



FINANCIAL REPORT

June 30, 2005

Trustees of Grinnell College

TRUSTEES OF GRINNELL COLLEGE

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Notes to Financial Statements	6-13

TRUSTEES OF GRINNELL COLLEGE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2005 AND 2004

(Dollars in Thousands)

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

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

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

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

See notes to financial statements.

TRUSTEES OF GRINNELL COLLEGE

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITY:				
Revenue, gains and other support:				
Tuition and fees	\$ 35,801	\$ -	\$ -	\$ 35,801
Grants and scholarships	<u>(17,959)</u>	<u>-</u>	<u>-</u>	<u>(17,959)</u>
Net tuition and fees	17,842	-	-	17,842
Government grants and contracts	-	1,461	-	1,461
Private gifts and grants	2,231	1,071	-	3,302
Net realized and unrealized gains on investments	80	-	-	80
Investment income	60	-	-	60
Auxiliary income	9,479	-	-	9,479
Other	<u>393</u>	10	-	

TRUSTEES OF GRINNELL COLLEGE

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

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

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

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

Temporarily Restricted – Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of th

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

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

Fair values on short-term investments and marketable securities are based on quoted market prices. The fair value of limited partnerships and similar nonmarketable equity

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*

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

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

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

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

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

3. PROPERTY AND EQUIPMENT

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

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

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

	2005	2004
Reconciliation of the Accrued Liability:		
Funded status	\$ 10,313	\$ 11,845
Unrecognized accumulated net loss	(2,482)	(5,957)
Unrecognized prior service cost	(955)	-
Assets at beginning of year	(1,188)	(1,180)
Expected return on assets	(71)	(71)

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

Asset Allocation

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

Asset Category	Percentage of Plan Assets as of March 31, 2005
Equity securities	0 %
Debt securities	74 %
Real estate	0 %
Cash and casasa	

6. NET ASSETS

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

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

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

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