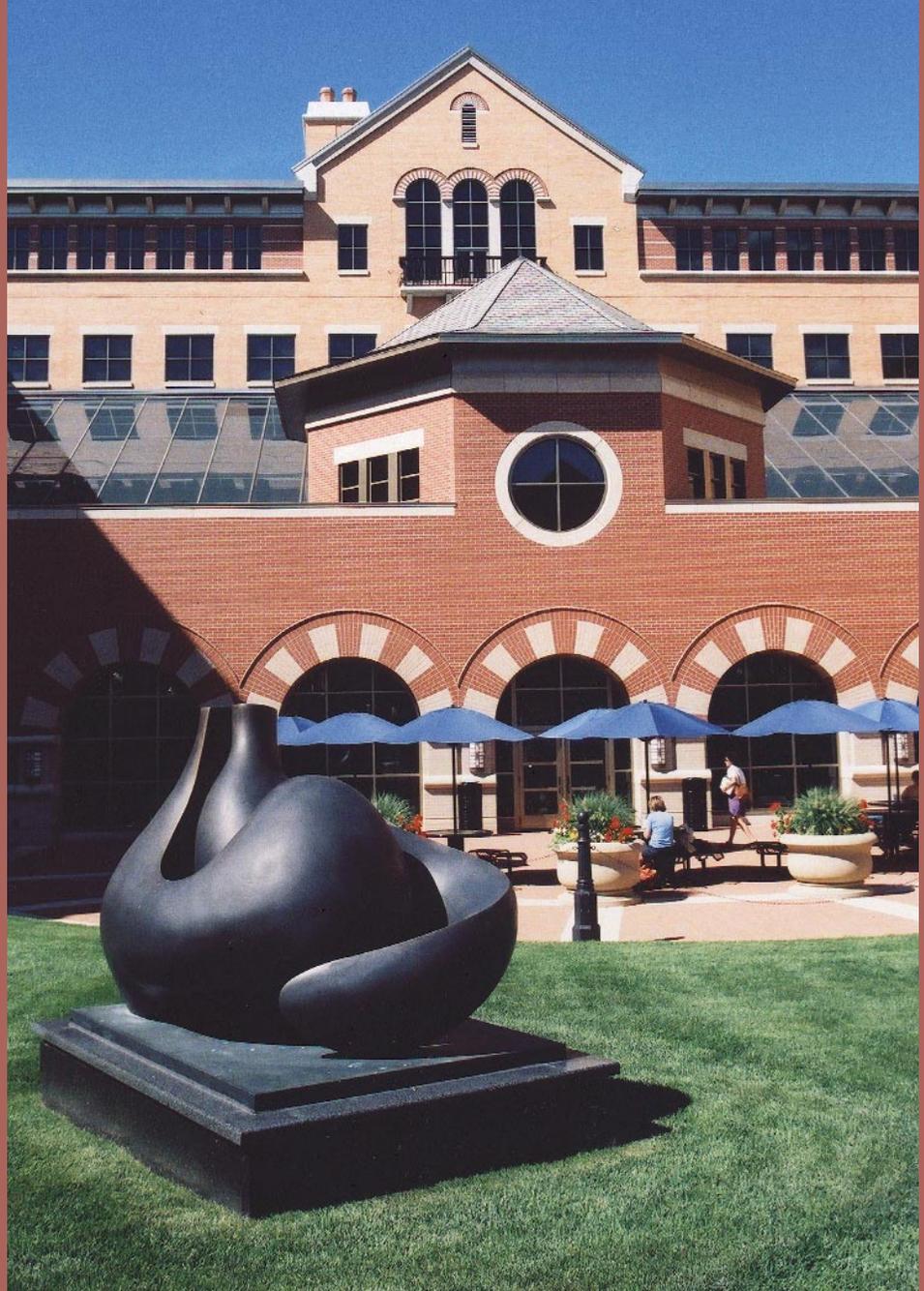


Annual Report 2004



Grand Valley State University

**Financial Report
with Additional Information
June 30, 2004**

Grand Valley State University

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Independent Auditor's Report

To the Board of Trustees
Grand Valley State University

We have audited the accompanying basic financial statements of Grand Valley State University as of June 30, 2004 and 2003 and for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance that the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the basic financial statements referred to above present fairly, in all material respects, the financial position of Grand Valley State University at June 30, 2004 and 2003 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated August 27, 2004 on our consideration of the University's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis presented on pages 3 through 12 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

August 27, 2004

Grand Valley State University

Grand Valley State University Administrative Officers as of July 1, 2004

Board of Trustees

Jessie F. Dalman	Chairperson
Daniel J. Aronoff	Vice Chairperson
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Gayle R. Davis	Provost and Vice President for Academic Affairs
Timothy O. Schad	Vice President for Finance and Administration and Treasurer, Board of Trustees
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Maribeth G. Wardrop	Vice President for Development
Teri Losey	Executive Assistant to the President and Secretary, Board of Trustees
Patricia Oldt	Vice President for Planning and Equity
James D. Bachmeier	Associate Vice President, Business and Finance and Assistant Treasurer, Board of Trustees

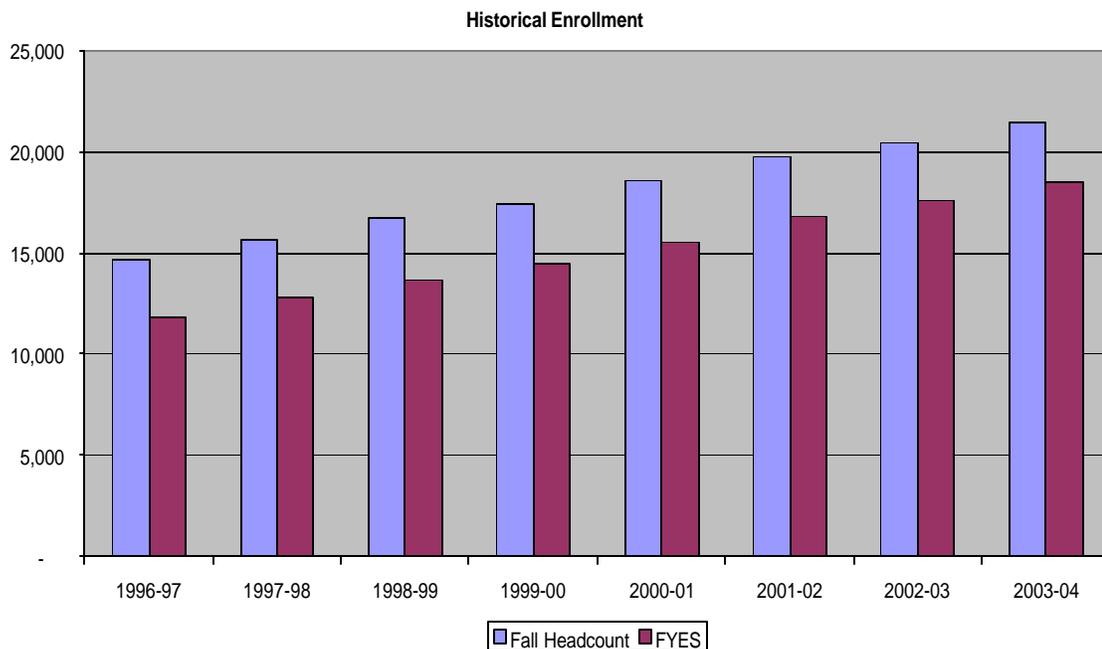
Grand Valley State University

Management's Discussion and Analysis

Grand Valley State University Fiscal Year Ending June 30, 2004

Financial and Enrollment Highlights

- Enrollment increased by 5.4 percent based on FYES (fiscal year equated students) and headcount for the fall semester was 21,429 students.
- Operating revenue increased 11 percent as a result of increased enrollment and housing occupancy combined with higher tuition and housing rates.
- General Fund operating expenses and transfers increased 2.2 percent per FYES from 2003 to 2004. This increase is less than inflation.
- State appropriations for operations decreased \$1.86 million from 2003. Because enrollment concurrently increased, state appropriation per FYES dropped from \$3,301 to \$3,032 - an 8.2 percent decrease.
- Net assets increased 7 percent due primarily to continued investment in capital assets and favorable performance of endowment investments.
- In October 2003, the University issued \$28.7 million in variable rate debt to finance additional student housing in Allendale. The University also swapped the interest rate on \$20 million of outstanding bonds from variable to fixed.
- The investment return on the endowment improved with a gain of 16.7 percent compared to a 3 percent gain in 2003.



Grand Valley State University

Management's Discussion and Analysis (Continued)

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of the University. The report consists of three basic financial statements that provide information on the University as a whole: The statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These reports begin on page 13 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results is intended to provide readers with an overview of the financial statements.

The Statement of Net Assets

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets - the difference between assets and liabilities - are one way to measure the financial health of the University. Net assets increased by 7 percent to \$407 million.

	June 30	
	2004	2003
	(in 000s)	(in 000s)
Current Assets		
Cash and short-term investments	\$ 24,801	\$ 26,635
Receivables	37,846	51,099
Inventory, prepaid expenses, and other	2,833	3,035
Total current assets	65,480	80,769
Noncurrent Assets		
Long-term investments	91,662	72,841
Long-term receivables	10,446	15,018
Capital assets - Net of depreciation	433,236	381,846
Other	1,924	1,691
Total assets	\$ 602,748	\$ 552,165
Current Liabilities		
Accounts payable and accrued liabilities	\$ 39,031	\$ 35,153
Deferred revenue	10,650	10,110
Long-term liabilities - Current portion	6,702	6,359
Total current liabilities	56,383	51,622
Noncurrent Liabilities - Long-term liabilities - Net of current portion	138,709	118,148
Total liabilities	\$ 195,092	\$ 169,770
Net Assets		
Invested in physical properties	\$ 296,149	\$ 264,531
Restricted	39,917	48,200
Unrestricted	71,590	69,664
Total net assets	\$ 407,656	\$ 382,395

Grand Valley State University

Management's Discussion and Analysis (Continued)

Unrestricted cash and short-term investments are used for operating expenditures and are managed within the parameters of the University's investment policy. Restricted cash and short-term investments consist of bond proceeds that are used for capital projects.

Current receivables include grants, state appropriations, pledges, student notes, and various operating receivables that we expect to collect within a year. Current receivables decreased \$13.3 million due primarily to the timing of receipts for capital appropriation from the State.

Long-term investments include both unrestricted and endowment investments. In June 2003, the University implemented a new investment strategy for the endowment. New money managers were chosen with the assistance of a consultant and an investment advisory committee. The overall investment return for the endowment was 16.7 percent as compared to 3 percent of the previous year.

Long-term receivables include pledges and student notes and decreased by \$4.5 million from 2003. Several pledges from the recent capital campaigns have been collected. The capital campaign for digital television is the only active campaign and is smaller than other recent campaigns. Pledges are discounted to net present value for financial statement purposes.

Capital assets have increased by \$51 million due to construction. Building projects that were completed include student housing on the Pew Campus, the Cook-DeVos Center for Health Sciences, and the Michigan Alternative and Renewable Energy Center in Muskegon. The University has substantially completed student housing in Allendale, a parking ramp for the Pew Campus, and several parking improvements for the Allendale Campus. These additions, net of depreciation and some disposals, are summarized in Note 3 to the financial statements.

Accounts payable and other current liabilities are consistent as compared to 2003. Accounts payable in both years are high due to the amount of construction occurring during the summer months. Current maturities in long-term debt have increased according to the University's scheduled debt service, with the exception of an early debt retirement payment in 2004.

Long-term debt increased in October 2003 when the University issued \$28.7 million in General Revenue Variable Rate Demand Bonds to fund new student housing on the Allendale Campus. The University's bond rating continues to be A+, as rated by Standard & Poors. More detailed information about the University's long-term debt is presented in Note 5 to the financial statements.

The increase in the University's net assets of 7 percent reflects the investment in physical assets and increased endowment value. Restricted net assets were generated by endowment gains and capital gifts and grants. Restricted capital expenditures were made on the parking ramp for the Pew Campus. These will be funded by a bond issue, which was finalized in July 2004. See Note 9 to the financial statements for more information.

Grand Valley State University

Management's Discussion and Analysis (Continued)

The University provides certain medical benefits for retirees and spent \$215,000 for these benefits in 2004. The Governmental Accounting Standards Board has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will require the University to fund this benefit expense beginning in the fiscal year ending June 30, 2008. While the University is not currently required to record this liability for future benefits, an actuarial study estimates this liability at \$7.6 million.

The Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the operating results of the University, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

	Year Ended June 30	
	2004	2003
	(in 000s)	(in 000s)
Operating Revenues		
Student tuition and fees	\$ 118,053	\$ 103,460
Less scholarship allowance	(14,854)	(12,680)
Auxiliary	35,611	32,139
Less scholarship allowance	(3,034)	(2,700)
Grant and contracts	24,698	23,424
Other	9,844	9,515
Total operating revenues	170,318	153,158
Operating Expenses	225,184	208,261
Net Operating Loss	(54,866)	(55,103)
Nonoperating Revenues (Expense)		
State appropriations	56,132	57,992
Gifts (including endowment and capital)	11,708	8,422
Capital appropriations and grants	9,698	26,378
Investment income - Net	7,954	3,224
Other income and expense	(5,365)	(4,933)
Net nonoperating revenues	80,127	91,083
Net Increase in Net Assets	25,261	35,980
Net Assets - Beginning of year	382,395	346,415
Net Assets - End of year	\$ 407,656	\$ 382,395

Grand Valley State University

Management's Discussion and Analysis (Continued)

Tuition and fees increased by 14 percent in 2004. The increase was caused by tuition rate increases of 7.8 - 11.6 percent and enrollment increases of 5.4 percent FYES. Scholarship allowances increased 17 percent, due primarily to an additional \$1.2 million of Pell grants and \$2.1 million of internally funded scholarships.

Auxiliary revenue consists of housing, bookstores, vending, golf course, health center, and conference fees for external customers. The increase reflects additional housing and increased activity at the bookstores. In the fall, the University opened 226 beds in apartments. As a result, occupancy increased 6 percent, while housing rates increased 2 percent.

Grant and contracts revenue increased by \$1.3 million. The primary component of the increase was student financial aid with an additional \$1.2 million for the Pell grant program.

Operating expenses increased by \$16.9 million. Further analysis of this increase is provided beginning on page 9. Salaries, wages, and benefits represents the largest operating expense, while instruction is the largest functional category.

State appropriations decreased overall by \$1.86 million, which is a reduction of 3.2 percent in absolute dollars. The original appropriation for the year was \$59.1 million, but a mid-year budget cut by the State of Michigan decreased the amount to \$56.1 million. Because enrollment concurrently increased, state appropriation per FYES dropped from \$3,301 to \$3,032 - an 8.2 percent decrease.

Gift revenue is recorded when the pledge is made. Pledges from previous campaigns continue to be collected. The active capital campaign for 2004 focused on the digital television conversion for WGVU-TV. In addition, the University partnered with the City of Muskegon to build the Michigan Alternative and Renewable Energy Center (MAREC). The value of the MAREC facility has been included as a gift-in-kind of \$4 million.

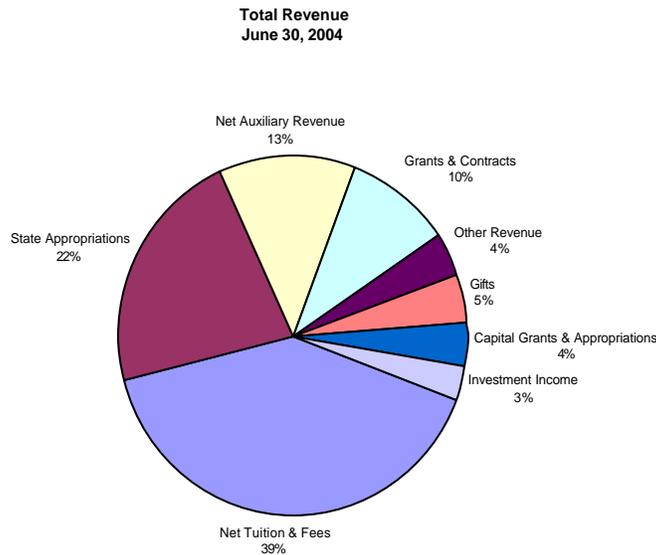
Capital appropriations represent the State of Michigan's support for the construction of the Cook-DeVos Center for Health Sciences. This building is funded 75 percent by the State of Michigan and 25 percent by gifts from the community. The decrease in capital appropriation revenue corresponds with the substantial completion of the building. Capital grants include funding for the fuel cell located at the MAREC.

Net investment income of \$7.9 million consists of realized income (interest, dividends, and realized gains on the sale of investments), unrealized gains/losses, and investment expenses (primarily bank fees). The equity market improved and the endowment income increased by \$5.4 million, with a gain of 16.7 percent compared to a gain of 3 percent in 2003.

Grand Valley State University

Management's Discussion and Analysis (Continued)

Revenue for the University consists of four main categories: tuition, state appropriation, auxiliary activities, and grants. The following table shows the breakdown of total revenue for the University:



Tuition and fees, net of scholarship allowances, makes the largest contribution (39 percent) to the total revenue of the University. State appropriation is the next largest at 22 percent. These two sources, along with grants and contracts, provide for the majority of the operating expenses. Gifts and capital appropriations support continued investments in endowments and capital assets. Auxiliary activities are considered self-supporting enterprises.

Grand Valley State University

Management's Discussion and Analysis (Continued)

Operating Expenses by Functional Classification

Functional classifications are the traditional categories that universities have used. They represent the types of programs and services that the University provides.

	2004	2003
	(in 000s)	(in 000s)
Instruction	\$ 89,191	\$ 82,934
Research	4,064	2,607
Public service	11,435	11,540
Academic support	24,835	22,483
Student services	18,584	17,070
Institutional support	14,804	12,740
Operation and maintenance of facilities	16,112	17,225
Depreciation	13,789	12,157
Scholarships and related expenses	6,960	6,609
Auxiliary activities	24,869	22,340
Other expenditures	541	556
	<u> </u>	<u> </u>
Total	<u>\$ 225,184</u>	<u>\$ 208,261</u>

Instructional expense grew with the increase in faculty and student credit hours. The University was able to offer more sections, new courses, and more student advising. New degree programs commenced in 2004 were BS in athletic training, doctorate in physical therapy, and MS in school counseling.

Research expenditures increased due to the continuing activities of the Annis Water Resources Institute, the beginning of operations for the Michigan Alternative and Renewable Energy Center, and an increase in faculty and student research projects.

Public service expenditures continued at a consistent level. This category includes WGVSU public broadcasting, the Michigan Small Business and Technology Development Center, and the administration of the Charter School Office.

Academic support expenditures increased to keep up with demands from higher enrollment. This category includes library, academic resources, information technology, and administration for the academic deans. The increase supported salaries and wages, library books, information technology investments, and science equipment.

Grand Valley State University

Management's Discussion and Analysis (Continued)

Student services expenditures represent the increased staffing and expense for student life programming, admissions, records, registration, financial aid, and intercollegiate athletics. This increase reflects the needs associated with the growth of the student body and additional bus services between Grand Rapids and Allendale.

Institutional support expenditures include administration for the business operations, human resources, executive offices, marketing and communications, public safety, development, and alumni relations. The expansion of marketing efforts and the opening of the Cook-DeVos Center for Health Sciences resulted in additional institutional support.

Operation and maintenance of facilities decreased slightly this year. Increases related to the operations of new facilities and utilities expense were offset by decreases in capital maintenance projects. Depreciation increased as the University completed several construction projects and placed those buildings into use. Depreciation includes both academic and auxiliary buildings.

Scholarships and related expenses include work-study programs, as well as the portion of financial aid that is not considered a scholarship allowance. Increases in both federal and University-funded awards occurred in this fiscal year.

The increase in expense for auxiliary activities reflects the operating costs associated with additional housing on the Pew Campus. Debt service, depreciation, and repairs related to housing are included in the other categories.

Operating Expenses by Natural Classification

Operating expenses are summarized here by natural classification. Natural classifications show the type of expense regardless of program.

	2004	2003
	(in 000s)	(in 000s)
Salaries and benefits	\$ 137,940	\$ 125,730
Scholarships and awards	6,778	5,991
Utilities	5,601	4,792
Supplies and other	61,076	59,591
Depreciation	13,789	12,157
	<u>134,184</u>	<u>208,261</u>
Total	<u>\$ 225,184</u>	<u>\$ 208,261</u>

Grand Valley State University

Management's Discussion and Analysis (Continued)

Salaries and benefit expenses, which represent 61 percent of total operating expense, increased due to additional positions and annual pay increases throughout every functional category. Scholarships and awards represent financial aid expense less scholarship allowances and work-study wages. The increase reflects Pell grants and University-funded scholarships. Utilities expense and depreciation increased with the completion and opening of new buildings. Supplies and other expenses increased along with the overall growth of the University.

The Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the University's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	2004	2003
	(in 000s)	(in 000s)
Net Cash Provided by (Used in)		
Operating activities	\$ (35,925)	\$ (39,672)
Noncapital financing activities	60,689	60,745
Capital and related financing activities	(15,744)	(24,532)
Investing activities	<u>(13,534)</u>	<u>9,226</u>
Net Increase (Decrease) in Cash	(4,514)	5,767
Cash - Beginning of year	<u>14,070</u>	<u>8,303</u>
Cash - End of year	<u>\$ 9,556</u>	<u>\$ 14,070</u>

The primary cash receipts from operating activities consist of tuition and housing revenues. Cash outlays include payment of wages, benefits, supplies, utilities, and scholarships.

State appropriation is the primary source of noncapital financing. This source of revenue is categorized as nonoperating even though the University's budget depends upon it in order to continue the current level of operations. Other noncapital financing activity includes gifts received for endowment and charitable gift annuities.

Capital and related financing activities include the October 2003 bond issue of \$28.7 million, as well as capital outlay state appropriation received on the Cook-DeVos Center for Health Sciences and capital grants and pledges collected from various capital campaigns. Financing income is offset by capital expenditures of \$61 million and debt service payments of \$13 million.

Grand Valley State University

Management's Discussion and Analysis (Continued)

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the statement of cash flows include both short- and long-term investments. While last year the University liquidated a net of \$9.2 million of investments into cash and cash equivalents, this year a net \$13.5 million of investments was purchased.

Economic Factors That Will Affect the Future

The economic position of Grand Valley State University is closely tied to that of the State of Michigan. State tax revenues have remained low over the past few years and this has adversely impacted the State's ability to support higher education. The state appropriation for fiscal year 2005 is \$57,904,100.

Grand Valley State University receives the smallest state appropriation per student, and it continues to drop based on year-to-year comparisons. The Legislature has attempted to address Grand Valley State University's anomaly by establishing a per student State aid level of \$4,000. However, the State has not yet provided funding at that level.

Enrollment growth at the University is expected to continue, but at a much slower rate. The University is committed to holding the number of incoming new students at a constant number and enrollment will begin to stabilize as smaller classes move through the system and retention statistics improve. At the same time, applications received by the University continue to increase, allowing the University to implement a more selective admissions process.

Grand Valley State University

Statement of Net Assets

	June 30	
	2004	2003
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 9,428,082	\$ 14,037,627
Restricted cash and cash equivalents (Note 2)	128,412	32,218
Short-term investments (Note 2)	7,484,686	7,654,743
Restricted short-term investments (Note 2)	7,759,904	4,909,745
Accounts receivable	5,184,001	6,080,538
State appropriation receivable	27,212,173	39,397,291
Pledges receivable	3,688,089	3,871,608
Inventory	1,545,716	1,495,193
Prepaid expenses and other	1,287,413	1,539,612
Student notes receivable - Current portion	1,761,500	1,750,000
Total current assets	<u>65,479,976</u>	<u>80,768,575</u>
Noncurrent Assets		
Endowment investments (Notes 2 and 4)	43,554,515	37,552,012
Other long-term investments (Note 2)	48,107,955	35,289,041
Pledges receivable	1,685,360	5,899,076
Student notes receivable - Net of allowance of \$413,000 and \$368,000 in 2004 and 2003, respectively	8,760,340	9,118,714
Capital assets - Net (Note 3)	433,235,686	381,846,458
Other assets	1,924,287	1,691,380
Total noncurrent assets	<u>537,268,143</u>	<u>471,396,681</u>
Total assets	<u>\$ 602,748,119</u>	<u>\$ 552,165,256</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 39,030,903	\$ 35,152,737
Deferred revenue	10,650,443	10,109,838
Long-term liabilities - Current portion (Note 5)	6,702,329	6,359,159
Total current liabilities	56,383,675	51,621,734
Noncurrent Liabilities - Long-term liabilities - Net of current portion (Note 5)	<u>138,708,539</u>	<u>118,148,087</u>
Total liabilities	195,092,214	169,769,821
Net Assets		
Invested in capital assets - Net of related debt	296,149,056	264,530,716
Restricted:		
Nonexpendable - Scholarships and academic support	19,329,070	17,991,938
Expendable:		
Scholarships and academic support	20,295,913	15,901,188
Capital projects (Note 9)	(10,880,044)	3,230,831
Loans	11,171,915	11,077,167
Unrestricted	71,589,995	69,663,595
Total net assets	<u>407,655,905</u>	<u>382,395,435</u>
Total liabilities and net assets	<u>\$ 602,748,119</u>	<u>\$ 552,165,256</u>

Grand Valley State University

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2004	2003
Revenues - Operating revenues		
Student tuition and fees	\$ 118,052,538	\$ 103,459,858
Scholarship allowances	(14,854,180)	(12,679,577)
Net student tuition and fees	103,198,358	90,780,281
Government grants and contracts	23,280,208	22,435,033
Nongovernmental grants	1,418,194	988,014
Sales and services of educational activities	5,442,041	5,213,978
Auxiliary activities	35,610,874	32,138,861
Scholarship allowances	(3,033,554)	(2,699,917)
Net auxiliary activities	32,577,320	29,438,944
Other operating revenues	4,401,671	4,302,116
Total revenues	170,317,792	153,158,366
Expenses - Operating expenses - Education and general		
Instruction	89,191,020	82,934,454
Research	4,063,785	2,607,244
Public service	11,435,035	11,540,465
Academic support	24,834,704	22,482,709
Student services	18,583,894	17,069,691
Institutional support	14,804,159	12,739,611
Operation and maintenance - Plant	16,111,565	17,224,907
Depreciation expense	13,789,257	12,156,604
Scholarships and related expenses	6,960,045	6,609,306
Auxiliary activities	24,869,042	22,339,717
Loan administrative fees and collection costs	541,510	555,926
Total operating expenses	225,184,016	208,260,634
Operating Loss	(54,866,224)	(55,102,268)
Nonoperating Revenues (Expense)		
State appropriations	56,131,500	57,992,024
Gifts	3,432,970	3,714,498
Investment income - Net of investment expense of approximately \$284,000 and \$282,000 in 2004 and 2003, respectively	7,954,036	3,224,008
Interest on capital asset - Related debt	(5,244,025)	(4,958,662)
Net nonoperating revenues	62,274,481	59,971,868
Income - Before other revenues, expenses, gains, and losses	7,408,257	4,869,600
Other Revenues, Expenses, Gains, and Losses		
Capital appropriations	7,545,513	22,265,160
Capital grants and gifts	9,186,556	7,920,746
Other capital income	20,380	58,963
Additions to permanent endowments	1,240,614	899,786
Loss on disposal of plant assets	(140,850)	(33,330)
Total other revenues, expenses, gains, and losses	17,852,213	31,111,325
Increase in Net Assets	25,260,470	35,980,925
Net Assets - Beginning of year	382,395,435	346,414,510
Net Assets - End of year	\$ 407,655,905	\$ 382,395,435

Grand Valley State University

Statement of Cash Flows

	Year Ended June 30	
	2004	2003
Cash Flows from Operating Activities		
Tuition and fees	\$ 104,164,978	\$ 91,461,559
Grants and contracts	25,032,395	24,459,807
Payments to suppliers	(57,402,335)	(58,565,286)
Payments for utilities	(5,344,532)	(4,779,848)
Payments to employees	(106,272,451)	(99,481,028)
Payments for benefits	(31,544,936)	(26,403,097)
Payments for scholarships and fellowships	(6,777,698)	(5,990,572)
Loans issued to students	(16,253,895)	(14,983,172)
Collection of loans from students	16,600,769	14,902,458
Auxiliary enterprise charges:		
Residence halls	21,516,546	19,449,406
Bookstore	8,350,687	7,950,684
Other	2,730,788	2,254,182
Sales and service of educational activities	5,327,740	5,156,816
Other receipts	3,946,836	4,895,747
Net cash used in operating activities	(35,925,108)	(39,672,344)
Cash Flows from Noncapital Financing Activities		
State appropriations	55,450,499	56,441,334
Gifts and grants for other than capital purposes	3,409,772	3,702,799
Private gifts for endowment purposes	1,240,614	899,786
Charitable annuities payments - Net	(23,514)	(112,394)
Federal direct loan receipts	62,871,305	51,300,504
Federal direct loan lending disbursements	(62,259,401)	(51,486,802)
Net cash provided by noncapital financing activities	60,689,275	60,745,227
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	28,700,000	16,600,000
Capital appropriations	20,411,632	13,663,698
Capital grants and gifts received	9,243,288	11,264,445
Other capital income (loss)	113,650	(6,325)
Proceeds from sale of capital assets	55,459	61,254
Purchases of capital assets and construction	(60,771,074)	(55,359,925)
Principal paid on capital debt	(7,346,137)	(5,200,409)
Interest paid on capital debt	(5,833,618)	(5,338,171)
Bond issue costs paid on new debt issue	(316,922)	(216,486)
Net cash used in capital and related financing activities	(15,743,722)	(24,531,919)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	56,124,836	82,790,501
Interest on investments	2,984,650	3,248,022
Purchase of investments	(72,643,282)	(76,812,502)
Net cash provided by (used in) investing activities	(13,533,796)	9,226,021
Net Increase (Decrease) in Cash and Cash Equivalents	(4,513,351)	5,766,985
Cash and Cash Equivalents - Beginning of year	14,069,845	8,302,860
Cash and Cash Equivalents - End of year	\$ 9,556,494	\$ 14,069,845

Grand Valley State University

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2004	2003
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (54,866,224)	\$ (55,102,268)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	13,789,257	12,156,604
Changes in assets and liabilities:		
Receivables - Net	583,496	(176,402)
Inventories	(50,523)	207,385
Other assets	178,507	202,934
Accounts payable and accrued liabilities	3,938,510	676,815
Deferred revenue	540,605	2,320,511
Deposits held for others	(38,736)	42,077
Net cash used in operating activities	<u>\$ (35,925,108)</u>	<u>\$ (39,672,344)</u>

Grand Valley State University

Statement of Fiduciary Net Assets Employee Benefit Plans

	June 30	
	<u>2004</u>	<u>2003</u>
Assets - Cash and investments	<u>\$ 18,798,949</u>	<u>\$ 15,079,256</u>
Net Assets - Held in trust for pension benefits	<u>\$ 18,798,949</u>	<u>\$ 15,079,256</u>

Grand Valley State University

Statement of Changes in Fiduciary Net Assets Employee Benefit Plans

	Year Ended June 30	
	2004	2003
Additions		
Investment income (loss):		
Interest and dividends	\$ 185,571	\$ 156,847
Net appreciation in fair value of investments	3,958,213	717,065
Loss on sale of investments	(1,385,737)	(941,245)
Total investment income (loss)	2,758,047	(67,333)
Employer contributions	1,814,170	1,535,542
Other income	11,323	-
Total additions - Net of investment loss	4,583,540	1,468,209
Deductions		
Benefit payments	800,791	730,348
Administrative expense	63,056	55,964
Total deductions	863,847	786,312
Net Increase	3,719,693	681,897
Net Assets Held in Trust for Pension Benefits		
Beginning of year	15,079,256	14,397,359
End of year	<u>\$ 18,798,949</u>	<u>\$ 15,079,256</u>

Note 1 - Summary of Significant Accounting Policies

Reporting Entity - Grand Valley State University (the "University") is an institution of higher education created by the Michigan Constitution of 1963 and is considered to be a component unit of the State of Michigan (the "State"). Its Board of Trustees is appointed by the governor of the State. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations for operations and capital improvements and grants from various state agencies.

No component units are required to be reported in the University's financial statements. The financial statements of all organizations that are affiliated with but not controlled by the University, such as the Grand Valley Research Corporation, Grand Valley University Foundation, Inc., and University Properties, Inc., are not included in the University's financial statements. The net assets of these organizations are insignificant to the financial statements and, accordingly, have not been separately disclosed.

Basis of Presentation - The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The University follows the "business-type activities" reporting requirements of GASB Statement No. 34, which provides a comprehensive one-line look at the University's financial activities.

Basis of Accounting - The financial statements of the University have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Investments - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value. Investments for which there are no quoted market prices are not material.

Inventories - Inventories, consisting principally of bookstore merchandise, golf equipment and apparel, and computer equipment, are determined on the first-in, first-out (FIFO) method and stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Note 1 - Summary of Significant Accounting Policies (Continued)

Physical Properties - Capital assets with a unit cost of over \$5,000 and all library books are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

Deferred Tuition and Fee Revenues - Tuition and fee revenues received and related to the period after June 30 have been deferred.

Provision for Unemployment Compensation - The University has elected to establish a provision for unemployment compensation under the terms of the Michigan Employment Security Act. Under this provision, the State of Michigan is reimbursed by the University for claims paid to former employees.

Compensated Absences - Compensated absence costs are accrued when earned by employees.

Operating Revenues - All revenues from programmatic sources are considered to be operating revenues. Included in nonoperating revenues are state appropriations, investment income, and gifts. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Scholarship Allowances and Student Aid - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Note 1 - Summary of Significant Accounting Policies (Continued)

Federal Financial Assistance Programs - The University participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Lending, and Perkins Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

During 2004 and 2003, the University distributed approximately \$62,259,000 and \$51,487,000, respectively, for direct lending through the U.S. Department of Education, which is not included as revenues and expenditures on the accompanying financial statements.

Encumbrances - The University maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances totaled approximately \$17,675,000, which represents the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2004 are completed. Approximately \$14,887,000 of the total is committed for capital projects, including \$5,086,000 for a new parking ramp, \$5,039,000 for new housing and parking renovations on the Allendale Campus, and \$1,437,000 for Academic Building and related infrastructure.

Encumbrances outstanding do not constitute expenses or liabilities and are not reflected in the financial statements.

Net Assets - Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance at June 30, 2004 includes \$6,756,558 of funds functioning as endowment, \$9,467,155 of capital projects in progress, \$11,296,174 of housing and auxiliary repair and maintenance funds, \$5,534,022 of debt service funds, \$11,984,713 for academic initiatives and technology, \$14,019,961 for future capital projects and debt service, \$12,103,585 for reserves for operations and cash flow, and \$427,827 of uncommitted funds.

Reclassifications - Certain prior year balances have been reclassified to conform to current year presentation.

Note 2 - Cash and Investments

Cash and Short-term Investments - Investment policies for cash and short-term investments as set forth by the Board of Trustees authorize the University to invest in interest-bearing time deposits, short-term cash funds, money market funds, intermediate cash funds, U.S. government-backed obligations, managed equity mutual funds, and commercial paper. All investments must be held by financial institutions organized under federal or state law.

Investments - Investment policies as set forth by the Board of Trustees also authorize the University to invest in equity securities, bonds, or other securities and real estate investments for production of rental income. The Board of Trustees has authorized the treasurer or assistant treasurer of the Board of Trustees to make the University's investment decisions with the members of the appropriate Board committee. In accordance with policies set forth by the Board of Trustees, complete discretion in selecting individual investments of endowment assets is assigned to two or more money managers who are chosen at the discretion of the University's treasurer. The University's treasurer and the appropriate Board committee monitor the money managers' performance.

As of June 30, 2004, the University had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 5,286,450	\$ 5,286,450	\$ -	\$ -	\$ -
U.S. agencies*	38,636,588	-	27,682,098	6,479,314	4,475,176
Mutual bond funds	15,831,408	7,484,687	8,346,721	-	-
Mutual equity funds	24,290,124	-	-	-	24,290,124
Asset-backed securities	4,102,242	-	1,677,959	2,424,283	-
Municipal bonds	12,977,817	12,029,947	-	-	947,870
Mutual international equity funds	6,447,493	-	-	-	6,447,493
Real estate	1,321,065	-	-	-	1,321,065
Alternative assets	7,570,367	-	-	-	7,570,367
Total investments and maturities	<u>\$ 116,463,554</u>	<u>\$ 24,801,084</u>	<u>\$ 37,706,778</u>	<u>\$ 8,903,597</u>	<u>\$ 45,052,095</u>

* \$35,033,758 of the U.S. agency notes are callable.

Note 2 - Cash and Investments (Continued)

As of June 30, 2003, the University had the following investments and maturities.

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Money markets	\$ 16,106,185	\$ 16,106,185	\$ -	\$ -	\$ -
Certificates of deposit	2,250,000	-	2,250,000	-	-
Commercial paper	2,520,734	-	2,520,734	-	-
U.S. agencies*	26,739,811	3,601,172	14,405,598	4,222,766	4,510,275
Municipal bonds	4,909,745	4,909,745	-	-	-
Mutual bond funds	15,495,808	-	15,495,808	-	-
Mutual equity funds	21,376,096	-	-	-	21,376,096
Asset-backed securities	3,329,381	2,017,231	451,778	860,372	-
Mutual international equity funds	3,161,500	-	-	-	3,161,500
Real estate	86,126	-	-	-	86,126
Alternative assets	3,500,000	-	-	-	3,500,000
Total investments and maturities	\$ 99,475,386	\$ 26,634,333	\$ 35,123,918	\$ 5,083,138	\$ 32,633,997

* \$20,394,471 of the U.S. agency notes are callable.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's operating investment policy limits at least 30 percent of the University's operating portfolio to maturities of more than five years. Operating investment maturities are limited as follows:

Less than one year	0%-100%
One to five years	0%-70%
More than five years	0%-30%

Because the mutual bond funds as of June 30, 2004 and 2003 had a weighted average maturity of 30 months, it was presented as an investment with a maturity of less than five years.

The endowment funds are invested based on the policy that they are held to maturity; therefore, the interest rate risk is not considered in its decisions.

Credit Risk - The University operating investment policy limits its operating investments to .5 percent of total bank assets or investment vehicles rated the highest by two national rating services.

The University operating investment policy limits its longer-term investments to investment grade or better and or managed equity mutual funds. The average grade of the longer-term investments is A.

Grand Valley State University

Notes to Financial Statements June 30, 2004 and 2003

Note 2 - Cash and Investments (Continued)

The operating portfolio is invested in accordance with University policy.

The endowment funds are invested based on the policy that they are held permanently. Therefore, it is possible to invest in alternative investments that have a higher credit risk, but long term have the opportunity to yield higher rates of return for the endowment.

Custodial Credit Risk - The University investments are all in the name of the University. The investments are custodied with each broker they were purchased from. Therefore, the custodial risk is limited.

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 22,692,328	\$ 485,032	\$ -	\$ 23,177,360
Nondepreciable artwork and historical treasures	3,702,399	51,267	-	3,753,666
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress - Net	58,545,425	(20,465,803)	-	38,079,622
Total cost of nondepreciable capital assets	86,662,972	(19,929,504)	-	66,733,468
Land improvements and infrastructure	31,519,482	2,538,260	-	34,057,742
Buildings	307,353,378	69,052,975	-	376,406,353
Equipment	41,064,945	10,731,362	735,020	51,061,287
Library books	16,990,431	2,981,701	163,150	19,808,982
Total cost of depreciable capital assets	396,928,236	85,304,298	898,170	481,334,364
Total cost of capital assets	483,591,208	\$ 65,374,794	\$ 898,170	548,067,832
Less accumulated depreciation for:				
Land improvements and infrastructure	8,499,439	\$ 1,543,834	\$ -	10,043,273
Buildings	54,203,966	6,602,901	-	60,806,867
Equipment	30,472,613	4,128,238	538,711	34,062,140
Library books	8,568,732	1,514,284	163,150	9,919,866
Total accumulated depreciation	101,744,750	\$ 13,789,257	\$ 701,861	114,832,146
Capital assets - Net	\$ 381,846,458			\$ 433,235,686

Grand Valley State University

Notes to Financial Statements June 30, 2004 and 2003

Note 3 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2003 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 15,714,570	\$ 6,977,758	\$ -	\$ 22,692,328
Nondepreciable artwork and historical treasures	3,494,761	207,638	-	3,702,399
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress - Net	55,132,825	3,412,600	-	58,545,425
 Total cost of nondepreciable capital assets	 76,064,976	 10,597,996	 -	 86,662,972
Land improvements and infrastructure	26,473,214	5,046,268	-	31,519,482
Buildings	271,137,592	36,215,786	-	307,353,378
Equipment	39,344,441	2,515,374	794,870	41,064,945
Library books	14,572,650	2,537,976	120,195	16,990,431
 Total cost of depreciable capital assets	 351,527,897	 46,315,404	 915,065	 396,928,236
 Total cost of capital assets	 427,592,873	 <u>\$ 56,913,400</u>	 <u>\$ 915,065</u>	 483,591,208
Less accumulated depreciation for:				
Land improvements and infrastructure	7,028,135	\$ 1,471,304	\$ -	8,499,439
Buildings	48,279,095	5,924,871	-	54,203,966
Equipment	27,872,695	3,300,204	700,286	30,472,613
Library books	7,228,702	1,460,225	120,195	8,568,732
 Total accumulated depreciation	 90,408,627	 <u>\$ 12,156,604</u>	 <u>\$ 820,481</u>	 101,744,750
 Capital assets - Net	 <u>\$ 337,184,246</u>			 <u>\$ 381,846,458</u>

The following estimated useful lives are used to compute depreciation:

Land improvements and infrastructure	20 years
Buildings	40-50 years
Equipment	3-25 years
Library books	10 years

Note 4 - Endowments and Similar Funds

The Board of Trustees has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. It is the goal of the University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 5 percent, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

Note 5 - Long-term Liabilities

Long-term liabilities of the University consist of bonds payable, interest accrued on capital appreciation bonds, and charitable gift annuities payable.

The changes in long-term liabilities for the year ended June 30, 2004 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue and Refunding					
Bonds, Series 1994	\$ 3,852,501	\$ -	\$ 291,137	\$ 3,561,364	\$ 257,889
General Revenue and Refunding					
Bonds, Series 1997	15,490,000	-	2,040,000	13,450,000	435,000
General Revenue Bonds, Series 1998	13,700,000	-	380,000	13,320,000	395,000
General Revenue Bonds, Series 1999	7,980,000	-	375,000	7,605,000	390,000
General Revenue Bonds, Series 2000	33,320,000	-	1,770,000	31,550,000	1,865,000
General Revenue Bonds, Series 2001A	9,625,000	-	490,000	9,135,000	2,165,000
General Revenue Variable Rate					
Demand Bonds, Series 2001B	21,235,000	-	80,000	21,155,000	120,000
General Revenue Variable Rate					
Demand Bonds, Series 2002A	16,600,000	-	340,000	16,260,000	355,000
General Revenue Variable Rate					
Demand Bonds, Series 2003	-	28,700,000	1,580,000	27,120,000	-
Total bonds payable	121,802,501	28,700,000	7,346,137	143,156,364	5,982,889
Accrued interest - Capital					
appreciation bonds	1,582,626	245,334	648,863	1,179,097	526,327
Charitable gift annuities payable	1,122,119	261,764	308,476	1,075,407	193,113
Total	<u>\$ 124,507,246</u>	<u>\$ 29,207,098</u>	<u>\$ 8,303,476</u>	145,410,868	<u>\$ 6,702,329</u>
Due within one year				<u>6,702,329</u>	
Total long-term liabilities				<u>\$ 138,708,539</u>	

Note 5 - Long-term Liabilities (Continued)

The changes in long-term liabilities for the year ended June 30, 2003 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue and Refunding Bonds, Series 1994	\$ 4,182,910	\$ -	\$ 330,409	\$ 3,852,501	\$ 291,137
General Revenue and Refunding Bonds, Series 1997	17,425,000	-	1,935,000	15,490,000	2,040,000
General Revenue Bonds, Series 1998	14,065,000	-	365,000	13,700,000	380,000
General Revenue Bonds, Series 1999	8,345,000	-	365,000	7,980,000	375,000
General Revenue Bonds, Series 2000	35,010,000	-	1,690,000	33,320,000	1,770,000
General Revenue Bonds, Series 2001A	10,100,000	-	475,000	9,625,000	490,000
General Revenue Variable Rate Demand Bonds, Series 2001B	21,275,000	-	40,000	21,235,000	80,000
General Revenue Variable Rate Demand Bonds, Series 2002A	-	16,600,000	-	16,600,000	340,000
Total bonds payable	110,402,910	16,600,000	5,200,409	121,802,501	5,766,137
Accrued interest - Capital appreciation bonds	1,872,273	324,943	614,590	1,582,626	403,530
Charitable gift annuities payable	1,043,004	266,336	187,221	1,122,119	189,492
Total	\$ 113,318,187	\$ 17,191,279	\$ 6,002,220	124,507,246	\$ 6,359,159
Due within one year				<u>6,359,159</u>	
Total long-term liabilities				<u>\$ 118,148,087</u>	

The General Revenue Refunding Bonds, Series 1994, were issued in January 1994 by the Board of Trustees for the advance refunding of \$6,680,000 of Series 1988 bonds and \$1,130,000 of Series 1989 bonds. The advance refunding of the callable portions of the Series 1988 and Series 1989 bonds resulted in an in-substance defeasance.

The General Revenue and Refunding Bonds, Series 1997, were issued in June 1997 by the Board of Trustees to provide funds for construction of residential facilities, an addition to an existing classroom and office building, and refunding a 5.85 percent bank note payable.

The General Revenue Bonds, Series 1998, were issued in January 1998 by the Board of Trustees to provide funds for construction of additional residential facilities.

Note 5 - Long-term Liabilities (Continued)

The General Revenue Bonds, Series 1999, were issued in July 1999 by the Board of Trustees for an advance bond refunding of \$1,775,000 of Series 1988 bonds and \$7,325,000 to fund a portion of the cost of constructing student housing in downtown Grand Rapids.

The General Revenue Bonds, Series 2000, were issued in October 2000 by the Board of Trustees to fund new construction and remodeling on the Allendale Campus.

The General Revenue Bonds, Series 2001A, were issued in July 2001 by the Board of Trustees to provide funds for classroom additions and an athletic facility addition on the Allendale Campus.

The General Revenue Variable Rate Demand Bonds, Series 2001B, were issued in July 2001 by the Board of Trustees to fund the cost of constructing new student housing and an athletic facility addition on the Allendale Campus. The bonds bear interest in one of four different modes. At June 30, 2004, the bonds bear interest based on a weekly rate determined by the remarketing agent (1.09 percent at June 30, 2004 and 2003). The bonds may be converted and be subject to a different interest rate mode, provided certain conditions are met. The interest rate modes that the bonds could potentially be converted to, include an adjustable rate mode, a long-term rate mode, or a fixed rate mode. The bonds are subject to purchase on the demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, upon seven days' notice and delivery to the remarketing agent.

The General Revenue Variable Rate Demand Bonds, Series 2002A were issued in October 2002 by the Board of Trustees to fund the purchase of land and construction of student housing in downtown Grand Rapids. The bonds bear interest in one of four different modes. At June 30, 2004, the bonds bear interest based on a weekly rate determined by the remarketing agent (1.09 percent at June 30, 2004). The bonds may be converted and be subject to a different interest rate mode, provided certain conditions are met. The interest rate modes that the bonds could potentially be converted to, include an adjustable rate mode, a long-term rate mode, or a fixed rate mode. The bonds are subject to purchase on the demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, upon seven days' notice and delivery to the remarketing agent.

Note 5 - Long-term Liabilities (Continued)

The General Revenue Variable Rate Demand Bonds, Series 2003, were issued in October 2003 by the Board of Trustees to fund the cost of new student housing on the Allendale Campus. The bonds bear interest in one of four different modes. At June 30, 2004, the bonds bear interest based on a weekly rate determined by the remarketing agent (1.09 percent at June 30, 2004). The bonds may be converted and be subject to a different interest rate mode, provided certain conditions are met. The interest rate modes that the bonds could potentially be converted to, include an adjustable rate mode, a long-term rate mode, or a fixed rate mode. The bonds are subject to purchase on the demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, on seven days' notice and delivery to the remarketing agent.

The University has issuance costs, as well as bond premiums and discounts, in connection with all of the bond issues. These items are accrued and are being amortized over the life of the bonds using the straight-line method. The net amount of unamortized bond issuance costs and premiums at June 30, 2004 and 2003 totaled \$1,666,040 and \$1,447,879, respectively.

Principal and interest on all of the outstanding bonds are payable from, and secured by, the University's general revenues. The provisions of each of the general revenue bonds contain one covenant, which requires that the University's general revenue be at least two times the amount of principal and interest owing in the fiscal year. The general revenue and refunding bonds, consisting of both serial, term, and capital appreciation serial bonds, bear interest primarily from 1.09 percent to 5.75 percent and mature in varying amounts through 2029. Interest payments on the capital appreciation bonds began in 2002.

In October 2000, the Board of Trustees authorized the implementation of a charitable gift annuity program. Assets received from these gift arrangements belong to the University, subject to a liability for future payments due to annuitants. The annuities payable at June 30, 2004 and 2003 are recorded at their estimated present value.

Grand Valley State University

Notes to Financial Statements June 30, 2004 and 2003

Note 5 - Long-term Liabilities (Continued)

Scheduled maturities of long-term liabilities are as follows:

Fiscal Year	Revenue Bonds and Accrued Interest	Annuities Payable	Total	Interest
2005	\$ 6,509,216	\$ 193,113	\$ 6,702,329	\$ 4,838,734
2006	6,844,994	193,113	7,038,107	4,500,320
2007	8,010,000	193,113	8,203,113	4,162,766
2008	8,355,000	193,113	8,548,113	3,838,299
2009	7,160,000	193,113	7,353,113	3,513,697
2010-2014	30,151,251	109,842	30,261,093	14,546,696
2014-2019	32,760,000	-	32,760,000	8,842,004
2020-2024	28,500,000	-	28,500,000	3,386,292
2025-2029	16,045,000	-	16,045,000	472,990
Totals	<u>\$ 144,335,461</u>	<u>\$ 1,075,407</u>	<u>\$ 145,410,868</u>	<u>\$ 48,101,798</u>

During the year ended June 30, 2004, the University entered into an interest rate swap expiring in 2019 in connection with \$20,000,000 of the outstanding par value of its variable rate revenue bonds. The intention of the swap was to effectively change the University's variable interest rate on the bonds to a synthetic fixed rate of 3.299 percent. At June 30, 2004, the total notional principal amount outstanding under this agreement was \$19,580,000. No amounts were paid or received when the swap was initiated.

Under the swap, the University pays the counterparty a fixed payment of 3.299 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). Conversely, the bonds' variable rate coupons are based on The Bond Market Association Municipal Swap Index (BMA).

The swap exposes the University to basis risk should the relationship between LIBOR and the variable coupon rate converge, changing the synthetic rate of the bonds. As of June 30, 2004, the variable coupon rate was 1.09 percent, whereas 70 percent of the one-month LIBOR was .91 percent.

Note 5 - Long-term Liabilities (Continued)

As long as the variable rate portion of the swap being received by the University is less than the fixed rate being paid, the University will be in a negative position on the swap. That is, the University will be paying more in interest expense than had it not entered into the swap agreements. However, the University believes that the variable rate it receives on the swap agreement will eventually exceed the 3.299 percent fixed rate the University pays, and the swap will reduce its overall interest expense in the future.

As of June 30, 2004, the swap agreement had positive fair value of approximately \$222,500. Because the fair value of the swap agreement was positive, the University was exposed to credit risk in the amount of the fair value. The swap counterparty was rated Aa3 and A+ by Moody's and Standard and Poor's as of June 30, 2004. To mitigate the potential for credit risk, if the counterparty's credit quality falls below Baa1/BBB+, the fair value of the swap will be fully collateralized with a minimum transfer amount of \$100,000 by the counterparty with cash or U.S. governmental securities. Collateral would be posted with a third-party custodian.

The University or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic rate and the University may be required to pay an amount equal to the swap's fair value, if it is negative.

Using rates as of June 30, 2004, debt service requirements of the variable rate debt associated with the swap agreement and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Variable Rate Bonds Associated with Swap Agreement

Fiscal Year	Principal	Interest	Interest Rate	
			Swaps - Net	Total
2005	\$ 475,000	\$ 212,996	\$ 466,834	\$ 1,154,830
2006	665,000	207,649	455,113	1,327,761
2007	710,000	200,360	439,137	1,349,497
2008	715,000	192,616	422,166	1,329,782
2009	690,000	184,845	405,133	1,279,979
2010-2014	7,495,000	727,673	1,594,872	9,817,545
2014-2019	8,830,000	286,553	628,050	9,744,603
Totals	<u>\$ 19,580,000</u>	<u>\$ 2,012,692</u>	<u>\$ 4,411,305</u>	<u>\$ 26,003,997</u>

Note 6 - Retirement Benefits

The University has established retirement plans for substantially all permanent employees. Total payroll at June 30, 2004 and 2003 was approximately \$106,700,000 and \$98,500,000, respectively, for the University, of which \$79,423,000 and \$71,640,000, respectively, was payroll covered by the various University retirement plans.

The executive, administrative, and professional staff and faculty are covered under a defined contribution retirement plan through the TIAA-CREF (Teachers Insurance and Annuity Association of America - College Retirement Equities Fund) or Fidelity Investments. Employees may contribute an amount not to exceed the Internal Revenue Service designated maximum. Participants become fully vested upon completion of two years of employment. Discretionary University contributions equal to 12 percent of the participants' base salary were made in each year.

The total expense under this discretionary plan was \$7,650,000 and \$7,050,000 for the years ended June 30, 2004 and 2003, respectively. Total payroll covered under this plan was \$63,479,000 in 2004 and \$58,854,000 in 2003.

Clerical, office, technical, maintenance, grounds and service staff, and public safety officers not entitled to participate in the defined contribution retirement plans are covered under two noncontributory defined benefit plans sponsored by the University that are designed to provide monthly sources of retirement income at future dates.

The University's policy is to fund the current annual required contribution. The University contributed 12.5 percent of payroll during the fiscal year ended June 30, 2004 and 12.0 percent of payroll during the fiscal year ended June 30, 2003.

The annual required contribution was determined as part of an actuarial valuation at July 1, 2003, using the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial liabilities. Significant assumptions include (a) an 8 percent investment rate of return, (b) projected salary increases of 4 percent per year, and (c) no cost of living adjustment.

The University maintains an unaudited stand-alone financial report of its pension plans that is available at its Human Resources Office.

Grand Valley State University

Notes to Financial Statements June 30, 2004 and 2003

Note 6 - Retirement Benefits (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2004	2003	2002
Annual pension cost	\$ 1,814,170	\$ 1,535,542	\$ 935,172
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	-	-	-

The University also provides certain health care benefits for retired faculty and staff. Substantially all of the University's employees may become eligible for those benefits if they reach retirement age while working for the University, are vested in a University-sponsored retirement plan, and their years of University service and age total a minimum of 75. The University recognizes the cost of providing these benefits by expensing them on a current basis. The number of retirees who received benefits under this program and the related costs are as follows:

	2004	2003	2002
Retirees receiving benefits	208	197	161
Total costs	\$ 215,600	\$ 243,700	\$ 203,400

Note 7 - Commitments

The University has an arrangement with the State of Michigan and State Building Authority (the "SBA") to finance a large portion of the Center for Health Professions located in downtown Grand Rapids, the Life Science Complex located on the Allendale Campus, and the Graduate School of Business and Graduate Library Building located on the Pew Campus in downtown Grand Rapids. The arrangement is based upon a lease agreement that is signed by the University. It stipulates that the SBA will hold title to the buildings and the State will make all lease payments to the SBA on behalf of the University, and the University will pay all operating and maintenance costs. At the expiration of the lease, the SBA has agreed to sell each building to the University for \$1.

The University has agreed to lease the Michigan Alternative and Renewable Energy Facility from the City of Muskegon at no cost through June 30, 2005. Ownership of the building will revert to the University at lease termination for \$1.

Note 8 - Contingencies

The University is self-funded for coverage under portions of its hospital/medical benefits and for all unemployment compensation and workers' compensation. The University also offers two HMO plans to employees. Stop-loss coverage has been purchased by the University for the self-funded hospital/medical benefits and workers' compensation claims. The stop-loss insurance limits the claims for hospital/medical benefits to \$150,000 per individual up to \$1 million in aggregate. Individual claims in excess of the \$1 million limit are funded by the University with an aggregate annual stop-loss of \$12.7 million in 2004 and \$11.8 million in 2003. The workers' compensation stop-loss insurance limits its liability for claims paid per individual to \$500,000 in 2004 and 2003. Liabilities for estimated claims retained by the University under self-insurance programs have been established.

Changes in the estimated liability for self-insured plans during the past two fiscal years are as follows:

	Health Benefits	Unemployment Compensation
Estimated liability - June 30, 2002	\$ 1,534,964	\$ 99,959
Accrual for estimated claims and premiums	9,776,588	114,562
Less claims and premiums paid	<u>(9,401,348)</u>	<u>(105,624)</u>
Estimated liability - June 30, 2003	1,910,204	108,897
Accrual for estimated claims and premiums	11,461,719	123,908
Less claims and premiums paid	<u>(11,277,875)</u>	<u>(162,488)</u>
Estimated liability - June 30, 2004	<u>\$ 2,094,048</u>	<u>\$ 70,317</u>

Effective July 1, 1987, the University entered into an arrangement with several other Michigan public universities to form a separate corporation that provides comprehensive general liability, errors and omissions, and property and vehicle liability coverages. The corporation provides coverage for claims in excess of agreed-upon deductibles.

Reserves for insurance activities, including workers' compensation, have been internally funded and are included in unrestricted net assets.

Note 8 - Contingencies (Continued)

In the normal course of its activities, the University has been a party in various legal actions. Historically, the University has not experienced significant losses from such actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on its financial statements.

Note 9 - Subsequent Events

In April 2004, the Board of Trustees authorized the issuance of up to \$28,500,000 of bonds to fund the cost of constructing a parking ramp on the Pew Campus and a new academic building on the Allendale Campus. The bonds have not been issued as of the report date. The University has expended \$12.4 million to construct the parking ramp and will apply the proceeds from the aforementioned bond issue to offset the capital outlays incurred.

Note 10 - Related Organizations

Pursuant to State of Michigan Public Act 362 of 1993, the University has authorized 30 public school academies. All 30 of these public school academies operate schools funded by the State School Aid Act. The University, as fiscal agent, provides guidance in and review of compliance with state requirements and forwards the state payment to the public school academies. Public funding is provided by the State of Michigan on a per pupil basis. Funding of \$91,614,214 was appropriated by the State in 2004 to be allocated to the public school academies, net of a 3 percent administrative fee retained by the University. At June 30, 2004, \$16,605,231 is an outstanding receivable from the State, of which \$15,202,018 will be subsequently forwarded to the public school academies. This activity is treated as an agency transaction.

Additional Information

To the Board of Trustees
Grand Valley State University

We have audited the basic financial statements of Grand Valley State University for the years ended June 30, 2004 and 2003. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Grand Valley State University. This information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

August 27, 2004

Schedule of Endowment and Similar Funds June 30, 2004

	Balance July 1, 2003	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2004	Retained Investment Income	Principal Balance June 30, 2004
Endowment Funds								
Alumni Heritage Scholarship Fund	\$ 193,804	\$ 33,565	\$ 35,090	\$ 10,467	\$ 100	\$ 252,092	\$ 24,623	\$ 227,469
David G. and Mary L. Annis Scholarship	-	30,000	1,274	-	-	31,274	1,274	30,000
Joseph E. Appelt P.E. Engineering Scholarship Fund	29,396	26	4,904	1,470	-	32,856	3,434	29,422
APICS Scholarship Fund	29,976	-	5,030	1,499	-	33,507	28,407	5,100
Ara Cary Lectureship Fund	37,074	600	6,240	1,864	-	42,050	4,376	37,674
Baker-Hall Physics Fund	41,057	25	6,878	2,059	300	46,201	12,709	33,492
David Alan Bergsma Scholarship Fund	44,050	-	7,387	2,203	-	49,234	38,599	10,635
Fred A. Bell Business Scholarship Endowment	31,649	-	5,286	1,582	-	35,353	4,112	31,241
William C. Baum Endowment	50,307	674	8,534	2,535	100	57,080	3,337	53,743
Nancy H. Baum Endowment in Dance	20,503	580	3,503	-	300	24,886	3,743	21,143
Hyman H. & Greta M. Berkowitz Scholarship Fund	329,946	21	55,341	16,498	-	368,810	105,010	263,800
Edith I. Blodgett Endowed Music Scholarship Fund	44,281	266	7,450	2,221	52	49,828	19,158	30,670
Biology Field and Laboratory Enhancement Fund	32,038	6,416	5,732	1,713	1,204	43,677	12,645	31,032
The Biomedical/Health Science Fund	5,599	1,194	1,082	-	455	8,330	985	7,345
Joan Boand Athletic Scholarship Fund	36,019	2,374	6,177	1,838	200	42,932	5,719	37,213
Ira Brad Memorial Scholarship	-	27,655	2,865	-	-	30,520	2,865	27,655
William J. & Margaret G. Branstrom Fund	90,499	-	15,157	4,525	-	101,131	52,545	48,586
The Donna K. Brooks Presidential Scholarship	230,193	-	38,592	11,510	-	257,275	7,275	250,000
The Brooks Family Minority Scholarship	230,193	-	38,592	11,510	-	257,275	7,275	250,000
Johnny C. Burton Memorial Scholarship Fund	59,505	200	9,998	2,980	-	66,723	12,708	54,015
Greg Cadaret Baseball Fund	53,681	364	9,043	2,697	327	60,718	21,265	39,453
Bernard & Camile Cebelak Scholarship Fund	50,000	5,000	8,788	2,625	-	61,163	6,163	55,000
Robert L. Chamberlain Scholarship Fund	43,702	326	7,387	2,196	227	49,446	19,129	30,317
Hong Chen Memorial Endowment Fund	19,612	150	3,312	984	50	22,140	1,324	20,816
Collegiate Entrepreneurs' Organization (CEO) Scholarship	-	30,775	-	-	-	30,775	-	30,775
School of Communications Scholarship Fund	27,835	971	4,841	1,434	618	32,831	3,407	29,424
Computer Science and Information Systems Endowment	59,651	1,185	10,126	3,020	504	68,446	18,130	50,316
The COT Association Scholarship Endowment Fund	62,702	3,343	10,953	3,263	2,382	76,117	7,390	68,727
David Daniels Memorial Scholarship Fund	43,925	1,321	7,514	2,242	624	51,142	18,259	32,883
Gilbert R. and Patricia K. Davis Endowed Merit Scholarship	59,194	10,601	10,254	3,055	357	77,351	15,529	61,822
Greta & Arthur Delong Perpetual Scholarship Fund	60,654	59	10,189	3,035	50	67,917	15,050	52,867
Mary Jane Dockerau Scholarship Fund	63,345	1,960	10,763	3,201	-	72,867	15,814	57,053

Schedule of Endowment and Similar Funds (Continued) June 30, 2004

	Balance July 1, 2003	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2004	Retained Investment Income	Principal Balance June 30, 2004
Endowment Funds (Continued)								
Scott M. Dykstra Oliver Products Company Engineering Scholarship	\$ 32,065	\$ 277	\$ 5,413	\$ 1,616	\$ 200	\$ 36,339	\$ 4,364	\$ 31,975
L. V. Eberhard Scholarship Fund	454,776	3,280	76,547	22,821	-	511,782	244,245	267,537
Eitzen Voice Scholarship Fund	76,360	1,056	12,927	3,852	598	87,089	28,575	58,514
School of Engineering Fund	107,289	5,032	18,341	5,472	1,724	126,914	37,070	89,844
Enrichment Fund	450,621	-	75,591	22,531	-	503,681	234,056	269,625
Faculty Teaching and Learning Center Endowment	1,810,825	268	303,641	90,545	-	2,024,189	116,840	1,907,349
Film and Video Scholarship	12,708	2,101	2,356	-	930	18,095	2,179	15,916
Finance Department Endowment	60,542	1,156	10,317	3,080	1,612	70,547	7,379	63,168
Richard E. Flanders Scholarship Fund	101,980	1,290	17,195	5,128	-	115,337	36,039	79,298
Geology Endowment Development Fund	89,253	1,425	15,092	4,497	25	101,298	39,962	61,336
Geology Student Field Endowment	19,449	1,319	3,439	-	695	24,902	3,825	21,077
The General Dynamics Land Systems Engineering Scholarship	32,370	-	5,413	1,619	-	36,164	4,164	32,000
Charlotte A. Gierst & Salome C. Egeler Trust Fund	56,571	500	9,488	2,833	-	63,726	19,946	43,780
The Grand Valley Lanthorn Merit Scholarship	5,099	5,000	1,337	-	-	11,436	1,436	10,000
Richard Giles Memorial Scholarship Fund	270,428	1,514	45,470	-	500	317,912	162,244	155,668
The Graduate Teacher Certification Scholarship	44,978	749	7,642	2,273	149	51,245	2,919	48,326
Grand Valley Grand Forum Endowment	109,368	7,144	18,659	-	70	135,241	21,352	113,889
Grand Valley State University Athletic Fund	128,020	5,590	21,589	6,434	52	148,817	28,762	120,055
GVSU Women's Scholarship Endowment	35,751	7,233	6,432	1,921	627	48,122	3,341	44,781
Grand Valley State University Fund	3,684,455	145,029	620,274	202,785	(86,549)	4,160,424	2,182,127	1,978,297
Earl Harper Scholarship Fund	49,813	400	8,405	2,499	-	56,119	19,074	37,045
Hauenstein Center for Presidential Studies Endowment	-	3,962	191	-	-	4,153	191	3,962
Joyce Hecht Distinguished Scholarship in Philanthropy	102,059	2,228	17,450	5,195	78	116,620	4,522	112,098
William Hegarty Endowment Fund	23,902	-	4,011	1,195	-	26,718	2,598	24,120
Arthur C. Hills Music Scholarship Fund	58,317	676	9,807	2,929	50	65,921	25,653	40,268
Hispanic Scholarship Fund	47,392	1,188	8,089	2,407	524	54,786	11,932	42,854
Dr. James D. Hoffman Scholarship	73,453	-	12,290	3,673	-	82,070	9,018	73,052
Honors Program Enrichment	2,678	212	446	-	-	3,336	449	2,887
The Professor Paul A. Huizenga Biology Education Scholarship	-	32,600	1,210	-	-	33,810	1,210	32,600
W. G. Jackson Fund	175,442	242	29,422	8,781	182	196,507	43,677	152,830
The Dorothy A. Johnson Center for Philanthropy Library Endowment	466,493	301	78,204	23,327	-	521,671	17,600	504,071
The Dorothy A. Johnson Center for Philanthropy Operations Endowment	21,405	70,490	9,488	-	250	101,633	10,055	91,578

Schedule of Endowment and Similar Funds (Continued) June 30, 2004

	Balance July 1, 2003	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2004	Retained Investment Income	Principal Balance June 30, 2004
Endowment Funds (Continued)								
Lynne Kraemer Memorial Scholarship Fund	\$ 30,473	\$ -	\$ 5,095	\$ -	\$ -	\$ 35,568	\$ 17,974	\$ 17,594
Kirkhof College of Nursing Endowment	80,109	3,758	13,819	4,112	880	94,454	15,951	78,503
Don Klein Endowment	68,424	3,965	11,845	3,528	360	81,066	2,677	78,389
Walton Boston Koch Memorial Scholarship	26,906	360	4,521	1,353	26	30,460	11,147	19,313
The Albert S. and Ella D. Koeze Art Scholarship	9,970	-	1,656	-	-	11,626	694	10,932
Logie Fellowship Endowment	-	123,735	5,350	-	-	129,085	5,350	123,735
Loutit Foundation Fund	213,935	(21,413)	21,461	-	-	213,983	-	213,983
GVSU LGBT Scholarship Endowment	19,405	3,917	3,694	1,107	2,010	27,919	2,708	25,211
The Mike Lints Track and Field Equipment Endowment	3,436	9,189	827	-	560	14,012	870	13,142
Arend D. and Nancy Lubbers Honors College Scholarship	581,592	3,064	97,882	29,193	704	654,049	59,739	594,310
Mathematics Endowment Fund	119,340	2,599	20,315	6,054	979	137,179	34,128	103,051
Dr. Faite R-P. Mack and Dr. Thomas E. Jackson Scholarship Fund	57,733	320	9,743	2,900	221	65,117	15,934	49,183
Corky Meinecke Scholarship Endowment Fund	33,207	3,345	5,923	1,773	-	40,702	2,860	37,842
Memorial Garden Endowment	1,002	-	191	-	-	1,193	213	980
Paul C. Miller Scholarship Fund	134,699	-	22,607	6,735	-	150,571	50,248	100,323
Paul C. and Florence Miller Mineral Collection Endowment	40,549	42	6,814	2,030	75	45,450	5,361	40,089
Helen Claytor Minority Scholarship	979,684	(7,654)	164,940	49,186	988	1,088,772	115,754	973,018
Mithilesh & Jitendra Mishra Foreign Student/Faculty Scholarship Fund	24,289	-	4,076	1,214	-	27,151	4,321	22,830
Jacob B. Mol Family Scholarship Fund	65,235	-	10,953	3,262	-	72,926	25,063	47,863
Dr. Rodney J. Mulder Social Work Scholarship	5,565	21,945	3,949	-	21,350	52,809	4,014	48,795
Glenn A. and Betty J. Niemeyer History Scholarship Endowment	73,333	3,046	12,610	3,757	586	85,818	18,553	67,265
The Judith S. Pratt Non-Traditional Nursing Scholarship	32,135	5,533	6,432	1,913	4,817	47,004	3,422	43,582
The Nedra J. Otis Art Scholarship	29,907	2,243	8,343	2,180	19,565	57,878	6,163	51,715
Arnold C. Ott Lectureship in Chemistry	462,395	-	77,567	-	-	539,962	39,962	500,000
Barbara Padnos Scholarship Fund	666,037	300,111	127,047	37,888	-	1,055,307	54,728	1,000,579
Peace and Justice Award Fund	36,920	464	6,240	1,859	250	42,015	15,514	26,501
Physical Therapy Department Fund	27,877	2,592	4,904	1,470	550	34,453	8,909	25,544
William F. Pickard Fund	65,567	-	11,018	3,278	-	73,307	42,542	30,765
Seymour and Esther Padnos Engineering Scholarship	463,000	10,005	78,394	23,379	5	528,025	17,390	510,635
Ross W. Perry Bachelor of Science Scholarships	205,115	-	34,389	10,256	-	229,248	24,133	205,115
Positive Black Woman Endowment Fund	30,599	1,545	5,286	1,574	370	36,226	3,712	32,514

Schedule of Endowment and Similar Funds (Continued) June 30, 2004

	Balance July 1, 2003	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2004	Retained Investment Income	Principal Balance June 30, 2004
Endowment Funds (Continued)								
Florence Cowan Ward Scholarship for Nursing	\$ 113,122	\$ 1,677	\$ 19,105	\$ 5,693	\$ 25	\$ 128,236	\$ 42,967	\$ 85,269
Price Heneveld Engineering Scholarship	20,496	530	3,503	1,036	-	23,493	2,379	21,114
Margaret Proctor School of Communications Scholarship	6,466	1,414	1,274	-	1,080	10,234	1,303	8,931
Plant Service Personnel Descendants Scholarship Fund	255,403	21,650	44,960	13,404	9,214	317,823	37,819	280,004
Dr. George I. and Helen Z. Quimby Scholarship	-	2,625	127	-	-	2,752	127	2,625
Reister Family Scholarship Endowment	59,751	2,285	10,254	3,048	100	69,342	5,649	63,693
Warren Reynolds Endowed Scholarship	13,131	400	2,228	-	258	16,017	1,423	14,594
John Salski Memorial Fund	30,494	125	5,158	1,530	125	34,372	3,846	30,526
Science Math Development Fund	55,449	470	9,361	2,785	25	62,520	33,544	28,976
The J. Patrick Sandro Education Scholarship	32,458	5,807	5,859	1,741	439	42,822	4,576	38,246
Science Equipment Fund	1,612,339	1,100	270,526	80,661	-	1,803,304	831,773	971,531
School of Public and Nonprofit Administration Endowment	14,330	556	2,483	-	340	17,709	3,866	13,843
Mary & Wilhelm Seeger Scholarship Fund	99,914	2,567	17,004	5,071	770	115,184	33,476	81,708
Seidman College of Business Study Abroad Scholarship	-	2,255	319	-	2,960	5,534	319	5,215
Seidman College of Business Management Department Scholarship	-	383	-	-	-	383	-	383
Seidman Endowment Fund	1,009,560	3,465	169,525	50,554	400	1,132,396	496,699	635,697
Esther L. Seidman Chair in Management Fund	271,644	-	45,534	13,582	-	303,596	128,196	175,400
Joseph Stevens Freedom Fund	87,829	1,203	14,838	4,419	104	99,555	25,485	74,070
Marilyn and B. P. Sherwood III Scholarship Fund	21,021	-	3,503	1,051	-	23,473	6,452	17,021
Social Work Scholarship Fund	22,881	281	3,884	1,155	150	26,041	4,607	21,434
Ram Singh Social Work Scholarship	10,852	1,781	1,973	-	780	15,386	2,058	13,328
The Social Work Minority Scholarship	14,953	11,596	4,331	1,295	2,116	31,701	2,963	28,738
Social Work Faculty Development Fund	19,912	55	3,375	-	130	23,472	3,287	20,185
Ryan Short Memorial Scholarship Fund	49,050	2,409	8,470	2,523	1,003	58,409	6,211	52,198
Drs. Esther and Enrico Sobong Scholarship	-	15,300	827	-	-	16,127	827	15,300
Statistics Endowment Fund	21,130	551	3,630	1,081	569	24,799	2,221	22,578
The Howard and Rose Stein Endowed Biology Scholarship	23,009	7,282	4,521	-	650	35,462	4,914	30,548
Steelcase Inc. Seidman College of Business Diversity Scholarship	-	15,025	1,146	-	5,000	21,171	1,146	20,025
Esther Rehm Stotz Scholarship Fund	110,361	475	18,532	5,530	25	123,863	54,724	69,139
Spectrum Health Diversity Scholarship	-	30,000	446	-	-	30,446	446	30,000
The Subar Family - Model Coverall Service Scholarship	25,425	1,000	4,394	1,305	-	29,514	3,514	26,000
Tax Program Fund	96,352	500	16,239	4,836	250	108,505	44,397	64,108

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2004

	Balance July 1, 2003	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2004	Retained Investment Income	Principal Balance June 30, 2004
Endowment Funds (Continued)								
The Telephone Pioneers of America, Great Lakes Chapter #90 Scholarship Fund	\$ 53,281	\$ 48	\$ 8,916	\$ 2,666	\$ -	\$ 59,579	\$ 17,643	\$ 41,936
Edward Tremba Geology Scholarship Fund	56,451	851	9,552	2,850	25	64,029	24,645	39,384
A Trust for Science Education Endowment	110,244	2,001	18,659	-	196	131,100	14,358	116,742
University Library Fund	185,049	4,378	31,458	-	1,312	222,197	87,744	134,453
VanSteeland Arboretum Fund	93,301	1,056	15,730	4,681	66	105,472	46,625	58,847
Kenneth Venderbush Endowment Fund	3,911	7,975	1,146	-	-	13,032	1,007	12,025
The Donald and Barbara VanderJagt Mathematics and Athletic Scholarship	26,805	842	4,586	1,375	-	30,858	2,754	28,104
Volkhardt Family Scholarship	-	116,706	10,126	3,016	-	123,816	7,110	116,706
Florence Cowan Ward Scholarship for Nursing	92,691	7,447	16,048	4,786	-	111,400	7,269	104,131
WRI Equipment Fund	1,760,826	-	295,235	88,041	-	1,968,020	809,662	1,158,358
Margaret Ward Music Scholarship	23,244	114	3,884	1,167	130	26,205	98	26,107
Westerman Nursing Scholarship Fund	114,853	14	19,233	5,744	26	128,382	27,067	101,315
Margaret F. Ward Art and Design Scholarship	22,490	-	3,758	3,055	-	23,193	(1,907)	25,100
WGVU Scholarship Fund	253,873	245	42,604	10,946	134	285,910	92,438	193,472
WGVU - TV Program Endowment Fund	-	43,662	3,630	-	-	47,292	3,630	43,662
Weldon Memorial Chemistry Fund	110,061	1,532	18,532	5,535	-	124,590	36,648	87,942
Holliday Willey Psychology Scholarship for the Study of Pervasive Development Disorders	13,723	1,483	2,483	-	1,201	18,890	2,547	16,343
William James Fund	25,934	148	4,394	1,302	150	29,324	13,457	15,867
Shelia Williams Student Leadership Development Fund	94,891	1,748	16,048	4,783	150	108,054	48,480	59,574
Wisner Physical Therapy Scholarship	-	33,000	891	-	-	33,891	891	33,000
Doug and Linda Woods Athletic Training Scholarship Endowment	46,902	1,526	8,089	2,408	826	54,935	5,681	49,254
Wrestling Endowment	3,818	1,557	700	-	50	6,125	734	5,391
Writing Department Faculty Scholarship	1,643	924	382	-	462	3,411	404	3,007
William Zimmerman Memorial Scholarship	8,984	2,590	1,783	-	1,329	14,686	1,937	12,749
Felix V. & Gladys A. Zukaitis Scholarship Trust	160,785	-	26,937	8,039	-	179,683	54,483	125,200
Felix V. & Gladys A. Zukaitis Athletic Trust	160,774	-	26,937	8,039	-	179,672	54,487	125,185
Total endowment funds	22,794,556	1,299,238	3,891,419	1,092,373	16,433	26,909,273	7,580,203	19,329,070

Schedule of Endowment and Similar Funds (Continued) June 30, 2004

	Balance July 1, 2003	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2004	Retained Investment Income	Principal Balance June 30, 2004
Funds Functioning as Endowments								
Accounting Scholarship Fund	\$ 274,314	\$ 4,295	\$ 46,426	\$ -	\$ 800	\$ 325,835	\$ 120,047	\$ 205,788
Alumni Scholarship Fund	578,879	4,403	97,435	29,048	256	651,925	212,546	439,379
Angus Fund	1,153,790	2,006	193,534	57,711	286	1,291,905	450,373	841,532
Owen F. Bieber Scholarship Trust	490,632	-	82,278	24,532	-	548,378	234,968	313,410
Business & Engineering Internship Fund	1,127,803	-	189,139	-	-	1,316,942	775,620	541,322
Alexander Calder Honors Scholarship	-	25,584	382	-	-	25,966	382	25,584
Entrepreneurial Center Endowment	1,220,350	-	204,615	61,018	-	1,363,947	143,597	1,220,350
Leon W. Hall Trust Fund	555,819	-	93,232	27,791	-	621,260	286,848	334,412
Charles & Florence Irwin Scholarship Endowment Fund	147,671	6,507	25,281	7,539	8	171,928	41,339	130,589
Russel H. Kirkhof Fund	1,827,580	-	306,444	91,379	-	2,042,645	1,035,346	1,007,299
Seymour & Esther Padnos School of Engineering Padnos Fund	1,853,245 1,233,721	1,255 -	310,838 206,907	92,685 61,686	350 -	2,073,003 1,378,942	568,472 378,917	1,504,531 1,000,025
Joe E. Reid Memorial Scholarship Fund	61,817	664	10,444	3,110	70	69,885	22,674	47,211
SPX Corporation Engineering Scholarship Fund	103,192	-	17,322	5,160	-	115,354	65,244	50,110
Robert C. Trotter Scholarship Fund	345,060	-	57,888	-	-	402,948	255,081	147,867
Undistributed Income Fund	508,904	21,461	85,156	-	-	615,521	615,521	-
VanderMey Endowment	122,286	-	20,505	6,114	-	136,677	22,250	114,427
R.B. Annis WRI Endowment	1,224,905	2,111	205,633	61,311	150	1,371,488	312,372	1,059,116
Grand Rapids Continuing Education	769,533	-	129,022	-	-	898,555	524,573	373,982
Total funds functioning as endowments	13,599,501	68,286	2,282,481	529,084	1,920	15,423,104	6,066,170	9,356,934
Annuity Funds								
John T. and Shirley D. Batchelder Charitable Gift Annuity	-	18,823	6,364	-	-	25,187	6,364	18,823
Dr. Gilbert R. and Patricia K. Davis Charitable Gift Annuities	8,604	-	10,505	-	-	19,109	5,709	13,400
Leslie Eitzen Charitable Gift Annuity	5,584	-	2,158	-	-	7,742	648	7,094
Ralph and Grace Hauenstein Charitable Gift Annuities	230,163	-	61,033	-	-	291,196	(171,783)	462,979
Harvey E. Lemmen Charitable Gift Annuities	(220,437)	60,000	20,719	-	-	(139,718)	(228,580)	88,862
Dr. Dorothy Merrill Charitable Gift Annuity	4,212	-	4,493	-	-	8,705	(8,264)	16,969
Nedra J. Otis Charitable Gift Annuities	7,710	-	10,643	-	(18,353)	-	-	-
John T. Tevebaugh Charitable Gift Annuity	-	4,375	1,323	-	-	5,698	1,323	4,375
Total annuity funds	35,836	83,198	117,238	-	(18,353)	217,919	(394,583)	612,502
Total endowment and similar funds	\$ 36,429,893	\$ 1,450,722	\$ 6,291,138	\$ 1,621,457	\$ -	\$ 42,550,296	\$ 13,251,790	\$ 29,298,506

Grand Valley State University

Schedule of Net Assets by Fund June 30, 2004

	Current Funds								Consolidated Totals		
	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Total Current Funds	Loan Fund	Endowment Fund	Plant Fund	Agency Fund	2004	2003
Assets											
Current Assets											
Cash and cash equivalents	\$ 5,325,949	\$ 1,854,073	\$ 398,466	\$ 731,252	\$ 8,309,740	\$ (66,606)	\$ -	\$ 1,999,454	\$ (814,506)	\$ 9,428,082	\$ 14,037,627
Restricted cash and cash equivalents	-	-	-	-	-	-	71,188	57,224	-	128,412	32,218
Short-term investments	3,537,388	1,256,528	239,602	495,715	5,529,233	600,025	-	1,355,428	-	7,484,686	7,654,743
Restricted short-term investments	-	-	-	-	-	-	-	7,759,904	-	7,759,904	4,909,745
Accounts receivable	699,337	379,077	906,298	2,108,086	4,092,798	-	-	223,055	868,148	5,184,001	6,080,538
State appropriation receivable	10,004,296	-	-	-	10,004,296	-	-	602,646	16,605,231	27,212,173	39,397,291
Pledges receivable	-	15,425	-	3,721,547	3,736,972	-	-	-	-	3,736,972	4,053,800
Less discount to present value	-	-	-	-	-	-	-	-	-	-	(146,665)
Less allowance for uncollectible accounts	-	-	-	(48,883)	(48,883)	-	-	-	-	(48,883)	(35,527)
Net pledges receivable	-	15,425	-	3,672,664	3,688,089	-	-	-	-	3,688,089	3,871,608
Inventory	-	19,348	1,518,446	-	1,537,794	-	-	-	7,922	1,545,716	1,495,193
Prepaid expenses and other	631,354	519,719	2,490	-	1,153,563	131,650	-	-	2,200	1,287,413	1,539,612
Student notes receivable - Current portion	-	-	-	-	-	1,761,500	-	-	-	1,761,500	1,750,000
Total current assets	20,198,324	4,044,170	3,065,302	7,007,717	34,315,513	2,426,569	71,188	11,997,711	16,668,995	65,479,976	80,768,575
Noncurrent Assets											
Endowment investments	-	-	-	-	-	-	43,554,515	-	-	43,554,515	37,552,012
Other long-term investments	-	23,128,760	-	29,996	23,158,756	-	-	24,949,199	-	48,107,955	35,289,041
Pledges receivable	-	5,000	-	2,461,103	2,466,103	-	-	-	-	2,466,103	7,493,565
Less discount to present value	-	-	-	(780,743)	(780,743)	-	-	-	-	(780,743)	(1,594,489)
Net pledges receivable	-	5,000	-	1,680,360	1,685,360	-	-	-	-	1,685,360	5,899,076
Student notes receivable - Net	-	-	-	-	-	8,760,340	-	-	-	8,760,340	9,118,714
Capital assets - Net	-	-	-	-	-	-	-	433,235,686	-	433,235,686	381,846,458
Other assets	-	258,247	-	-	258,247	-	-	1,666,040	-	1,924,287	1,691,380
Total noncurrent assets	-	23,392,007	-	1,710,356	25,102,363	8,760,340	43,554,515	459,850,925	-	537,268,143	471,396,681
Total assets	\$ 20,198,324	\$ 27,436,177	\$ 3,065,302	\$ 8,718,073	\$ 59,417,876	\$ 11,186,909	\$ 43,625,703	\$ 471,848,636	\$ 16,668,995	\$ 602,748,119	\$ 552,165,256

Grand Valley State University

Schedule of Net Assets by Fund (Continued) June 30, 2004

	Current Funds				Total Current Funds	Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Consolidated Totals	
	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund						2004	2003
Liabilities and Net Assets											
Current Liabilities											
Accounts payable	\$ 1,685,772	\$ 437,283	\$ 1,696,938	\$ 229,496	\$ 4,049,489	\$ -	\$ -	\$ 6,818,660	\$ 16,183,353	\$ 27,051,502	\$ 23,424,181
Accrued payroll and other benefits	9,680,977	271,371	325,358	314,169	10,591,875	-	-	-	181,518	10,773,393	10,462,204
Accrued interest expense and other liabilities	-	-	-	-	-	-	-	901,884	304,124	1,206,008	1,266,352
Deferred revenue	7,558,888	350	283,394	2,807,811	10,650,443	-	-	-	-	10,650,443	10,109,838
Long-term liabilities - Current portion	-	-	-	-	-	-	193,113	6,509,216	-	6,702,329	6,359,159
Total current liabilities	18,925,637	709,004	2,305,690	3,351,476	25,291,807	-	193,113	14,229,760	16,668,995	56,383,675	51,621,734
Noncurrent Liabilities - Long-term liabilities - Net of current portion	-	-	-	-	-	-	882,294	137,826,245	-	138,708,539	118,148,087
Total liabilities	18,925,637	709,004	2,305,690	3,351,476	25,291,807	-	1,075,407	152,056,005	16,668,995	195,092,214	169,769,821
Net Assets											
Invested in capital assets - Net of related debt	-	-	-	-	-	-	-	296,149,056	-	296,149,056	264,530,716
Restricted:											
Nonexpendable - Scholarships and academic support	-	-	-	-	-	-	19,329,070	-	-	19,329,070	17,991,938
Expendable:											
Scholarships and academic support	-	-	-	3,831,245	3,831,245	-	16,464,668	-	-	20,295,913	15,901,188
Capital projects	-	-	-	1,535,352	1,535,352	-	-	(12,415,396)	-	(10,880,044)	3,230,831
Loans	-	-	-	-	-	11,171,915	-	-	-	11,171,915	11,077,167
Unrestricted	1,272,687	26,727,173	759,612	-	28,759,472	14,994	6,756,558	36,058,971	-	71,589,995	69,663,595
Total net assets	1,272,687	26,727,173	759,612	5,366,597	34,126,069	11,186,909	42,550,296	319,792,631	-	407,655,905	382,395,435
Total liabilities and net assets	\$ 20,198,324	\$ 27,436,177	\$ 3,065,302	\$ 8,718,073	\$ 59,417,876	\$ 11,186,909	\$ 43,625,703	\$ 471,848,636	\$ 16,668,995	\$ 602,748,119	\$ 552,165,256

Grand Valley State University

Schedule of Revenues, Expenses, and Changes in Net Assets by Fund Year Ended June 30, 2004

	Current Funds				Total Current Funds	Student Loan Fund	Endowment Fund	Plant Fund	Eliminations	Consolidated Totals	
	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund						2004	2003
Operating Revenues											
Student tuition and fees	\$ 117,594,942	\$ 457,596	\$ -	\$ -	\$ 118,052,538	\$ -	\$ -	\$ -	\$ -	\$ 118,052,538	\$ 103,459,858
Less scholarship allowances	-	-	-	-	-	-	-	-	(14,854,180)	(14,854,180)	(12,679,577)
Net student tuition and fees	117,594,942	457,596	-	-	118,052,538	-	-	-	(14,854,180)	103,198,358	90,780,281
Government grants and contracts:											
Federal	-	-	-	21,245,230	21,245,230	121,226	-	-	-	21,366,456	20,728,717
State	-	-	-	1,824,013	1,824,013	-	-	-	-	1,824,013	1,702,608
Local	-	-	-	89,739	89,739	-	-	-	-	89,739	3,708
Nongovernmental grants	-	116,786	-	1,301,408	1,418,194	-	-	-	-	1,418,194	988,014
Sales and services of educational activities	2,370,116	2,980,715	-	91,210	5,442,041	-	-	-	-	5,442,041	5,213,978
Auxiliary activities	-	-	35,610,874	-	35,610,874	-	-	-	-	35,610,874	32,138,861
Less scholarship allowances	-	-	-	-	-	-	-	-	(3,033,554)	(3,033,554)	(2,699,917)
Net auxiliary activities	-	-	35,610,874	-	35,610,874	-	-	-	(3,033,554)	32,577,320	29,438,944
Indirect cost recoveries	982,901	-	-	(747,713)	235,188	-	-	-	-	235,188	320,295
Other sources	895,582	2,351,387	-	126,324	3,373,293	793,190	-	-	-	4,166,483	3,981,821
Endowment income	-	588,413	-	1,033,044	1,621,457	-	(1,621,457)	-	-	-	-
Total operating revenues	121,843,541	6,494,897	35,610,874	24,963,255	188,912,567	914,416	(1,621,457)	-	(17,887,734)	170,317,792	153,158,366
Operating Expenses											
Instruction	86,465,981	(1,086,759)	-	4,011,139	89,390,361	-	-	(199,341)	-	89,191,020	82,934,454
Research	1,883,883	662,908	-	1,563,546	4,110,337	-	-	(46,552)	-	4,063,785	2,607,244
Public service	3,618,837	3,743,336	-	4,073,967	11,436,140	-	-	(1,105)	-	11,435,035	11,540,465
Academic support	21,959,544	912,900	-	2,311,930	25,184,374	-	-	(349,670)	-	24,834,704	22,482,709
Student services	16,858,238	1,546,128	-	190,224	18,594,590	-	-	(10,696)	-	18,583,894	17,069,691
Institutional support	14,642,776	317,501	-	2,968	14,963,245	-	-	(159,086)	-	14,804,159	12,739,611
Operation and maintenance - Plant	21,169,517	(768,410)	-	6,459,660	26,860,767	-	-	(10,749,202)	-	16,111,565	17,224,907
Depreciation expense	-	-	-	-	-	-	-	13,789,257	-	13,789,257	12,156,604
Scholarships and related expenses	10,678,629	(113,275)	-	14,282,425	24,847,779	-	-	-	(17,887,734)	6,960,045	6,609,306
Auxiliary activities	-	-	24,896,073	-	24,896,073	-	-	(27,031)	-	24,869,042	22,339,717
Loan administrative fees and collection costs	-	-	-	-	-	541,510	-	-	-	541,510	555,926
Total operating expenses	177,277,405	5,214,329	24,896,073	32,895,859	240,283,666	541,510	-	2,246,574	(17,887,734)	225,184,016	208,260,634
Operating Income (Loss)	(55,433,864)	1,280,568	10,714,801	(7,932,604)	(51,371,099)	372,906	(1,621,457)	(2,246,574)	-	(54,866,224)	(55,102,268)

Grand Valley State University

Schedule of Revenues, Expenses, and Changes in Net Assets by Fund (Continued) Year Ended June 30, 2004

	Current Funds				Total Current Funds	Student Loan Fund	Endowment Fund	Plant Fund	Eliminations	Consolidated Totals	
	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund						2004	2003
Nonoperating Revenues (Expense)											
State appropriations	\$ 56,131,500	\$ -	\$ -	\$ -	\$ 56,131,500	\$ -	\$ -	\$ -	\$ -	\$ 56,131,500	\$ 57,992,024
Gifts	-	2,441,820	-	899,666	3,341,486	-	91,484	-	-	3,432,970	3,714,498
Investment income - Net of investment expense	581,618	745,724	-	54,852	1,382,194	17,487	6,291,138	263,217	-	7,954,036	3,224,008
Interest on capital asset - Related debt	-	-	-	-	-	-	-	(5,244,025)	-	(5,244,025)	(4,958,662)
Net nonoperating revenues (expense)	56,713,118	3,187,544	-	954,518	60,855,180	17,487	6,382,622	(4,980,808)	-	62,274,481	59,971,868
Income (Loss) - Before other revenues, expenses, gains, and losses	1,279,254	4,468,112	10,714,801	(6,978,086)	9,484,081	390,393	4,761,165	(7,227,382)	-	7,408,257	4,869,600
Other Revenue, Expenses, Gains, and Losses											
Capital appropriations	-	-	-	-	-	-	-	7,545,513	-	7,545,513	22,265,160
Capital gifts	-	-	-	1,746,472	1,746,472	-	-	4,340,503	-	6,086,975	3,811,706
Add discount adjustment	-	-	-	947,055	947,055	-	-	-	-	947,055	(3,912)
Net capital gifts	-	-	-	2,693,527	2,693,527	-	-	4,340,503	-	7,034,030	3,807,794
Capital grants	-	-	-	2,152,526	2,152,526	-	-	-	-	2,152,526	4,112,952
Other capital income	-	-	-	-	-	-	-	20,380	-	20,380	58,963
Additions to permanent endowments	-	-	-	-	-	-	1,240,614	-	-	1,240,614	899,786
Gain (loss) on disposal of plant assets	11,317	16,116	-	-	27,433	-	-	(168,283)	-	(140,850)	(33,330)
Total other revenue, expenses, gains, and losses	11,317	16,116	-	4,846,053	4,873,486	-	1,240,614	11,738,113	-	17,852,213	31,111,325
Transfers Out (In)											
Mandatory transfers	3,383,178	28,634	8,121,872	(816,755)	10,716,929	(40,409)	(34,624)	(10,641,896)	-	-	-
Nonmandatory transfers	(1,894,260)	8,042,246	2,459,364	(8,542)	8,598,808	3,869,246	(84,000)	(12,384,054)	-	-	-
Total transfers	1,488,918	8,070,880	10,581,236	(825,297)	19,315,737	3,828,837	(118,624)	(23,025,950)	-	-	-
Increase (Decrease) in Net Assets	(198,347)	(3,586,652)	133,565	(1,306,736)	(4,958,170)	(3,438,444)	6,120,403	27,536,681	-	25,260,470	35,980,925
Net Assets - Beginning of year	1,471,034	30,313,825	626,047	6,673,333	39,084,239	14,625,353	36,429,893	292,255,950	-	382,395,435	346,414,510
Net Assets - End of year	\$ 1,272,687	\$ 26,727,173	\$ 759,612	\$ 5,366,597	\$ 34,126,069	\$ 11,186,909	\$ 42,550,296	\$ 319,792,631	\$ -	\$ 407,655,905	\$ 382,395,435