 2008, the bond interest rate was 2.1% and 1.58%, respectively.	$ 50,000	$ 50,000
Revenue bonds dated June 26, 2008 maturing on June 1, 2023. As of June 30, 2009 and 2008, the bond interest rate was 0.26% and 1.62%, respectively.	60,000	60,000
	$ 110,000	$ 110,000

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. On January 23, 2009, the Series 2001 bonds were converted to a fixed rate of 2.1% to maturity in 2011. The Series 2008 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. 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.

Maturities on bonds payable of the College subsequent to June 30, 2009 are as follows:

2010	$ -
2011	-
2012	50,000
2013	-
2014	-
Thereafter	60,000
	$ 110,000

10. BOARD DESIGNATED UNRESTRICTED NET ASSETS

As of June 30, 2009 the Board of Trustees has designated approximately $61,546 of unrestricted net assets primarily for capital and debt repayment purposes.

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