



# 2017 Annual Report



**GRAND VALLEY  
STATE UNIVERSITY**

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# **Grand Valley State University**

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**Financial Report**  
**with Additional Information**  
**June 30, 2007**

# 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, 2007 and 2006 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, 2007 and 2006 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 our report dated October 1, 2007 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, grants, and other matters. The purpose of that report 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 an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 3 through 13 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*

October 1, 2007

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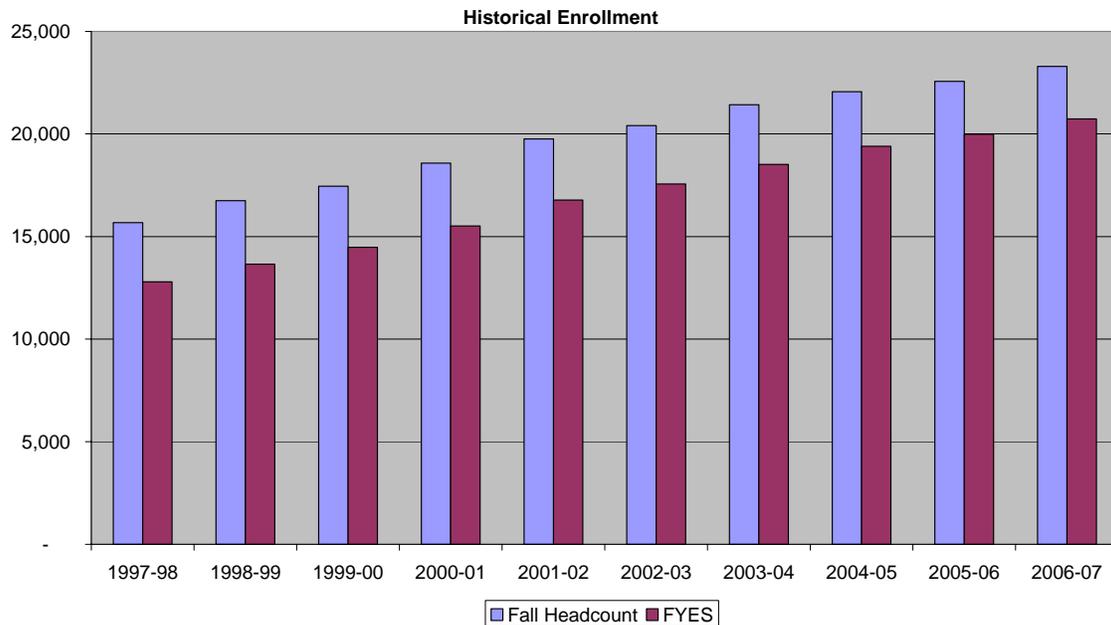
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# Grand Valley State University

## Management's Discussion and Analysis

### Financial and Enrollment Highlights for the Year Ended June 30, 2007

- Enrollment increased by 3.7 percent based on FYES (fiscal year equated students) and headcount for the fall semester was 23,295 students.
- Operating revenue increased 10 percent as a result of increased enrollment combined with higher tuition and housing rates.
- State appropriations for operations decreased \$4.9 million from 2006. The deferred state appropriation payment of \$5.9 million that is expected to be received on October 15, 2007 was excluded from the financial statements.
- Net assets increased 5.7 percent due primarily to debt retirement, endowment gifts, and the favorable performance of endowment investments.
- The investment return on the endowment for 2007 was a gain of 19.4 percent compared to a 12.7 percent gain in 2006.



# 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 14 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the 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 - is one way to measure the financial health of the University. Over the past two years, net assets have increased by 10 percent, from \$422 million to \$466 million.

	June 30		
	2007	2006	2005
	(in 000s)		
<b>Current Assets</b>			
Cash and short-term investments	\$ 34,028	\$ 35,267	\$ 21,061
Receivables	40,605	41,128	36,581
Inventory, prepaid expenses, and other	3,864	5,532	3,543
Total current assets	78,497	81,927	61,185
<b>Noncurrent Assets</b>			
Endowment investments	63,164	52,826	47,053
Other long-term investments	60,780	54,067	61,262
Long-term receivables	11,209	10,921	9,514
Capital assets - Net of depreciation	458,208	450,060	451,846
Other	3,284	3,867	4,334
Total assets	<u>\$ 675,142</u>	<u>\$ 653,668</u>	<u>\$ 635,194</u>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 48,127	\$ 40,610	\$ 33,572
Deferred revenue	11,863	12,656	12,482
Long-term liabilities - Current portion	11,203	10,753	7,436
Total current liabilities	71,193	64,019	53,490
<b>Noncurrent Liabilities - Long-term liabilities - Net of current portion</b>	<u>138,581</u>	<u>148,845</u>	<u>159,476</u>
Total liabilities	<u>\$ 209,774</u>	<u>\$ 212,864</u>	<u>\$ 212,966</u>

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

	June 30		
	2007	2006	2005
	(in 000s)		
<b>Net Assets</b>			
Invested in physical properties	\$ 313,412	\$ 295,291	\$ 289,911
Restricted	63,062	61,926	56,541
Unrestricted	88,894	83,587	75,776
Total net assets	<b>\$ 465,368</b>	<b>\$ 440,804</b>	<b>\$ 422,228</b>

Cash and short-term investments include unrestricted funds, which are used for operating expenditures and are managed within the parameters of the University's investment policy, and restricted funds, which consist of bond proceeds that are used for capital projects. In 2007 and 2006, the short-term portion of pooled operating investments was higher than in 2005. In 2005, cash was lower since the University increased payment of invoices in the weeks prior to July 1, 2006 to assist with the conversion to a new accounting system.

Current receivables include grants, state appropriations, pledges, student notes, and various operating receivables that are expected to be collected within a year. In 2007, accounts receivable for grants increased approximately \$3.1 million. From 2006 to 2007, state appropriations receivable decreased by \$7.7 million for general operations, but increased \$3.1 million for capital appropriations and \$1.6 million for charter schools. From 2005 to 2006, state appropriations receivable increased by \$1.3 million for general operations and \$2.7 million for charter schools.

The University, with advice from the investment advisory committee and outside consultants, continues to review the endowment investment strategy and allocations between fund managers. The overall investment return for the endowment was 19.4 percent in 2007, 12.7 percent in 2006, and 10.5 percent in 2005 under the new strategy.

The unrestricted long-term investments should be looked at in conjunction with cash and short-term investments. The combination of the two is the overall pool of unrestricted cash and investments. The overall pool increased \$7 million from 2005 to 2006 and \$5 million from 2006 to 2007.

Long-term receivables include pledges and student notes. This asset increased by \$.3 million from 2006 to 2007 and increased by \$1.4 million from 2005 to 2006. Pledges receivable increased in 2006 as the Kennedy Engineering capital campaign was conducted. In 2007, many of those pledges were collected. Pledges are discounted to net present value for financial statement purposes. Increases in student notes receivable reflect a higher number of eligible students and increased tuition rates.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

Capital assets (net of depreciation) have increased in 2007. Additions of \$26.5 million were offset by depreciation of \$18.1 million along with net disposals of \$.3 million. Construction in progress for the summer of 2007 includes the Honors Housing project, the Movement Science and Indoor Recreation facility, and additions to the Kirkhoff Center and Mackinac Hall. In 2006, capital assets decreased by \$1.8 million because total depreciation of \$17.4 million exceeded additions of \$15.6 million. In 2006, Lake Ontario Hall, a new academic building at the Allendale Campus, was put into operation. Capital asset changes are summarized in Note 3 of the financial statements.

Accounts payable and other current liabilities increased from 2006 to 2007 as a result of the construction activity and amounts due to sub-recipients for significant grants. Accounts payable in 2005 was lower than usual since the University made an extra effort to pay all invoices prior to implementing a new accounting system on July 1, 2006.

Deferred tuition revenue decreased slightly from 2006 to 2007 because one week of the second summer session fell before June 30. Therefore, that week of revenue was recognized in 2007. Deferred grant revenue decreased from 2006 to 2007 since the primary deferred grant was nearing the end of the multiple-year grant period. Deferred grant revenue increased from 2005 to 2006 due to a \$1 million grant for health care training.

Current maturities in long-term debt have increased according to the University's scheduled debt service with the exception of two early debt retirement payments made in 2005. In 2006 and 2007, those debt payments were not made in advance.

No new long-term debt was issued in 2006 or 2007; therefore, the balance decreased according to the scheduled payments of principal. The University plans to issue approximately \$75 million in long-term debt in September 2007 to fund current capital projects. The University's bond rating continues to be A+, as rated by Standard & Poor's. More detailed information about the University's long-term debt is presented in Note 4 of the financial statements.

The increase in the University's net assets reflects the investment in physical assets (capital additions, less depreciation, plus retirement of related debt) and increased endowment value due to gifts and investment earnings. Restricted net assets resulted in a deficit as construction began on the capital projects that will be funded by the aforementioned bond proceeds. See Note 10 to the financial statements for more information. Unrestricted net assets are designated for certain purposes by the University as summarized in Note 1 of the financial statements.

The University provides certain medical benefits for retirees and spent \$260,700 for these benefits in 2007. 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 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 \$10.2 million.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

### 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		
	2007	2006	2005
	(in 000s)		
<b>Operating Revenues</b>			
Student tuition and fees	\$ 159,897	\$ 144,269	\$ 129,778
Less scholarship allowance	(21,255)	(17,959)	(16,391)
Auxiliary	45,958	44,309	42,486
Less scholarship allowance	(4,538)	(4,085)	(3,914)
Grant and contracts	33,464	26,690	26,385
Other	11,426	10,662	9,679
Total operating revenues	224,952	203,886	188,023
<b>Operating Expenses</b>	283,252	257,419	243,122
<b>Net Operating Loss</b>	(58,300)	(53,533)	(55,099)
<b>Nonoperating Revenues (Expense)</b>			
State appropriations	56,713	61,588	59,219
Gifts (including endowment and capital)	6,977	8,726	5,826
Capital appropriations and grants	10,243	279	3,011
Investment income - Net	15,862	8,327	7,651
Other income and expense	(6,932)	(6,811)	(6,036)
Net nonoperating revenues	82,863	72,109	69,671
<b>Net Increase in Net Assets</b>	24,563	18,576	14,572
<b>Net Assets - Beginning of year</b>	440,804	422,228	407,656
<b>Net Assets - End of year</b>	<u>\$ 465,367</u>	<u>\$ 440,804</u>	<u>\$ 422,228</u>

Revenue from tuition and fees increased by 10 percent in 2007 and 2006. The 2007 increase was caused by tuition rate increases of 5.9 percent to 9.0 percent and enrollment increases of 3.7 percent FYES. The 2006 increase was caused by tuition rate increases of 7.5 percent to 8.0 percent and enrollment increases of 3 percent FYES.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

In 2007, scholarship allowances increased 16 percent primarily due to an additional \$3.7 million of internally funded scholarships. In 2006, scholarship allowances increased 10 percent primarily due to an additional \$3 million of internally funded scholarships.

Auxiliary revenue consists of housing, parking, bookstores, vending, golf course, health center, and conference fees for external customers. Housing revenues for 2007 reflect a 3.7 percent increase in rates and a 0.7 percent increase in occupancy. Housing revenues for 2006 reflect a 3 percent increase in rates and a 1.3 percent increase in occupancy. Parking revenues and bookstore revenues have also increased with the growth of the University.

Grant and contracts revenue increased from 2006 to 2007. Federal grant increases include the WIRED grant and financial aid grants (Academic Competitive and Smart grants and an increase to Pell grants). In addition, several other grant programs had less significant increases and decreases.

Operating expenses increased by \$26.5 million in 2007 (\$13.2 million in 2006). Further analysis of this increase is provided beginning on page 10. Salaries, wages, and benefits represent the largest operating expense, while instruction is the largest functional category.

State appropriations decreased by \$4.9 million from 2006 to 2007 after an increase of \$2.4 million from 2005 to 2006. Over the past three years, state appropriation per FYES progressed from \$3,052 in 2005 to \$3,081 in 2006 to \$2,735 in 2007 - an overall 10.4 percent decrease over three years. The appropriation for 2007 was originally \$64.8 million - a \$3.2 million increase from 2006. However, the State then instituted a \$2.2 million cut and a deferral of \$5.9 million. Because the deferred payment will come from the State's FY08 budget, GASB rules do not allow the University to book a receivable. However, when the deferred payment is received, the recalculated state appropriation per FYES for 2007 will be \$3,019.

Gift revenue is recorded when the pledge is made. In 2007, gifts to WGVU and the Annual Fund increased along with non-exchange grants from foundations and additions to the endowment. In 2006, gifts to the endowment and capital gifts increased while other gifts decreased. Over the past three years, the most significant gifts to the endowment were for the Dorothy A. Johnson Center for Philanthropy and the most significant capital pledges were for the Kennedy Engineering capital campaign.

In 2007, capital appropriations represent the State of Michigan's support for the construction of the Kennedy Hall of Engineering. In 2005, capital appropriations supported the construction of the Cook-DeVos Center for Health Sciences.

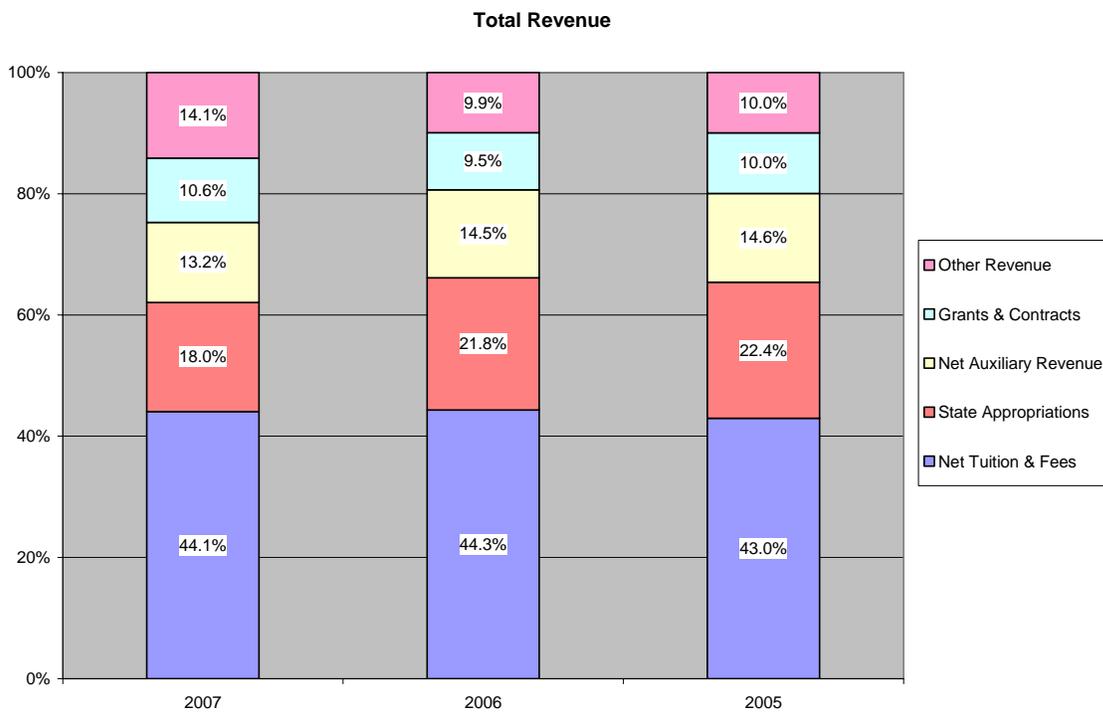
In 2007, the University recognized capital grants for the biodigester project and the Lake Michigan Center for the Annis Water Resource Institute. In 2006, the University did not receive any significant capital grants. In 2005, capital grants included funding for the digital television conversion for WGVU-TV.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

Net investment income consists of realized income (interest, dividends, and realized gains on the sale of investments), unrealized gains/losses, and investment expenses (primarily bank fees). Endowment investments provided a gain of 19.4 percent in 2007 - as compared to 12.7 percent in 2006 and 10.5 percent in 2005.

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, make up the largest contribution to the total revenue of the University. State appropriation is the next largest. These two sources, along with grants and contracts, provide for the majority of the operating expenses. Auxiliary activities are considered self-supporting enterprises. Other revenue includes investment income, gifts, and capital appropriations.

# 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.

	2007	2006	2005
		(in 000s)	
Instruction	\$ 106,044	\$ 100,290	\$ 94,550
Research	6,716	5,458	5,166
Public service	17,796	14,017	12,301
Academic support	23,032	20,237	22,004
Student services	20,589	18,840	17,483
Institutional support	20,369	19,762	18,748
Operation and maintenance of facilities	28,318	22,144	19,730
Depreciation	18,136	17,352	16,504
Scholarships and related expenses	9,139	8,052	7,151
Auxiliary activities	32,816	30,916	29,109
Other expenditures	297	351	376
Total	<u>\$ 283,252</u>	<u>\$ 257,419</u>	<u>\$ 243,122</u>

Instructional expense continued to grow with increases in faculty and student credit hours. The University was able to offer more sections, new courses, and more student advising. There was one new degree program in 2007, the BA in art history. New degree programs in 2006 were the EdS degree in leadership and the BS in exercise science. New degree programs in 2005 were the entrepreneurship minor and the MS in bioinformatics, cell and molecular biology, and biostatistics.

Research expenditures have gradually increased. Research expenditures include the continuing activities at the Annis Water Resources Institute as well as the Johnson Center for Philanthropy.

Public service expenditures increased in both 2007 and 2006 due primarily to increases in public service grants. This category includes WGVU public broadcasting, the Michigan Small Business and Technology Development Center, Project Safe Neighborhood, the Charter School Office administration, and the West Michigan WIRED grant, for which the University is the fiscal agent.

# **Grand Valley State University**

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## **Management's Discussion and Analysis (Continued)**

Academic support expenditures increased from 2006 to 2007 as a result of new initiatives for grants administration and information technology and the shift of student advising expenses from the instruction category to the academic support category. Academic support also includes library, academic resources, information technology, and administration for the academic deans. The decrease from 2005 to 2006 reflects the reorganization of academic resources and continuing education to the provost's office. As a result, institutional support expenditures increased.

Student services expenditures represent student life programming, admissions, records, registration, financial aid, and intercollegiate athletics.

Institutional support expenditures include administration for business operations, human resources, executive offices, marketing and communications, public safety, development, and alumni relations. In 2006, the increase was due to additional bus service costs, the centralization of academic resources and continuing education, additional institutional marketing staff, and implementation costs of Banner Finance and Human Resources systems.

Operation and maintenance of facilities increased in both 2007 and 2006. This reflects the ongoing maintenance and repair of the University's facilities. In 2007, this also includes expenses for the biodigestor grant, engineering equipment that fell below the capitalization threshold, and facility planning expenses.

Depreciation increased as the University completed 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 (including the Bert Price scholarship) occurred in 2007 and 2006.

Auxiliary activities include housing, parking, bookstores, vending, golf course, health center, and conference services. Debt service, depreciation, and repairs related to housing are included in the other categories of expense. No expansions or additions were made to auxiliary activities in 2007 and 2006.

# Grand Valley State University

## Management's Discussion and Analysis (Continued)

### Operating Expenses by Natural Classification

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

	2007	2006	2005
	(in 000s)		
Salaries and benefits	\$ 162,535	\$ 151,203	\$ 147,156
Scholarships and awards	8,679	7,633	6,559
Utilities	7,794	6,695	5,553
Supplies and other	86,108	74,535	67,350
Depreciation	18,136	17,353	16,504
Total	<u>\$ 283,252</u>	<u>\$ 257,419</u>	<u>\$ 243,122</u>

Salaries and benefit expenses, which represent 57 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. 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.

	2007	2006	2005
	(in 000s)		
<b>Net Cash Provided by (Used in)</b>			
Operating activities	\$ (38,341)	\$ (32,456)	\$ (43,100)
Noncapital financing activities	70,131	65,019	63,880
Capital and related financing activities	(33,402)	(26,339)	(15,298)
Investing activities	10,134	(12,550)	(3,543)
<b>Net Increase (Decrease) in Cash</b>	8,522	(6,326)	1,939
<b>Cash - Beginning of year</b>	5,169	11,495	9,556
<b>Cash - End of year</b>	<u>\$ 13,691</u>	<u>\$ 5,169</u>	<u>\$ 11,495</u>

# **Grand Valley State University**

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## **Management's Discussion and Analysis (Continued)**

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 grants and gifts.

Capital and related financing activities include the bond proceeds from the refinancing of existing debt in April 2005. Financing income is offset by capital expenditures and debt service payments.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flow statement include both short- and long-term investments.

### **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 has not yet passed the FY08 higher education appropriation budget.

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 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 these 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	
	2007	2006
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 13,278,163	\$ 4,724,496
Restricted cash and cash equivalents (Note 2)	413,182	444,516
Short-term investments (Note 2)	20,337,087	30,097,672
Accounts receivable	9,028,622	6,095,944
State appropriation receivable	27,532,533	30,556,027
Pledges receivable	1,542,620	1,726,225
Inventories	2,043,344	1,689,744
Prepaid expenses and other	1,821,342	3,842,193
Student notes receivable - Current portion	<u>2,500,000</u>	<u>2,750,000</u>
Total current assets	78,496,893	81,926,817
<b>Noncurrent Assets</b>		
Endowment investments (Note 2)	63,163,524	52,825,528
Other long-term investments (Note 2)	60,780,133	54,066,770
Pledges receivable	2,433,649	3,250,432
Student notes receivable - Net of allowance of \$503,291 and \$488,842 in 2007 and 2006, respectively	8,775,214	7,671,987
Capital assets - Net (Note 3)	458,208,746	450,060,062
Other assets	<u>3,283,677</u>	<u>3,866,652</u>
Total noncurrent assets	<u>596,644,943</u>	<u>571,741,431</u>
Total assets	<u><b>\$ 675,141,836</b></u>	<u><b>\$ 653,668,248</b></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 48,127,418	\$ 40,610,035
Deferred revenue	11,862,556	12,656,024
Long-term liabilities - Current portion (Note 4)	<u>11,203,192</u>	<u>10,753,101</u>
Total current liabilities	71,193,166	64,019,160
<b>Noncurrent Liabilities</b>		
Deferred capital revenue	763,400	-
Long-term liabilities - Net of current portion (Note 4)	<u>137,817,142</u>	<u>148,844,671</u>
Total noncurrent liabilities	<u>138,580,542</u>	<u>148,844,671</u>
Total liabilities	209,773,708	212,863,831
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	313,411,509	295,290,647
Restricted:		
Nonexpendable - Scholarships and academic support	24,309,553	22,306,343
Expendable:		
Scholarships and academic support	33,194,394	26,291,704
Capital projects	(6,034,791)	1,877,735
Loans	11,593,306	11,450,835
Unrestricted	<u>88,894,157</u>	<u>83,587,153</u>
Total net assets	<u>465,368,128</u>	<u>440,804,417</u>
Total liabilities and net assets	<u><b>\$ 675,141,836</b></u>	<u><b>\$ 653,668,248</b></u>

# Grand Valley State University

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

	Year Ended June 30	
	2007	2006
<b>Operating Revenues</b>		
Student tuition and fees	\$ 159,897,061	\$ 144,268,794
Scholarship allowances	(21,254,608)	(17,958,919)
Net student tuition and fees	138,642,453	126,309,875
Government grants and contracts	30,426,398	24,148,124
Nongovernmental grants	3,037,554	2,541,757
Sales and services of educational activities	7,470,721	6,538,117
Auxiliary activities	45,957,853	44,308,763
Scholarship allowances	(4,538,024)	(4,084,698)
Net auxiliary activities	41,419,829	40,224,065
Other operating revenues	3,954,861	4,123,701
Total operating revenues	224,951,816	203,885,639
<b>Operating Expenses - Education and general</b>		
Instruction	106,043,597	100,289,568
Research	6,715,693	5,457,581
Public service	17,795,865	14,017,118
Academic support	23,032,021	20,236,592
Student services	20,588,607	18,840,231
Institutional support	20,369,318	19,761,826
Operation and maintenance - Plant	28,318,646	22,143,969
Depreciation expense	18,135,829	17,352,426
Scholarships and related expenses	9,138,798	8,052,485
Auxiliary activities	32,816,130	30,915,910
Loan administrative fees and collection costs	297,282	351,056
Total operating expenses	283,251,786	257,418,762
<b>Operating Loss</b>	(58,299,970)	(53,533,123)
<b>Nonoperating Revenues (Expense)</b>		
State appropriations	56,712,600	61,587,500
Gifts	3,780,252	2,946,897
Investment income - Net of investment expense of approximately \$417,000 and \$308,000 in 2007 and 2006, respectively	15,861,711	8,327,028
Interest on capital asset - Related debt	(6,798,721)	(6,785,647)
Net nonoperating revenues	69,555,842	66,075,778
<b>Income - Before other revenues, expenses, gains, and losses</b>	11,255,872	12,542,655
<b>Other Revenues, Expenses, Gains, and Losses</b>		
Capital appropriations	9,194,092	-
Capital grants and gifts - Net of in-kind gift of computer software of \$7.5 million and \$5.6 million in 2007 and 2006, respectively	2,350,660	4,385,525
Other capital income	3,819	1,706
Additions to permanent endowments	1,895,288	1,671,973
Loss on disposal of assets	(136,020)	(25,472)
Total other revenues, expenses, gains, and losses	13,307,839	6,033,732
<b>Increase in Net Assets</b>	24,563,711	18,576,387
<b>Net Assets - Beginning of year</b>	440,804,417	422,228,030
<b>Net Assets - End of year</b>	<b>\$ 465,368,128</b>	<b>\$ 440,804,417</b>

# Grand Valley State University

## Statement of Cash Flows

	Year Ended June 30	
	2007	2006
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 137,540,790	\$ 125,973,259
Grants and contracts	29,973,441	26,559,050
Payments to suppliers	(79,868,054)	(70,370,093)
Payments for utilities	(7,658,576)	(6,619,233)
Payments to employees	(122,986,172)	(115,711,818)
Payments for benefits	(38,794,719)	(35,855,616)
Payments for scholarships and fellowships	(8,678,955)	(7,633,311)
Loans issued to students	(19,384,967)	(16,822,334)
Collection of loans from students	18,531,740	17,029,247
Auxiliary enterprise charges:		
Residence halls	27,284,335	25,579,801
Bookstore	9,063,594	8,394,426
Other	5,437,973	5,930,544
Sales and service of educational activities	7,552,787	6,546,365
Other receipts	3,645,640	4,543,883
Net cash used in operating activities	(38,341,143)	(32,455,830)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	64,377,518	60,296,699
Gifts and grants for other than capital purposes	3,773,720	2,927,248
Private gifts for endowment purposes	1,895,288	1,671,973
Charitable annuities payments - Net	(14,040)	(51,664)
Federal direct loan receipts	74,754,458	73,914,156
Federal direct loan lending disbursements	(74,655,980)	(73,739,447)
Net cash provided by noncapital financing activities	70,130,964	65,018,965
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations	6,135,019	220,685
Capital grants and gifts received	2,464,319	2,438,343
Other capital income (loss)	1,040,805	(5,741)
Proceeds from sale of capital assets	28,863	66,731
Purchases of capital assets and construction	(26,193,171)	(15,580,118)
Principal paid on capital debt	(10,556,866)	(6,590,304)
Interest paid on capital debt	(6,320,722)	(6,888,435)
Net cash used in capital and related financing activities	(33,401,753)	(26,338,839)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	70,950,975	49,489,652
Interest on investments	6,536,851	8,298,349
Purchase of investments	(67,353,561)	(70,338,607)
Net cash provided by (used in) investing activities	10,134,265	(12,550,606)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	8,522,333	(6,326,310)
<b>Cash and Cash Equivalents - Beginning of year</b>	5,169,012	11,495,322
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 13,691,345</b>	<b>\$ 5,169,012</b>

# Grand Valley State University

## Statement of Cash Flows (Continued)

	Year Ended June 30	
	2007	2006
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (58,299,970)	\$ (53,533,123)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	18,135,829	17,352,426
Changes in assets and liabilities:		
Receivables - Net	(3,258,941)	(529,262)
Inventories	(353,600)	(16,900)
Other assets	513,047	(205,441)
Accounts payable and accrued liabilities	7,046,082	3,007,282
Deferred revenue	(2,161,992)	1,282,273
Deposits held for others	38,402	186,915
Net cash used in operating activities	<b>\$ (38,341,143)</b>	<b>\$ (32,455,830)</b>

# Grand Valley State University

## Statement of Fiduciary Net Assets Employee Benefit Plans

	June 30	
	2007	2006
<b>Assets</b>		
Cash and cash equivalents	\$ 218,580	\$ 245,255
Investments	<u>31,222,131</u>	<u>24,748,240</u>
Total cash and cash equivalents and investments	31,440,711	24,993,495
Accrued income	<u>675</u>	<u>2,842</u>
<b>Net Assets - Held in trust for pension benefits</b>	<b><u>\$ 31,441,386</u></b>	<b><u>\$ 24,996,337</u></b>

# Grand Valley State University

## Statement of Changes in Fiduciary Net Assets Employee Benefit Plans

	Year Ended June 30	
	2007	2006
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 1,055,484	\$ 959,204
Net appreciation in fair value of investments	2,562,267	539,843
Gain on sale of investments	<u>1,473,992</u>	<u>936,929</u>
Total investment income	5,091,743	2,435,976
Employer contributions	2,452,061	2,198,440
Other income	<u>43,783</u>	<u>36,344</u>
Total additions	7,587,587	4,670,760
<b>Deductions</b>		
Benefit payments	1,056,009	966,643
Administrative expense	<u>86,529</u>	<u>51,903</u>
Total deductions	<u>1,142,538</u>	<u>1,018,546</u>
<b>Net Increase</b>	6,445,049	3,652,214
<b>Net Assets Held in Trust for Pension Benefits</b>		
Beginning of year	<u>24,996,337</u>	<u>21,344,123</u>
End of year	<u><b>\$ 31,441,386</b></u>	<u><b>\$ 24,996,337</b></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 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. 35, 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.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** - The University considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**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. Alternative investments are recorded at their most recent available valuation and updated for capital contributions and distributions. The net realized and unrealized appreciation (depreciation) in market value of investments is included in the accompanying statement of revenues, expenses, and changes in net assets. Gains, losses, and investment income are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

**Accounts Receivable** - Accounts receivable are stated at net invoice amounts. An allowance for bad debts is established on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed uncollectible are charged against bad debt expense in the period that determination is made.

**Inventories** - Inventories, consisting principally of bookstore merchandise and golf equipment and apparel, 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.

**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.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**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.

**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 2007 and 2006, the University distributed approximately \$74,755,000 and \$73,740,000, 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 \$65,212,000, which represents the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2007 are completed. Approximately \$56,151,700 of the total is committed for capital projects, including \$11,162,200 for the Mackinac Hall addition, \$26,387,300 for the Honors Housing Complex, \$12,249,400 for the Movement Sciences and Indoor Recreation Center, and \$1,637,700 for the addition to the Student Activity Center.

### Note 1 - Summary of Significant Accounting Policies (Continued)

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

**Fiduciary Fund** - The fiduciary fund consists of funds held in a trust and accounts for the activities of the employees' retirement system, which accumulates resources for pension benefit payments to qualified employees.

**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, 2007 includes \$9,208,013 of funds functioning as endowment, \$7,682,157 of capital projects in progress, \$13,608,307 of housing and auxiliary repair and maintenance funds, \$5,067,813 of debt service funds, \$19,034,593 for academic initiatives and technology, \$21,185,367 for future capital projects and debt service, \$11,741,350 for reserves for operations and cash flow, and \$1,366,557 of uncommitted funds.

The unrestricted net asset balance at June 30, 2006 includes \$7,984,993 of funds functioning as endowment, \$4,671,946 of capital projects in progress, \$13,927,585 of housing and auxiliary repair and maintenance funds, \$6,150,231 of debt service funds, \$17,091,797 for academic initiatives and technology, \$17,518,009 for future capital projects and debt service, \$15,174,351 for reserves for operations and cash flow, and \$1,068,241 of uncommitted funds.

### Note 2 - Cash and Investments

The University has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, for the years ended June 30, 2007 and 2006.

The operating portfolio is invested in accordance with University policy.

**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.

### Note 2 - Cash and Investments (Continued)

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be available or returned. The University does not have a deposit policy for custodial credit risk. At June 30, 2007 and 2006, the carrying amount of the University's deposits was \$13,691,345 and \$5,217,466, respectively. Of that amount, \$313,409 and \$508,550, respectively, was insured. The remaining \$13,377,936 and \$4,708,916 at June 30, 2007 and 2006, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits.

**Investments** - Investment policies as set forth by the board of trustees also authorize the University to invest in equity securities, bonds, or similar 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, subject to review, 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.

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. Additionally, for endowment investments, the foremost objective is to maintain a spending rate, currently established at 5 percent, which provides a proper balance between preservation of corpus and enhancement of the purchasing power of investment earnings.

The University has committed to investing additional capital of approximately \$2,494,000 in alternative asset investments. As of June 30, 2007 and 2006, the University had approximately \$14.1 million and \$10.5 million, respectively, invested in alternative asset investments.

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 2 - Cash and Investments (Continued)

The University's cash and investments are included in the statement of net assets under the following classifications:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 13,278,163	\$ 4,724,496
Restricted cash and cash equivalents	413,182	444,516
Short-term investments	20,337,087	30,097,672
Endowment investments	63,163,524	52,825,528
Other long-term investments	<u>60,780,133</u>	<u>54,066,770</u>
Total cash and investments	<u>\$ 157,972,089</u>	<u>\$ 142,158,982</u>

The University's cash and investments consist of the following:

	<u>2007</u>	<u>2006</u>
Money markets	\$ 13,691,345	\$ 5,217,466
Commercial paper	4,936,875	-
Fixed income securities	86,587,526	93,972,619
Equity security investments	36,425,160	32,462,384
Other	<u>16,331,183</u>	<u>10,506,513</u>
Total cash and investments	<u>\$157,972,089</u>	<u>\$ 142,158,982</u>

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 2 - Cash and Investments (Continued)

As of June 30, 2007, 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	\$ 13,691,345	\$ 13,691,345	\$ -	\$ -	\$ -
Commercial paper	4,936,875	4,936,875	-	-	-
Government securities*	71,780,951	15,400,212	36,887,594	17,578,875	1,914,270
Mutual bond funds	13,667,312	-	13,667,312	-	-
Mutual equity funds	17,981,510	-	-	-	17,981,510
Insured mortgage-backed securities	189,923	-	189,923	-	-
Government-backed securities	949,340	-	-	949,340	-
Mutual international equity funds	18,443,650	-	-	-	18,443,650
Real estate	2,106,803	-	-	-	2,106,803
Venture capital	1,025,183	-	-	-	1,025,183
Other investments	13,199,197	-	100,000	-	13,099,197
Total investments and maturities	<u>\$ 157,972,089</u>	<u>\$ 34,028,432</u>	<u>\$ 50,844,829</u>	<u>\$ 18,528,215</u>	<u>\$ 54,570,613</u>

\*\$69,279,161 of the government securities notes are callable.

As of June 30, 2006, 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	\$ 5,217,466	\$ 5,217,466	\$ -	\$ -	\$ -
U.S. treasuries	987,810	-	987,810	-	-
Government securities*	78,734,932	26,853,087	14,811,530	37,070,315	-
Mutual bond funds	13,063,954	3,176,286	9,887,668	-	-
Mutual equity funds	14,895,406	-	-	-	14,895,406
Insured mortgage-backed securities	255,403	19,845	235,558	-	-
Government-backed securities	930,520	-	-	-	930,520
Mutual international equity funds	15,672,638	-	-	-	15,672,638
Real estate	1,894,340	-	-	-	1,894,340
Other investments	10,506,513	-	-	-	10,506,513
Total investments and maturities	<u>\$ 142,158,982</u>	<u>\$ 35,266,684</u>	<u>\$ 25,922,566</u>	<u>\$ 37,070,315</u>	<u>\$ 43,899,417</u>

\* \$78,722,741 of the government securities notes are callable.

### Note 2 - Cash and Investments (Continued)

**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 the amount of the University's operating portfolio that can be invested in securities with maturities of more than one year. 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, 2007 and 2006 had a weighted average maturity of 30 months, it was presented as an investment with a maturity of less than five years.

Investments held by the endowment funds are invested based on the policy that they are held to maturity; therefore, the interest rate risk is not considered in the University's decisions.

**Credit Risk** - The University's operating investment policy limits its short-term operating investments to .5 percent of total bank assets or to investment vehicles that possess the highest ratings available by two national services.

The University's operating investment policy limits its longer-term investments to investment grade or better securities, or managed equity mutual funds. All investments in debt securities are at AAA per Standards & Poor's.

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.

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 2 - Cash and Investments (Continued)

The University held the following types of fixed income investments and credit ratings at June 30, 2007 and 2006:

2007	Investments Grade	Non- investment Grade	Not Rated	Total
Government securities	\$ 71,780,951	\$ -	\$ -	\$ 71,780,951
Mutual bond funds	13,667,312	-	-	13,667,312
Insured mortgage-backed securities	189,923	-	-	189,923
Government-backed securities	949,340	-	-	949,340
Commercial paper	<u>4,936,875</u>	-	-	<u>4,936,875</u>
Investments by rating	<u>\$ 91,524,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,524,401</u>

2006	Investments Grade	Non- investment Grade	Not Rated	Total
U.S. treasuries	\$ -	\$ -	\$ 987,810	\$ 987,810
Government securities	78,734,932	-	-	78,734,932
Mutual bond funds	13,063,954	-	-	13,063,954
Insured mortgage-backed securities	255,403	-	-	255,403
Government-backed securities	<u>930,520</u>	-	-	<u>930,520</u>
Investments by rating	<u>\$ 92,984,809</u>	<u>\$ -</u>	<u>\$ 987,810</u>	<u>\$ 93,972,619</u>

**Custodial Credit Risk** - Custodial risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a policy for custodial credit risk. The University's investments are uninsured, unregistered, and held by the University's agent in the University's name.

### Note 2 - Cash and Investments (Continued)

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of June 30, 2007, the University's combined cash, short-term investments, and long-term investments portfolio included 34.7 percent of its investments in Federal Home Loan Bank securities, 18.5 percent in Federal National Mortgage Association securities, and 13.0 percent in Federal Home Loan Mortgage Association securities. As of June 30, 2006, the University's combined cash, short-term investments, and long-term investments portfolio included 29.8 percent of its investments in Federal Home Loan Bank securities and 16.5 percent in Federal Home Loan Mortgage Association securities, and 5.9 percent in Federal Home Loan Mortgage Association securities.

**Foreign Credit Risk** - The University holds investments in some international mutual funds that invest in international equity funds. These funds are invested in various countries throughout the world and, therefore, expose the University to foreign credit risk. Investments in these funds were approximately \$18,544,000 and \$11,500,000 for the years ended June 30, 2007 and 2006, respectively. The Euro, Japanese Yen, and British Pound represent approximately 69 percent and 58 percent of the foreign currency in which the international equity funds are invested at June 30, 2007 and 2006, respectively.

**Alternative Assets** - The other investments and venture capital are comprised of investments in alternative assets. As referenced above, alternative assets consist of investments that seek absolute-based return in hedge markets, investments in the private equity class investing in various ventures, or investments in a pool of assets invested in the following subclasses: global natural resources, commodities, global real estate, and global inflation-linked bonds.

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 24,194,130	\$ 750,201	\$ -	\$ 24,944,331
Nondepreciable artwork and historical treasures	3,982,650	-	-	3,982,650
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress - Net	<u>7,522,186</u>	<u>13,965,661</u>	<u>-</u>	<u>21,487,847</u>
Total cost of nondepreciable capital assets	37,421,786	14,715,862	-	52,137,648
Land improvements and infrastructure	64,160,697	783,935	-	64,944,632
Buildings	411,144,417	587,405	-	411,731,822
Equipment	47,582,719	6,795,315	2,407,703	51,970,331
Library books	<u>25,857,110</u>	<u>3,621,879</u>	<u>155,835</u>	<u>29,323,154</u>
Total cost of depreciable capital assets	<u>548,744,943</u>	<u>11,788,534</u>	<u>2,563,538</u>	<u>557,969,939</u>
Total cost of capital assets	586,166,729	<u>\$ 26,504,396</u>	<u>\$ 2,563,538</u>	610,107,587
Less accumulated depreciation for:				
Land improvements and infrastructure	14,790,660	\$ 3,165,464	\$ -	17,956,124
Buildings	77,827,433	8,923,852	-	86,751,285
Equipment	29,716,440	3,614,039	2,187,820	31,142,659
Library books	<u>13,772,134</u>	<u>2,432,474</u>	<u>155,835</u>	<u>16,048,773</u>
Total accumulated depreciation	<u>136,106,667</u>	<u>\$ 18,135,829</u>	<u>\$ 2,343,655</u>	<u>151,898,841</u>
Capital assets - Net	<u>\$ 450,060,062</u>			<u>\$ 458,208,746</u>

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 3 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 24,144,130	\$ 50,000	\$ -	\$ 24,194,130
Nondepreciable artwork and historical treasures	3,967,669	14,981	-	3,982,650
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress - Net	<u>13,885,744</u>	<u>(6,363,558)</u>	-	<u>7,522,186</u>
Total cost of nondepreciable capital assets	43,720,363	(6,298,577)	-	37,421,786
Land improvements and infrastructure	61,501,073	2,659,624	-	64,160,697
Buildings	401,039,273	10,105,144	-	411,144,417
Equipment	42,505,274	5,642,832	565,387	47,582,719
Library books	<u>22,485,051</u>	<u>3,549,584</u>	<u>177,525</u>	<u>25,857,110</u>
Total cost of depreciable capital assets	<u>527,530,671</u>	<u>21,957,184</u>	<u>742,912</u>	<u>548,744,943</u>
Total cost of capital assets	571,251,034	<u>\$ 15,658,607</u>	<u>\$ 742,912</u>	586,166,729
Less accumulated depreciation for:				
Land improvements and infrastructure	11,664,393	\$ 3,126,267	\$ -	14,790,660
Buildings	68,916,767	8,910,666	-	77,827,433
Equipment	27,036,553	3,153,072	473,185	29,716,440
Library books	<u>11,787,238</u>	<u>2,162,421</u>	<u>177,525</u>	<u>13,772,134</u>
Total accumulated depreciation	<u>119,404,951</u>	<u>\$ 17,352,426</u>	<u>\$ 650,710</u>	<u>136,106,667</u>
Capital assets - Net	<u>\$ 451,846,083</u>			<u>\$ 450,060,062</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

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 4 - Long-term Liabilities

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

The changes in long-term liabilities for the year ended June 30, 2007 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue and Refunding					
Bonds, Series 1994	\$ 3,076,251	\$ -	\$ 935,000	\$ 2,141,251	\$ 985,000
General Revenue and Refunding					
Bonds, Series 1997	4,585,000	-	480,000	4,105,000	505,000
General Revenue Bonds, Series 1998	12,510,000	-	430,000	12,080,000	450,000
General Revenue Bonds, Series 1999	2,420,000	-	425,000	1,995,000	445,000
General Revenue Bonds, Series 2000	11,820,000	-	2,050,000	9,770,000	2,155,000
General Revenue Bonds, Series 2001A	4,735,000	-	2,320,000	2,415,000	2,415,000
General Revenue Variable Rate					
Demand Bonds, Series 2001B	20,900,000	-	170,000	20,730,000	160,000
General Revenue Variable Rate					
Demand Bonds, Series 2002A	15,540,000	-	375,000	15,165,000	390,000
General Revenue Variable Rate					
Demand Bonds, Series 2003	27,120,000	-	825,000	26,295,000	850,000
General Revenue Variable Rate					
Demand Bonds, Series 2004	24,960,000	-	2,300,000	22,660,000	2,390,000
General Revenue Variable Rate					
Demand Bonds, Series 2005	<u>30,610,000</u>	<u>-</u>	<u>180,000</u>	<u>30,430,000</u>	<u>190,000</u>
Total bonds payable	158,276,251	-	10,490,000	147,786,251	10,935,000
Charitable gift annuities payable	944,601	246,680	267,252	924,029	197,317
Note payable	<u>376,920</u>	<u>-</u>	<u>66,866</u>	<u>310,054</u>	<u>70,875</u>
Total	<u>\$ 159,597,772</u>	<u>\$ 246,680</u>	<u>\$ 10,824,118</u>	149,020,334	<u>\$ 11,203,192</u>
Due within one year				<u>11,203,192</u>	
Total long-term liabilities				<u>\$ 137,817,142</u>	

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 4 - Long-term Liabilities (Continued)

The changes in long-term liabilities for the year ended June 30, 2006 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue and Refunding Bonds, Series 1994	\$ 3,303,475	\$ -	\$ 227,224	\$ 3,076,251	\$ 935,000
General Revenue and Refunding Bonds, Series 1997	5,045,000	-	460,000	4,585,000	480,000
General Revenue Bonds, Series 1998	12,925,000	-	415,000	12,510,000	430,000
General Revenue Bonds, Series 1999	2,825,000	-	405,000	2,420,000	425,000
General Revenue Bonds, Series 2000	13,770,000	-	1,950,000	11,820,000	2,050,000
General Revenue Bonds, Series 2001A	6,970,000	-	2,235,000	4,735,000	2,320,000
General Revenue Variable Rate Demand Bonds, Series 2001B	21,035,000	-	135,000	20,900,000	170,000
General Revenue Variable Rate Demand Bonds, Series 2002A	15,905,000	-	365,000	15,540,000	375,000
General Revenue Variable Rate Demand Bonds, Series 2003	27,120,000	-	-	27,120,000	825,000
General Revenue Variable Rate Demand Bonds, Series 2004	24,960,000	-	-	24,960,000	2,300,000
General Revenue Variable Rate Demand Bonds, Series 2005	<u>30,785,000</u>	<u>-</u>	<u>175,000</u>	<u>30,610,000</u>	<u>180,000</u>
Total bonds payable	164,643,475	-	6,367,224	158,276,251	10,490,000
Accrued interest - Capital appreciation bonds	652,771	55,005	707,776	-	-
Charitable gift annuities payable	1,015,914	176,200	247,513	944,601	196,237
Note payable	<u>600,000</u>	<u>-</u>	<u>223,080</u>	<u>376,920</u>	<u>66,864</u>
Total	<u>\$ 166,912,160</u>	<u>\$ 231,205</u>	<u>\$ 7,545,593</u>	159,597,772	<u>\$ 10,753,101</u>
Due within one year				<u>10,753,101</u>	
Total long-term liabilities				<u>\$ 148,844,671</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 bonds mature in 2010.

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 bonds mature in 2023.

### **Note 4 - Long-term Liabilities (Continued)**

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. The bonds mature in 2018.

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 bonds mature in 2013.

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 bonds mature in 2014.

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 bonds mature in 2027.

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, and may be converted and 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. At June 30, 2007, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.73 percent and 3.97 percent at June 30, 2007 and 2006, respectively). 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 bonds mature in 2027.

### Note 4 - Long-term Liabilities (Continued)

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, and may be converted and 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. At June 30, 2007, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.73 percent and 3.97 percent at June 30, 2007 and 2006, respectively). 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 bonds mature in 2027.

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, and may be converted and 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. At June 30, 2007, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.73 percent and 3.97 percent at June 30, 2007 and 2006, respectively). 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 bonds mature in 2029.

The General Revenue Variable Rate Demand Bonds, Series 2004, were issued in August 2004 by the board of trustees to fund the cost of a parking ramp on the Pew Campus in Grand Rapids and the cost of a new academic building on the Allendale Campus. The bonds bear interest in one of six different modes, and may be converted and 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 a daily rate mode, a commercial paper rate mode, a term rate mode, an ARC's rate mode, or a fixed rate mode. At June 30, 2007, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.72 percent and 3.97 percent at June 30, 2007 and 2006, respectively). 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 bonds mature in 2020.

### Note 4 - Long-term Liabilities (Continued)

The General Revenue Refunding Variable Rate Demand Bonds, Series 2005, were issued in April 2005 by the board of trustees for the advance refunding of \$7,970,000 of Series 1997 bonds, \$4,390,000 of Series 1999 bonds, and \$15,915,000 of Series 2000 bonds. The refunded bonds with an outstanding balance at June 30, 2005 of \$30,282,925 were defeased upon delivery of the new issue. The bonds bear interest in one of six rate periods. At June 30, 2007, the bonds bear interest based on a weekly rate determined by the remarketing agent (3.73 percent and 3.97 percent at June 30, 2007 and 2006, respectively). 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 a daily rate mode, a commercial paper rate mode, a term rate mode, an ARC's rate mode, or a fixed rate mode. The bonds are subject to purchase on 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 bonds mature in 2026.

The University has issuance costs and bond premiums and discounts in connection with all the bond issues. These items are accrued and are being amortized over the life of the bonds using the straight-line method. The University also has prepaid interest being held in escrow in connection with its 2005 bond issue, which is being amortized over the life of the escrow. The net amount of unamortized prepaid interest, bond issuance costs, and bond premiums and discounts at June 30, 2007 and 2006 totaled \$3,020,982 and \$3,548,433, 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 serial, term, and capital appreciation serial bonds, bear interest primarily from 3.72 percent to 5.75 percent and mature in varying amounts through 2029. Interest payments on the capital appreciation bonds began in 2002 and ended in 2006.

In the event that any of the above bonds are unable to be remarketed by the remarketing agent, the University has a standby bond purchase agreement by which the bank is required to purchase the unremarketed bonds.

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 4 - Long-term Liabilities (Continued)

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, 2007 and 2006 are recorded at their estimated present value.

In June 2005, the University agreed to pay \$600,000 in installments for the purchase of extensive papers from a renowned author, with interest of 6 percent per annum. A \$600,000 gift was received by the University for this undertaking.

Scheduled maturities of long-term liabilities are as follows:

Fiscal Year	Revenue Bonds	Annuities		Total	Interest
		Payable	Note Payable		
2008	\$ 10,935,000	\$ 197,317	\$ 70,875	\$ 11,203,192	\$ 5,993,830
2009	8,840,000	197,317	75,128	9,112,445	5,508,601
2010	9,191,251	197,317	79,636	9,468,204	5,139,978
2011	7,285,000	197,317	84,415	7,566,732	4,782,169
2012	7,375,000	134,761	-	7,509,761	4,455,567
2013-2017	41,905,000	-	-	41,905,000	17,008,581
2018-2022	35,975,000	-	-	35,975,000	8,323,347
2023-2027	23,095,000	-	-	23,095,000	2,720,771
2028-2029	3,185,000	-	-	3,185,000	83,249
Total	<u>\$ 147,786,251</u>	<u>\$ 924,029</u>	<u>\$ 310,054</u>	<u>\$ 149,020,334</u>	<u>\$ 54,016,093</u>

### Defeased Debt

The University's General Revenue Bonds are secured by the unrestricted operating revenues of the University. When possible, the University defeases prior debt issuances to reduce its borrowing cost. The total amount of defeased bonds outstanding at June 30, 2007 and 2006 totaled \$28,275,000.

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 4 - Long-term Liabilities (Continued)

#### Interest Rate Swaps

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2007 are as follows:

<u>Associated Bond Issue</u>	<u>Notional Amounts</u>	<u>Effective Date</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Fair Values</u>
Series 2001B	\$ 10,005,000 *				
Series 2002	5,690,000 *				
Series 2003	<u>2,035,000 *</u>				
	17,730,000	9/24/2003	3.299%	70% of one-month LIBOR	\$ 539,000
Series 2005	30,430,000	3/3/2005	3.501%	The lesser of 70% of one-month LIBOR and the weighted average rate on the bonds	985,000
Series 2003	14,990,000 *	11/9/2005	3.644%	70% of one-month LIBOR	<u>473,000</u>
					<u>\$ 1,997,000</u>

\* The notional amounts of these swaps are only a portion of the principal amounts of the associated debt.

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, 2007, the total notional principal amount outstanding under this agreement was \$17,730,000. 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, 2007 and 2006, the variable coupon rate was 3.73 percent and 3.97 percent, respectively, whereas 70 percent of the one-month LIBOR was 3.724 percent and 3.745 percent, respectively.

### Note 4 - Long-term Liabilities (Continued)

As of June 30, 2007 and 2006, the swap agreement had a positive fair value of approximately \$539,000 and \$691,000, respectively. 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 AA by Moody's and Standard and Poor's as of June 30, 2007. 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.

During the year ended June 30, 2005, the University entered into an interest rate swap expiring in 2025 in connection with \$30,785,000 of 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 3.501 percent. At June 30, 2007, the total notional principal amount outstanding under this agreement was \$30,430,000. No amounts were paid or received when the swap was initiated.

Under the swap, the University pays the counterparty a fixed payment of 3.501 percent and receives a variable payment computed as the lesser of 70 percent of the one-month London Interbank Offered Rate (LIBOR) and a rate equal to the weighted average rate on the Series 2005 bonds. 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 the floating rate on the swap agreement and the variable coupon rate converge, changing the synthetic rate of the bonds. As of June 30, 2007 and 2006, the variable coupon rate was 3.73 percent and 3.97 percent, whereas the floating rate was 3.724 percent and 3.745 percent, respectively.

### Note 4 - Long-term Liabilities (Continued)

As of June 30, 2007 and 2006, the swap agreement had a positive fair value of approximately \$985,000 and \$1,165,000, respectively. 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 AA- by Moody's and Standard and Poor's as of June 30, 2007. To mitigate the potential for credit risk, if the counterparty's credit quality falls below Baaa1/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.

During the year ended June 30, 2006, the University entered into an interest rate swap expiring in 2029 in connection with \$14,990,000 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 3.644 percent. At June 30, 2007, the total notional principal amount outstanding under this agreement was \$14,990,000. No amounts were paid or received when the swap was initiated.

Under the swap, the University pays the counterparty a fixed payment of 3.644 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 the floating rate on the swap agreement and the variable coupon rate converge, changing the synthetic rate of the bonds. As of June 30, 2007 and 2006, the variable coupon rate was 3.73 percent and 3.97 percent, respectively, whereas 70 percent of the one-month LIBOR was 3.724 percent and 3.745 percent, respectively.

As of June 30, 2007 and 2006, the swap agreement had a positive fair value of approximately \$473,000 and \$522,000, respectively. 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 Aa2 and AA by Moody's and Standard and Poor's as of June 30, 2007. To mitigate the potential for credit risk, if the counterparty's credit quality falls below Baaa1/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.

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 4 - Long-term Liabilities (Continued)

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, 2007, debt service requirements of the variable rate debt issues associated with the swap agreements 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 Agreements

Fiscal Year	Principal	Interest	Interest Rate Swaps - Net	Total
2008	\$ 905,000	\$ 2,349,187	\$ (154,708)	\$ 3,099,479
2009	885,000	2,315,399	(151,247)	3,049,152
2010	1,520,000	2,280,348	(147,653)	3,652,695
2011	1,670,000	2,222,913	(141,531)	3,751,382
2012	1,735,000	2,160,330	(134,840)	3,760,490
2013-2017	17,440,000	9,297,551	(536,042)	26,201,509
2018-2022	23,240,000	4,928,897	(212,336)	27,956,561
2023-2027	12,570,000	1,510,960	(43,889)	14,037,071
2028-2029	3,185,000	90,184	(1,934)	3,273,250
Totals	<u>\$63,150,000</u>	<u>\$ 27,155,769</u>	<u>\$ (1,524,180)</u>	<u>\$ 88,781,589</u>

### Note 5 - Retirement Benefits

The executive, administrative, and professional staff and faculty are covered under a defined contribution retirement plan through 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 participants' base salaries were made in each year.

The total expense under this discretionary plan was approximately \$9,478,000 and \$8,716,000 for the years ended June 30, 2007 and 2006, respectively. Total payroll covered under this plan was approximately \$78,648,000 in 2007 and \$72,008,000 in 2006.

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 5 - Retirement Benefits (Continued)

Maintenance, grounds, and service staff hired after October 8, 2004 and clerical, office, and technical staff hired on or after February 2, 2006 participate in a defined contribution plan with University contributions equal to 8 percent of wages. Participants become fully vested upon completion of two years of employment. Total expenses under this plan were approximately \$88,500 in 2007 and \$40,000 in 2006. Total payroll covered under this plan was approximately \$18,853,000 in 2007 and \$18,185,000 in 2006.

Clerical, office, technical, maintenance, grounds, and service staff and public safety officers hired before the above dates 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. Participants become fully vested upon completion of 10 years of employment.

The University's policy is to fund the current annual required contribution. The annual required contribution was determined as part of an actuarial valuation at July 1, 2006, using the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial liabilities. Significant assumptions include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 3.5 percent per year, including step increases, and (c) no cost of living adjustment.

Activity for the Maintenance, Grounds and Service Employees' Retirement Fund for the years ended June 30, 2007 and 2006 is as follows:

	Year Ended June 30	
	2007	2006
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 289,740	\$ 262,895
Net appreciation in fair value of investments	669,556	127,496
Gain on sale of investments	428,839	277,337
Total investment income	1,388,135	667,728
Employer contributions	738,609	618,304
Other income	1,508	-
Total additions	2,128,252	1,286,032

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 5 - Retirement Benefits (Continued)

	Year Ended June 30	
	2007	2006
<b>Deductions</b>		
Benefit payments	\$ 383,504	\$ 383,799
Administrative expense	32,054	22,599
Total deductions	415,558	406,398
<b>Transfers</b>	-	276
<b>Net Increase</b>	1,712,694	879,910
<b>Net Assets Held in Trust for Pension Benefits</b>		
Beginning of year	6,800,374	5,920,464
End of year	\$ 8,513,068	\$ 6,800,374

Activity for the Clerical, Office and Technical Employees' Retirement Fund for the years ended June 30, 2007 and 2006 is as follows:

	Year Ended June 30	
	2007	2006
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 765,744	\$ 696,309
Net appreciation in fair value of investments	1,892,711	412,347
Gain on sale of investments	1,045,153	659,592
Total investment income	3,703,608	1,768,248
Employer contributions	1,713,452	1,580,136
Other income	42,275	36,344
Total additions	5,459,335	3,384,728

# Grand Valley State University

## Notes to Financial Statements June 30, 2007 and 2006

### Note 5 - Retirement Benefits (Continued)

	Year Ended June 30	
	2007	2006
<b>Deductions</b>		
Benefit payments	\$ 672,505	\$ 582,844
Administrative expense	54,475	29,304
Total deductions	726,980	612,148
<b>Transfers</b>	-	(276)
<b>Net Increase</b>	4,732,355	2,772,304
<b>Net Assets Held in Trust for Pension Benefits</b>		
Beginning of year	18,195,963	15,423,659
End of year	\$ 22,928,318	\$ 18,195,963

Three-year trend information is as follows:

	Fiscal Year Ended June 30		
	2007	2006	2005
Annual pension cost	\$ 2,452,061	\$ 2,198,440	\$ 2,011,427
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	-	-	-

The University also provides certain healthcare 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:

	2007	2006	2005
Retirees receiving benefits	226	218	221
Total costs	\$ 260,700	\$ 362,200	\$ 357,700

# Grand Valley State University

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## Notes to Financial Statements June 30, 2007 and 2006

### Note 6 - Commitments

The University has an arrangement with the State of Michigan and State Building Authority (the SBA) to finance a large portion of the Padnos College of Engineering and Computing and 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. During the 2007 fiscal year, ownership of the Center for Health Professions and the Life Science Complex transferred to the University for the consideration of \$1.

The University has entered into an agreement with Van Andel Research Institute for the purpose of constructing a Good Manufacturing Practices Lab that is funded by grants from the State of Michigan and the federal government. Beginning November 1, 2006, the lab will be leased for \$140,000 (excluding CPI adjustments) over five years, with an option to renew for an additional five years.

The University has leased a portion of a downtown parking lot to Bicycle Factory, LLC commencing on June 1, 2007 for a 30-year period, receiving an upfront payment of \$792,000.

The University has agreed to lease the Michigan Alternative and Renewable Energy Facility from the City of Muskegon at no cost through June 30, 2025. Ownership of the building will revert to the University at lease termination for \$1.

### Note 7 - 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 \$14.2 million in 2007 and 2006. The workers' compensation stop-loss insurance limits its liability for claims paid per individual to \$500,000 in 2007 and 2006. Liabilities for estimated claims retained by the University under self-insurance programs have been established.

### **Note 7 - Contingencies (Continued)**

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.

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 8 - 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 \$114,645,287 and \$105,645,101 was appropriated by the State in 2007 and 2006, respectively, to be allocated to the public school academies, net of approximately a 3 percent administrative fee retained by the University. At June 30, 2007, \$20,777,160 was outstanding as a receivable from the State, of which \$19,638,782 will be subsequently forwarded to the public school academies. At June 30, 2006, \$19,194,809 was outstanding as a receivable from the State, of which \$17,824,106 was subsequently forwarded to the public school academies. This activity is treated as an agency transaction. Two public school academies closed on June 30, 2007 and the University plans to activate two new academies.

### **Note 9 - Recent Accounting Pronouncements**

The University will be required to implement the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, effective with the fiscal year ending June 30, 2008. The University will be required to address the accounting for the liabilities related to the postemployment benefits for healthcare and other nonpension benefits. While the University is not currently required to record this liability for future benefits, an actuarial study estimates this liability at \$10.2 million.

### Note 10 - Subsequent Events

The State of Michigan has not yet approved the 2008 fiscal year appropriation.

In April 2007, the board of trustees authorized the issuance of up to \$75 million of bonds to fund four new capital projects, which include Honors Housing, Movement Science and Indoor Recreation Building, classroom additions, and additions to the Student Activity Center. The bonds were issued in September 2007. The University has expended \$9 million as of June 30, 2007 to begin these projects as allowed under the declaration of official intent. The University has elected to report this activity as restricted in the Plant Fund, which results in negative restricted net assets. When the proceeds are received from the aforementioned bond issue, these funds will be used to reimburse the capital outlays incurred.

In connection with the issuance of approximately \$28 million of variable rate debt, the University has entered into a swap transaction in September 2007 for the notional amount of \$28 million, whereby the University will pay a fixed rate of 3.691 percent and receive a variable rate of 70 percent of one-month LIBOR.

To secure payment for a utility agreement, the University requested a \$450,000 letter of credit during August 2007, which will expire on March 11, 2011.

## **Additional Information**

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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, 2007 and 2006. 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*

October 1, 2007

# Grand Valley State University

## Schedule of Endowment and Similar Funds June 30, 2007

	Balance July 1, 2006	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2007	Retained Investment Income	Principal Balance June 30, 2007
<b>Endowment Funds</b>								
Alumni Heritage Scholarship Fund	\$ 364,036	\$ 41,029	\$ 74,154	\$ 17,889	\$ 524	\$ 461,854	\$ 118,142	\$ 343,712
David G. and Mary L. Annis Scholarship	73,406	1,507	14,518	3,520	1,521	87,432	19,392	68,040
Joseph E. Appelt P.E. Engineering Scholarship Fund	37,168	-	7,144	1,747	-	42,565	13,073	29,492
R.B. Annis Educational Foundation and Outreach Program Endowment	57,027	25,020	14,615	-	-	96,662	20,942	75,720
APICS Scholarship Fund	37,805	-	7,266	1,777	-	43,294	38,194	5,100
John T. Batchelder Political Science Scholarship	-	8,610	487	-	150	9,247	487	8,760
Ara Cary Lectureship Fund	49,596	60	9,535	2,331	-	56,860	17,190	39,670
Baker-Hall Physics Fund	53,999	1,015	10,546	2,566	365	63,359	26,742	36,617
David Alan Bergsma Scholarship Fund	55,560	-	10,679	2,611	-	63,628	52,993	10,635
Fred A. Bell Business Scholarship Endowment	39,921	-	7,673	1,876	-	45,718	14,477	31,241
William C. Baum Endowment	68,702	1,750	13,445	3,269	23	80,651	21,128	59,523
Nancy H. Baum Endowment in Dance	33,196	970	7,506	-	-	41,672	17,472	24,200
Hyman H. & Greta M. Berkowitz Scholarship Fund	416,519	86	80,091	19,582	153	477,267	213,002	264,265
Beckering Family Carillon Endowment	13,707	10,100	4,102	-	100	28,009	4,809	23,200
Edith I. Blodgett Endowed Music Scholarship Fund	57,242	272	11,071	2,702	272	66,155	34,002	32,153
Biology Field and Laboratory Enhancement Fund	68,287	11,557	14,315	3,402	554	91,311	30,011	61,300
The Biomedical/Health Science Fund	15,538	1,638	2,163	-	525	19,864	5,641	14,223
Darid and Joyce Black Physical Therapy Scholarship in Memory of Robert Klein	16,511	6,225	4,119	-	192	27,047	6,113	20,934
Joan Boand Athletic Scholarship Fund	53,828	1,925	10,643	2,582	205	64,019	19,610	44,409
Ira Brad Memorial Scholarship	60,460	10,071	13,142	3,132	-	80,541	18,513	62,028
William J. & Margaret G. Branstrom Fund	114,133	-	21,937	5,364	-	130,706	82,120	48,586
The Donna K. Brooks Presidential Scholarship	291,230	5,123	56,690	13,808	293	339,528	83,302	256,226
The Brooks Family Minority Scholarship	292,401	-	56,212	13,745	77	334,945	82,935	252,010
Johnny C. Burton Memorial Scholarship Fund	75,677	116	14,573	3,561	108	86,913	32,324	54,589
Greg Cadaret Baseball Fund	69,652	405	13,641	3,287	182	80,593	39,512	41,081
Bernard & Camile Cebelak Scholarship Fund	186,070	65,000	40,643	9,382	-	282,331	52,331	230,000
Barry Castro Business Ethics Scholarship	46,181	10,292	11,766	2,681	12,288	77,846	11,224	66,622
Robert L. Chamberlain Scholarship Fund	56,972	559	11,085	2,702	426	66,340	33,936	32,404
Hong Chen Memorial Endowment Fund	25,280	50	4,873	1,190	50	29,063	7,892	21,171
Douglas K. Chung Asian Social Work Graduate Scholarship	16,652	4,903	4,222	-	5,492	31,269	5,305	25,964
Collegiate Entrepreneurs' Organization (CEO) Scholarship	83,811	25	16,113	3,940	-	96,009	21,923	74,086
School of Communications Scholarship Fund	40,169	686	7,870	1,914	509	47,320	13,762	33,558

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2007

	Balance	Gifts and	Investment	Distribution	Intra Fund	Balance	Retained	Principal
	July 1, 2006	Additions	Income and	Beneficiary	Distribution	June 30, 2007	Investment	Balance
			Deductions	Funds			Income	June 30, 2007
<b>Endowment Funds (Continued)</b>								
Community Leadership Scholarship	\$ 47,174	\$ 16,801	\$ 10,452	\$ 2,427	\$ 6	\$ 72,006	\$ 12,249	\$ 59,757
Computer Science and Information Systems Endowment	96,019	2,281	18,841	4,576	1,058	113,623	42,471	71,152
The COT Association Scholarship Endowment Fund	95,563	1,494	18,730	4,554	1,463	112,696	31,954	80,742
David Daniels Memorial Scholarship Fund	62,936	820	12,250	2,984	470	73,492	34,398	39,094
Aaron M. DesRocher Memorial Chemistry Scholarship	7,650	2,389	1,929	-	271	12,239	2,563	9,676
Pamella and Daniel G. DeVos Musical Theater Scholarship	-	30,000	972	-	-	30,972	972	30,000
DeWitt Barrels Inc. Environmental Science and Natural Resources Scholarship	-	7,109	990	-	176	8,275	990	7,285
Gilbert R. and Patricia K. Davis Endowed Merit Scholarship	92,009	1,914	17,921	4,360	573	108,057	39,357	68,700
Greta & Arthur DeLong Perpetual Scholarship Fund	77,025	60	14,824	3,624	75	88,360	35,020	53,340
Mary Jane Dockeray Scholarship Fund	85,410	500	16,486	4,026	-	98,370	37,802	60,568
Scott M. Dykstra Oliver Products Company Engineering Scholarship	56,040	1,103	10,979	2,682	83	65,523	18,409	47,114
L. V. Eberhard Scholarship Fund	579,519	25	111,389	27,237	-	663,696	394,473	269,223
Eitzen Voice Scholarship Fund	112,961	1,429	21,987	5,357	930	131,950	57,391	74,559
Jean Enright Women and Gender Studies Scholarship	-	2,433	420	-	208	3,061	420	2,641
School of Engineering Fund	158,992	2,786	31,128	7,572	1,617	186,951	77,782	109,169
Enrichment Fund	568,560	7,200	110,148	26,868	-	659,040	382,215	276,825
Faculty Teaching and Learning Center Endowment	2,288,298	1,295	440,125	107,603	1,185	2,623,300	710,184	1,913,116
Film and Video Scholarship	28,051	1,002	5,592	1,350	775	34,070	10,246	23,824
Finance Department Endowment	82,219	940	15,913	3,881	350	95,541	28,649	66,892
Football Alumni Endowment Fund	-	10,490	561	-	-	11,051	561	10,490
Richard E. Flanders Scholarship Fund	134,251	1,598	26,342	6,354	148	155,985	71,141	84,844
Robert W. Fletcher Memorial Endowment	22,463	8,852	6,186	-	7,216	44,717	8,150	36,567
Geology Endowment Development Fund	117,129	810	22,610	5,523	171	135,197	70,243	64,954
Geology Student Field Endowment	34,782	1,024	6,894	1,670	582	41,612	13,961	27,651
The General Dynamics Land Systems Engineering Scholarship	40,803	-	7,843	1,918	-	46,728	14,728	32,000
Charlotte A. Gierst & Salome C. Egeler Trust Fund	72,458	800	14,065	3,436	-	83,887	38,807	45,080
The Grand Valley Lanthorn Merit Scholarship	25,189	5,113	5,259	-	263	35,824	10,223	25,601
Richard Giles Memorial Scholarship Fund	361,153	660	69,499	16,988	-	414,324	255,823	158,501
The Graduate Teacher Certification Scholarship	59,314	6,444	12,223	2,958	100	75,123	18,884	56,239
Grand Valley Grand Forum Endowment	171,120	7,917	34,047	8,247	486	205,323	72,581	132,742
Grand Valley State University Athletic Fund	178,519	7,154	34,739	8,435	660	212,637	74,900	137,737
GVSU Women's Scholarship Endowment	63,368	2,022	12,632	3,059	1,739	76,702	19,649	57,053
Hanenberg Scholarship	-	20,000	648	-	-	20,648	648	20,000
Grand Valley State University Fund	4,849,773	184,034	928,973	409,609	(174,751)	5,378,420	3,374,204	2,004,216

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2007

	Balance July 1, 2006	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2007	Retained Investment Income	Principal Balance June 30, 2007
<b>Endowment Funds (Continued)</b>								
Earl Harper Scholarship Fund	\$ 64,127	\$ 350	\$ 12,374	\$ 3,022	\$ -	\$ 73,829	\$ 35,734	\$ 38,095
Hauenstein Center for Presidential Studies Endowment	207,576	80,715	49,068	-	1,500	338,859	70,240	268,619
Joyce Hecht Distinguished Scholarship in Philanthropy	138,968	720	26,806	6,549	106	160,051	40,386	119,665
William Hegarty Endowment Fund	30,902	250	6,055	1,472	732	36,467	10,633	25,834
Arthur C. Hills Music Scholarship Fund	76,286	1,107	14,901	3,625	835	89,504	45,520	43,984
Hispanic Scholarship Fund	65,260	1,124	12,821	3,116	1,048	77,137	28,919	48,218
Dr. James D. Hoffman Scholarship	92,639	-	17,806	4,354	-	106,091	33,039	73,052
Honors Program Enrichment	4,373	350	894	-	-	5,617	2,180	3,437
Hilda C. Holder Endowed Scholarship for Women in Business Fund	38,476	50	7,409	1,811	50	44,174	9,074	35,100
J. C. Huizenga Business Scholarship	-	30,000	4,177	-	-	34,177	4,177	30,000
The Professor Paul A. Huizenga Biology Education Scholarship	75,582	5,870	15,091	3,634	240	93,149	19,615	73,534
W. G. Jackson Fund	222,746	211	42,860	10,477	181	255,521	101,413	154,108
The Dorothy A. Johnson Center for Philanthropy Library Endowment	590,022	27	113,418	27,733	48	675,782	170,575	505,207
The Dorothy A. Johnson Center for Philanthropy Operations Endowment	1,194,650	885,858	345,323	-	8,168	2,433,999	421,411	2,012,588
Jurries Family Scholarship	16,261	5,000	3,345	-	-	24,606	4,606	20,000
Fred M. and Bernadine Keller Engineering Diversity Scholarship	51,007	-	9,804	2,397	-	58,414	8,414	50,000
Lynne Kraemer Memorial Scholarship Fund	40,249	-	7,736	1,892	-	46,093	28,399	17,694
Kirkhof College of Nursing Endowment	119,921	5,745	24,077	5,814	2,424	146,353	47,091	99,262
Don Klein Endowment	99,452	5,925	20,027	4,848	200	120,756	28,752	92,004
Walton Boston Koch Memorial Scholarship	35,148	264	6,791	1,658	64	40,609	20,264	20,345
The Albert S. and Ella D. Koeze Art Scholarship	14,526	25	2,847	-	50	17,448	6,341	11,107
A. Scott and Ruth P. Koeze Graduate Business Scholarship	25,300	5,000	5,648	-	-	35,948	5,648	30,300
The Jack J. Korff Seidman College of Business Finance Scholarship	31,951	5,110	6,848	1,620	-	42,289	7,179	35,110
Logie Fellowship Endowment	146,895	500	28,304	6,916	-	168,783	43,448	125,335
Loutit Foundation Fund	214,183	46	18,821	-	(18,775)	214,275	-	214,275
GVSU LGBT Scholarship Endowment	51,521	5,383	11,306	2,669	5,585	71,126	16,001	55,125
The Mike Lints Track and Field Equipment Endowment	30,534	2,489	7,489	2,402	607	38,717	10,521	28,196
Arend D. and Nancy Lubbers Honors College Scholarship	749,380	5,332	144,308	35,241	418	864,197	253,547	610,650
Mullendore Legal Studies Criminal Justice Scholarship	50,054	24,113	16,285	3,473	24,048	111,027	14,981	96,046
Mathematics Endowment Fund	162,512	1,584	31,554	7,695	766	188,721	76,147	112,574
Johnson Center Russell Mawby Fellowship	-	25,000	3,481	-	-	28,481	3,481	25,000
Dr. Faite R-P. Mack and Dr. Thomas E. Jackson Scholarship Fund	74,287	218	14,331	3,501	173	85,508	35,174	50,334
Corky Meinecke Scholarship Endowment Fund	50,631	175	9,762	2,386	38	58,220	15,884	42,336
Fred Meijer Diversity Scholarship	21,222	6,250	5,063	-	-	32,535	7,535	25,000

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2007

	Balance July 1, 2006	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2007	Retained Investment Income	Principal Balance June 30, 2007
<b>Endowment Funds (Continued)</b>								
Memorial Garden Endowment	\$ 2,400	\$ 340	\$ 6,645	\$ -	\$ 1,000	\$ 10,385	\$ 7,165	\$ 3,220
Paul C. Miller Scholarship Fund	169,958	-	32,667	7,988	-	194,637	94,314	100,323
Paul C. and Florence Miller Mineral Collection Endowment	51,594	50	9,929	2,427	50	59,196	18,747	40,449
Helen Claytor Minority Scholarship	1,236,926	2,973	238,266	58,230	693	1,420,628	436,672	983,956
Mithilesh & Jitendra Mishra Foreign Student/Faculty Scholarship Fund	30,676	23	5,906	1,444	45	35,206	12,286	22,920
Jacob B. Mol Family Scholarship Fund	82,311	1,100	16,412	4,021	-	95,802	46,839	48,963
Dr. Rodney J. Mulder Social Work Scholarship	62,941	895	12,213	2,978	-	73,071	20,261	52,810
Mark A. and Elizabeth C. Murray International Travel Fund	-	19,360	4,991	-	15,148	39,499	4,991	34,508
Nichols Sustainability Scholarship	-	10,100	575	-	-	10,675	575	10,100
Glenn A. and Betty J. Niemeyer History Scholarship Endowment	102,758	3,154	20,248	4,918	1,267	122,509	45,267	77,242
The Judith S. Pratt Non-Traditional Nursing Scholarship	57,145	2,040	11,424	2,762	1,495	69,342	18,315	51,027
The Nedra J. Otis Art Scholarship	75,716	2,170	15,179	3,670	2,486	91,881	25,749	66,132
Arnold C. Ott Lectureship in Chemistry	668,201	300	128,443	31,405	-	765,539	265,239	500,300
Stuart and Barbara Padnos Chair in Art and Design	-	1,000	32	-	-	1,032	32	1,000
Barbara Padnos Scholarship Fund	1,191,841	259	229,128	56,024	188	1,365,392	363,771	1,001,621
Peace and Justice Award Fund	49,134	1,050	9,557	2,326	298	57,713	28,267	29,446
Physical Therapy Department Fund	45,080	1,421	9,002	2,177	1,192	54,518	20,229	34,289
Eugene and Lillian Pawl Scholarship	304	300	101	-	-	705	105	600
William F. Pickard Fund	82,668	-	15,889	3,885	-	94,672	63,907	30,765
Seymour and Esther Padnos Engineering Scholarship	596,285	30	114,619	28,027	30	682,937	172,212	510,725
Pathways to Recovery Scholarship	-	8,138	462	-	-	8,600	462	8,138
Ross W. Perry Bachelor of Science Scholarships	258,849	-	49,753	12,166	-	296,436	91,321	205,115
Positive Black Woman Endowment Fund	45,140	2,162	9,134	2,200	1,408	55,644	15,587	40,057
Paul W. Potter and Margaret E. Potter Scholarship	-	30,000	972	-	-	30,972	972	30,000
Berthold Price Scholarship Fund	150,904	2,747	29,535	7,191	1,378	177,373	82,135	95,238
Price Heneveld Engineering Scholarship	70,645	-	13,578	3,320	-	80,903	19,489	61,414
Margaret Proctor School of Communications Scholarship	17,088	1,994	3,773	-	1,429	24,284	7,907	16,377
Plant Service Personnel Descendants Scholarship Fund	411,068	9,443	81,201	19,708	8,027	490,031	143,476	346,555
Dr. George I. Quimby Memorial Anthropology Endowment	4,040	734	899	-	352	6,025	1,439	4,586
Dr. George I. and Helen Z. Quimby Scholarship	16,278	5,200	3,382	-	100	24,960	5,326	19,634
Reister Family Scholarship Endowment	86,258	2,180	16,785	4,086	182	101,319	27,606	73,713
Warren Reynolds Endowed Scholarship	20,338	49	3,738	-	47	24,172	9,033	15,139
Laura Sakoski Memorial Scholarship	-	2,760	150	-	-	2,910	150	2,760

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2007

	Balance July 1, 2006	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2007	Retained Investment Income	Principal Balance June 30, 2007
<b>Endowment Funds (Continued)</b>								
John Salski Memorial Fund	\$ 38,865	\$ -	\$ 7,470	\$ 1,827	\$ -	\$ 44,508	\$ 13,982	\$ 30,526
Science Math Development Fund	71,481	425	13,823	3,374	200	82,555	52,105	30,450
The J. Patrick Sandro Education Scholarship	53,611	939	10,513	2,558	668	63,173	18,314	44,859
The Ilene I. Schooley Biomedical Sciences Scholarship	33,741	10	6,488	1,586	10	38,663	8,459	30,204
Science Equipment Fund	2,036,634	600	391,560	95,745	-	2,333,049	1,359,858	973,191
School of Public and Nonprofit Administration Endowment	27,002	1,108	5,472	1,009	746	33,319	13,072	20,247
Mary & Wilhelm Seeger Scholarship Fund	143,006	8,735	28,356	6,852	705	173,950	70,658	103,292
Seidman College of Business Study Abroad Scholarship	20,042	939	4,133	-	808	25,922	7,270	18,652
Seidman College of Business Management Department Scholarship	1,726	432	390	-	144	2,692	647	2,045
Seidman Endowment Fund	1,288,245	8,096	248,399	60,673	649	1,484,716	830,894	653,822
Esther L. Seidman Chair in Management Fund	342,704	-	65,870	16,107	-	392,467	217,067	175,400
Joseph Stevens Freedom Fund	116,064	503	22,395	5,469	241	133,734	56,733	77,001
Marilyn and B. P. Sherwood III Scholarship Fund	26,151	-	5,026	1,229	-	29,948	12,027	17,921
Social Work Scholarship Fund	31,004	919	6,088	1,479	192	36,724	12,632	24,092
Ram Singh Social Work Scholarship	33,723	395	6,605	1,609	469	39,583	11,365	28,218
The Social Work Minority Scholarship	39,200	804	7,717	1,875	540	46,386	13,253	33,133
Social Work Faculty Development Fund	29,500	640	5,951	-	720	36,811	14,871	21,940
Ryan Short Memorial Scholarship Fund	72,568	903	14,162	3,448	811	84,996	24,859	60,137
Joseph Spruit Engineering Scholarship	51,020	-	9,806	2,398	-	58,428	7,428	51,000
Drs. Esther and Enrico Sobong Scholarship	35,974	-	6,914	1,691	-	41,197	10,897	30,300
Statistics Endowment Fund	33,306	1,025	6,644	1,607	868	40,236	10,712	29,524
The Howard and Rose Stein Endowed Biology Scholarship	44,723	2,314	9,058	2,190	806	54,711	16,641	38,070
Steelcase Inc. Seidman College of Business Diversity Scholarship	69,253	30,100	17,449	-	10,000	126,802	26,457	100,345
Esther Rehm Stotz Scholarship Fund	141,153	125	27,151	6,638	25	161,816	91,227	70,589
Spectrum Health Diversity Scholarship	82,398	44	15,857	3,877	80	94,502	19,211	75,291
Tim Strickler Pre-Medical Scholarship	15,000	(9,300)	1,332	-	-	7,032	1,332	5,700
The Subar Family - Model Coverall Service Scholarship	35,424	1,000	6,947	1,688	-	41,683	12,683	29,000
Duke Tanaka Jr. Anatomy Scholarship	6,000	1,600	2,227	-	5,800	15,627	2,227	13,400
Tax Program Fund	123,317	200	23,731	5,801	-	141,447	76,369	65,078
The Telephone Pioneers of America, Great Lakes Chapter #90 Scholarship Fund	67,566	-	12,987	3,176	-	77,377	35,151	42,226
Edward Tremba Geology Scholarship Fund	74,145	380	14,334	3,499	210	85,570	43,793	41,777
A Trust for Science Education Endowment	149,790	912	29,024	7,080	886	173,532	53,261	120,271
University Library Fund	274,054	5,664	53,775	13,087	3,055	323,461	169,630	153,831

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2007

	Balance July 1, 2006	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2007	Retained Investment Income	Principal Balance June 30, 2007
<b>Endowment Funds (Continued)</b>								
VanSteeland Arboretum Fund	\$ 121,062	\$ 991	\$ 23,405	\$ 5,711	\$ 475	\$ 140,222	\$ 78,000	\$ 62,222
Kenneth Venderbush Endowment Fund	17,482	1,000	3,446	-	-	21,928	7,703	14,225
The Donald and Barbara VanderJagt Mathematics and Athletic Scholarship	38,250	1,125	7,533	1,822	1,025	46,111	12,640	33,471
Volkhardt Family Scholarship	139,754	250	26,931	6,580	250	160,605	43,399	117,206
Florence Cowan Ward Scholarship for Nursing	139,836	5,000	27,570	6,689	-	165,717	43,353	122,364
WRI Equipment Fund	2,221,475	55	426,995	104,411	44	2,544,158	1,385,669	1,158,489
Margaret Ward Music Scholarship	29,768	50	5,731	1,401	30	34,178	7,826	26,352
Westerman Nursing Scholarship Fund	151,765	270	29,186	7,136	-	174,085	72,500	101,585
Margaret F. Ward Art and Design Scholarship	27,582	1,021	5,345	1,299	-	32,649	5,828	26,821
WGVU Scholarship Fund	361,820	512	69,674	17,029	420	415,397	210,910	204,487
WGVU - TV Program Endowment Fund	58,574	803	11,473	2,791	916	68,975	20,127	48,848
Weldon Memorial Chemistry Fund	152,036	1,902	29,581	7,209	909	177,219	81,240	95,979
West Side Service Projects Endowment	-	29,133	4,895	315	-	33,713	4,580	29,133
Holliday Willey Psychology Scholarship for the Study of Pervasive Development Disorders	30,657	2,036	6,369	1,526	1,708	39,244	10,354	28,890
H. James and Carole Campbell Williams Business Scholarship	-	2,700	411	-	1,200	4,311	411	3,900
William James Fund	33,857	250	6,542	1,597	-	39,052	22,219	16,833
Shawn D. Wiersma Criminal Justice Memorial Scholarship	38,635	(5,328)	6,595	1,828	200	38,274	7,882	30,392
Shelia Williams Student Leadership Development Fund	126,690	977	24,552	5,990	571	146,800	81,277	65,523
Bill and Diana Wipperfurth Annis Water Resources Institute Student Research Scholarship	32,294	1,108	6,260	1,521	68	38,209	6,572	31,637
Wisner Physical Therapy Scholarship	109,721	5,400	21,341	5,172	250	131,540	25,015	106,525
Doug and Linda Woods Athletic Training Scholarship Endowment	84,232	14,979	17,102	4,135	132	112,310	27,677	84,633
Wrestling Endowment	8,915	1,320	1,801	-	72	12,108	4,166	7,942
Writing Department Faculty Scholarship	10,619	2,426	2,658	-	2,297	18,000	4,444	13,556
Women's Center Endowment	12,094	10,911	3,060	-	719	26,784	3,155	23,629
William Zimmerman Memorial Scholarship	31,351	3,575	6,938	1,628	3,050	43,286	10,819	32,467
Felix V. & Gladys A. Zukaitis Scholarship Trust	203,271	-	39,070	9,554	-	232,787	107,187	125,600
Felix V. & Gladys A. Zukaitis Athletic Trust	212,460	-	40,836	9,986	-	243,310	118,125	125,185
Whitney Young Village Outreach Engineering Scholarship	-	100,000	-	-	-	100,000	-	100,000
<b>Total endowment funds</b>	<b>33,815,261</b>	<b>2,006,234</b>	<b>6,704,808</b>	<b>1,680,018</b>	<b>(21,847)</b>	<b>40,824,438</b>	<b>16,514,885</b>	<b>24,309,553</b>

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2007

	Balance July 1, 2006	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2007	Retained Investment Income	Principal Balance June 30, 2007
<b>Funds Functioning as Endowments</b>								
Accounting Scholarship Fund	\$ 399,423	\$ 4,990	\$ 77,560	\$ 18,910	\$ 730	\$ 463,793	\$ 239,087	\$ 224,706
Alumni Scholarship Fund	747,443	4,090	144,225	35,224	245	860,779	406,234	454,545
Angus Fund	1,464,076	2,340	281,758	68,871	279	1,679,582	829,898	849,684
Owen F. Bieber Scholarship Trust	618,972	60	118,973	29,092	-	708,913	395,443	313,470
Business & Engineering Internship Fund	1,629,761	-	315,825	58,453	-	1,887,133	1,345,811	541,322
Alexander Calder Honors Scholarship	29,302	-	5,632	1,377	-	33,557	7,973	25,584
Entrepreneurial Center Endowment	1,540,897	-	296,172	72,422	-	1,764,647	543,046	1,221,601
Leon W. Hall Trust Fund	733,975	-	141,075	34,497	-	840,553	506,141	334,412
Charles & Florence Irwin Scholarship Endowment Fund	203,161	4,263	39,638	9,647	468	237,883	94,073	143,810
Russel H. Kirkhof Fund	2,305,677	-	443,168	108,367	-	2,640,478	1,633,179	1,007,299
Seymour & Esther Padnos School of Engineering Padnos Fund	2,341,788 1,556,519	50 -	450,122 299,174	110,066 73,156	50 -	2,681,944 1,782,537	1,175,557 782,512	1,506,387 1,000,025
Joe E. Reid Memorial Scholarship Fund	80,665	660	15,606	3,809	75	93,197	43,570	49,627
Charles C. Saur Fund	48,445	-	(2,809)	-	-	45,636	(65,940)	111,576
Science Religion Project	161,337	-	31,499	-	-	192,836	31,499	161,337
SPX Corporation Engineering Scholarship Fund	130,215	-	25,028	6,120	-	149,123	99,013	50,110
Robert C. Trotter Scholarship Fund	498,650	-	95,844	23,437	-	571,057	423,190	147,867
Undistributed Income Fund	793,672	-	155,009	-	18,821	967,502	967,502	-
VanderMey Endowment	154,257	-	29,649	7,250	-	176,656	62,229	114,427
R.B. Annis WRI Endowment	1,551,573	31,834	302,782	73,691	1,179	1,813,677	718,240	1,095,437
Grand Rapids Continuing Education	1,111,963	-	217,095	-	-	1,329,058	955,076	373,982
<b>Total funds functioning as endowments</b>	<b>18,101,771</b>	<b>48,287</b>	<b>3,483,025</b>	<b>734,389</b>	<b>21,847</b>	<b>20,920,541</b>	<b>11,193,333</b>	<b>9,727,208</b>

# Grand Valley State University

## Schedule of Endowment and Similar Funds (Continued) June 30, 2007

	Balance July 1, 2006	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2007	Retained Investment Income	Principal Balance June 30, 2007
<b>Annuity Funds</b>								
John T. and Shirley D. Batchelder Charitable Gift Annuity	\$ 43,580	\$ -	\$ 11,459	\$ -	\$ -	\$ 55,039	\$ 36,216	\$ 18,823
George C. and Margaret T. Cope Charitable Gift Annuity	8,158	-	1,731	-	-	9,889	1,806	8,083
Dr. Gilbert R. and Patricia K. Davis Charitable Gift Annuities	31,753	-	8,287	-	-	40,040	26,640	13,400
Peter Merrick Turner Charitable Gift Annuity	11,703	-	2,723	-	-	14,426	2,860	11,566
Leslie Eitzen Charitable Gift Annuity	9,482	-	1,315	-	-	10,797	3,703	7,094
Ralph and Grace Hauenstein Charitable Gift Annuities	312,409	-	36,072	-	-	348,481	(114,498)	462,979
John and Janice Heerspink Charitable Gift Annuity	-	1,635	(147)	-	-	1,488	(147)	1,635
Harvey E. Lemmen Charitable Gift Annuities	(29,426)	60,000	3,183	-	-	33,757	(55,105)	88,862
Dr. Dorothy Merrill Charitable Gift Annuity	12,961	-	3,045	-	-	16,006	(963)	16,969
John F. and Mae D. Shipley Charitable Gift Annuity	-	4,897	627	-	-	5,524	627	4,897
John T. Tevebaugh Charitable Gift Annuity	7,407	-	1,432	-	-	8,839	4,464	4,375
Total annuity funds	408,027	66,532	69,727	-	-	544,286	(94,397)	638,683
Total endowment and similar funds	<b>\$ 52,325,059</b>	<b>\$ 2,121,053</b>	<b>\$ 10,257,560</b>	<b>\$ 2,414,407</b>	<b>\$ -</b>	<b>\$ 62,289,265</b>	<b>\$ 27,613,821</b>	<b>\$ 34,675,444</b>

# Grand Valley State University

## Schedule of Net Assets by Fund June 30, 2007

	Current Funds									Consolidated Totals	
	General	Designated	Auxiliary	Expendable	Total	Loan	Endowment	Plant	Agency	2007	2006
	Fund	Fund	Fund	Fund	Funds	Fund	Fund	Fund	Fund		
<b>Assets</b>											
<b>Current Assets</b>											
Cash and cash equivalents	\$ 6,592,924	\$ 3,192,294	\$ (39,465)	\$ 1,216,993	\$ 10,962,746	\$ (363,811)	\$ -	\$ 2,892,064	\$ (212,836)	\$ 13,278,163	\$ 4,724,496
Restricted cash and cash equivalents	-	-	-	-	-	-	49,772	363,410	-	413,182	444,516
Short-term investments	8,201,028	5,011,062	-	2,145,263	15,357,353	678,597	-	4,301,137	-	20,337,087	30,097,672
Accounts receivable	319,902	643,938	916,684	5,692,739	7,573,263	-	-	799,385	655,974	9,028,622	6,095,944
State appropriation receivable	3,696,300	-	-	-	3,696,300	-	-	3,059,073	20,777,160	27,532,533	30,556,027
Pledges receivable	-	23,009	-	1,614,615	1,637,624	-	-	-	-	1,637,624	1,791,944
Less allowance for uncollectible accounts	-	-	-	(95,004)	(95,004)	-	-	-	-	(95,004)	(65,719)
Net pledges receivable	-	23,009	-	1,519,611	1,542,620	-	-	-	-	1,542,620	1,726,225
Inventory	-	16,397	2,022,368	-	2,038,765	-	-	-	4,579	2,043,344	1,689,744
Prepaid expenses and other	969,591	617,735	-	65,024	1,652,350	168,992	-	-	-	1,821,342	3,842,193
Student notes receivable - Current portion	-	-	-	-	-	2,500,000	-	-	-	2,500,000	2,750,000
Total current assets	19,779,745	9,504,435	2,899,587	10,639,630	42,823,397	2,983,778	49,772	11,415,069	21,224,877	78,496,893	81,926,817
<b>Noncurrent Assets</b>											
Endowment investments	-	-	-	-	-	-	63,163,524	-	-	63,163,524	52,825,528
Other long-term investments	-	32,686,780	-	37,360	32,724,140	-	-	28,055,993	-	60,780,133	54,066,770
Pledges receivable	-	8,740	-	3,079,516	3,088,256	-	-	-	-	3,088,256	4,012,705
Less discount to present value	-	-	-	(654,607)	(654,607)	-	-	-	-	(654,607)	(762,273)
Net pledges receivable	-	8,740	-	2,424,909	2,433,649	-	-	-	-	2,433,649	3,250,432
Student notes receivable - Net	-	-	-	-	-	8,775,214	-	-	-	8,775,214	7,671,987
Capital assets - Net	-	-	-	-	-	-	-	458,208,746	-	458,208,746	450,060,062
Other assets	-	262,695	-	-	262,695	-	-	3,020,982	-	3,283,677	3,866,652
Total noncurrent assets	-	32,958,215	-	2,462,269	35,420,484	8,775,214	63,163,524	489,285,721	-	596,644,943	571,741,431
Total assets	\$ 19,779,745	\$ 42,462,650	\$ 2,899,587	\$ 13,101,899	\$ 78,243,881	\$ 11,758,992	\$ 63,213,296	\$ 500,700,790	\$ 21,224,877	\$ 675,141,836	\$ 653,668,248

# Grand Valley State University

## Schedule of Net Assets by Fund (Continued) June 30, 2007

	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	2007	2006
<b>Liabilities and Net Assets (Deficit)</b>											
<b>Current Liabilities</b>											
Accounts payable	\$ 2,506,915	\$ 566,660	\$ 1,842,923	\$ 1,716,162	\$ 6,632,660	\$ 32	\$ -	\$ 6,654,512	\$ 20,221,932	\$ 33,509,136	\$ 26,872,539
Accrued payroll and other benefits	12,746,127	57,000	-	-	12,803,127	-	-	-	413,869	13,216,996	12,325,160
Accrued interest expense and other liabilities	-	-	-	-	-	-	-	812,210	589,076	1,401,286	1,412,336
Deferred revenue	7,205,964	87,382	329,090	3,963,720	11,586,156	-	-	276,400	-	11,862,556	12,656,024
Long-term liabilities - Current portion	-	-	-	-	-	-	197,317	11,005,875	-	11,203,192	10,753,101
<b>Total current liabilities</b>	<b>22,459,006</b>	<b>711,042</b>	<b>2,172,013</b>	<b>5,679,882</b>	<b>31,021,943</b>	<b>32</b>	<b>197,317</b>	<b>18,748,997</b>	<b>21,224,877</b>	<b>71,193,166</b>	<b>64,019,160</b>
<b>Noncurrent Liabilities</b>											
Deferred revenue - Net of current portion	-	-	-	-	-	-	-	763,400	-	763,400	-
Long-term liabilities - Net of current portion	-	-	-	-	-	-	726,712	137,090,430	-	137,817,142	148,844,671
<b>Total liabilities</b>	<b>22,459,006</b>	<b>711,042</b>	<b>2,172,013</b>	<b>5,679,882</b>	<b>31,021,943</b>	<b>32</b>	<b>924,029</b>	<b>156,602,827</b>	<b>21,224,877</b>	<b>209,773,708</b>	<b>212,863,831</b>
<b>Net Assets (Deficit)</b>											
Invested in capital assets - Net of related debt	-	-	-	-	-	-	-	313,411,509	-	313,411,509	295,290,647
Restricted:											
Nonexpendable - Scholarships and academic support	-	-	-	-	-	-	24,309,553	-	-	24,309,553	22,306,343
Expendable:											
Scholarships and academic support	-	-	-	4,422,693	4,422,693	-	28,771,701	-	-	33,194,394	26,291,704
Capital projects	-	-	-	2,999,324	2,999,324	-	-	(9,034,115)	-	(6,034,791)	1,877,735
Loans	-	-	-	-	-	11,593,306	-	-	-	11,593,306	11,450,835
Unrestricted	(2,679,261)	41,751,608	727,574	-	39,799,921	165,654	9,208,013	39,720,569	-	88,894,157	83,587,153
<b>Total net assets (deficit)</b>	<b>(2,679,261)</b>	<b>41,751,608</b>	<b>727,574</b>	<b>7,422,017</b>	<b>47,221,938</b>	<b>11,758,960</b>	<b>62,289,267</b>	<b>344,097,963</b>	<b>-</b>	<b>465,368,128</b>	<b>440,804,417</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 19,779,745</b>	<b>\$ 42,462,650</b>	<b>\$ 2,899,587</b>	<b>\$ 13,101,899</b>	<b>\$ 78,243,881</b>	<b>\$ 11,758,992</b>	<b>\$ 63,213,296</b>	<b>\$ 500,700,790</b>	<b>\$ 21,224,877</b>	<b>\$ 675,141,836</b>	<b>\$ 653,668,248</b>

# Grand Valley State University

## Schedule of Revenues, Expenses, and Changes in Net Assets (Deficit) by Fund Year Ended June 30, 2007

	Current Funds								Consolidated Totals		
	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Total Current Funds	Student Loan Fund	Endowment Fund	Plant Fund	Eliminations	2007	2006
<b>Operating Revenues</b>											
Student tuition and fees	\$ 159,550,599	\$ 346,462	\$ -	\$ -	\$ 159,897,061	\$ -	\$ -	\$ -	\$ -	\$ 159,897,061	\$ 144,268,794
Less scholarship allowances	-	-	-	-	-	-	-	-	(21,254,608)	(21,254,608)	(17,958,919)
Net student tuition and fees	159,550,599	346,462	-	-	159,897,061	-	-	-	(21,254,608)	138,642,453	126,309,875
Government grants and contracts:											
Federal	-	-	-	28,297,911	28,297,911	-	-	-	-	28,297,911	22,242,962
State	-	-	-	2,091,012	2,091,012	-	-	-	-	2,091,012	1,804,219
Local	-	33,493	-	3,982	37,475	-	-	-	-	37,475	100,943
Nongovernmental grants	-	125,950	-	2,911,604	3,037,554	-	-	-	-	3,037,554	2,541,757
Sales and services of educational activities	708,682	6,485,671	-	276,368	7,470,721	-	-	-	-	7,470,721	6,538,117
Auxiliary activities	-	-	45,957,853	-	45,957,853	-	-	-	-	45,957,853	44,308,763
Less scholarship allowances	-	-	-	-	-	-	-	-	(4,538,024)	(4,538,024)	(4,084,698)
Net auxiliary activities	-	-	45,957,853	-	45,957,853	-	-	-	(4,538,024)	41,419,829	40,224,065
Indirect cost recoveries	908,610	-	-	(908,610)	-	-	-	-	-	-	-
Other sources	768,682	2,273,716	-	467,221	3,509,619	445,242	-	-	-	3,954,861	4,123,701
Endowment income	390,293	430,822	-	1,593,292	2,414,407	-	(2,414,407)	-	-	-	-
Total operating revenues	162,326,866	9,696,114	45,957,853	34,732,780	252,713,613	445,242	(2,414,407)	-	(25,792,632)	224,951,816	203,885,639
<b>Operating Expenses</b>											
Instruction	100,451,333	2,568,733	-	3,023,531	106,043,597	-	-	-	-	106,043,597	100,289,568
Research	2,545,896	352,093	-	3,817,704	6,715,693	-	-	-	-	6,715,693	5,457,581
Public service	1,734,202	6,330,775	-	9,730,888	17,795,865	-	-	-	-	17,795,865	14,017,118
Academic support	23,616,499	(2,974,570)	-	2,390,092	23,032,021	-	-	-	-	23,032,021	20,236,592
Student services	18,885,279	1,485,419	-	217,909	20,588,607	-	-	-	-	20,588,607	18,840,231
Institutional support	20,629,519	(462,951)	-	202,750	20,369,318	-	-	-	-	20,369,318	19,761,826
Operation and maintenance - Plant	22,929,914	416,996	-	2,081,199	25,428,109	-	-	2,890,537	-	28,318,646	22,143,969
Depreciation expense	-	-	-	-	-	-	-	18,135,829	-	18,135,829	17,352,426
Scholarships and related expenses	19,196,886	42,569	-	15,691,975	34,931,430	-	-	-	(25,792,632)	9,138,798	8,052,485
Auxiliary activities	-	-	32,816,130	-	32,816,130	-	-	-	-	32,816,130	30,915,910
Loan administrative fees and collection costs	-	-	-	-	-	297,282	-	-	-	297,282	351,056
Total operating expenses	209,989,528	7,759,064	32,816,130	37,156,048	287,720,770	297,282	-	21,026,366	(25,792,632)	283,251,786	257,418,762
<b>Operating Income (Loss)</b>	(47,662,662)	1,937,050	13,141,723	(2,423,268)	(35,007,157)	147,960	(2,414,407)	(21,026,366)	-	(58,299,970)	(53,533,123)

# Grand Valley State University

## Schedule of Revenues, Expenses, and Changes in Net Assets (Deficit) by Fund (Continued) Year Ended June 30, 2007

	Current Funds								Consolidated Totals		
	General	Designated	Auxiliary	Expendable	Total	Student	Endowment	Plant	Eliminations	2007	2006
	Fund	Fund	Activities	Restricted	Current	Loan	Fund	Fund			
<b>Nonoperating Revenues (Expense)</b>											
State appropriations	\$ 56,712,600	\$ -	\$ -	\$ -	\$ 56,712,600	\$ -	\$ -	\$ -	\$ -	\$ 56,712,600	\$ 61,587,500
Gifts	300,000	2,512,524	24,225	888,684	3,725,433	-	54,819	-	-	3,780,252	2,946,897
Investment income - Net of investment expense	1,726,007	3,732,207	(22,497)	132,985	5,568,702	35,449	10,257,560	-	-	15,861,711	8,327,028
Interest on capital asset - Related debt	-	-	-	-	-	-	-	(6,798,721)	-	(6,798,721)	(6,785,647)
Net nonoperating revenues (expense)	58,738,607	6,244,731	1,728	1,021,669	66,006,735	35,449	10,312,379	(6,798,721)	-	69,555,842	66,075,778
<b>Income (Loss) - Before other revenues, expenses, gains, and losses</b>	11,075,945	8,181,781	13,143,451	(1,401,599)	30,999,578	183,409	7,897,972	(27,825,087)	-	11,255,872	12,542,655
<b>Other Revenue, Expenses, Gains, and Losses</b>											
Capital appropriations	-	-	-	-	-	-	-	9,194,092	-	9,194,092	-
Capital gifts - Net of in-kind gift of computer software of \$7.5 million and \$5.6 million in 2007 and 2006, respectively	-	-	-	967,052	967,052	-	-	256,225	-	1,223,277	4,224,164
Add discount adjustment	-	-	-	78,381	78,381	-	-	-	-	78,381	(117,468)
Net capital gifts	-	-	-	1,045,433	1,045,433	-	-	256,225	-	1,301,658	4,106,696
Capital grants	-	-	-	1,049,002	1,049,002	-	-	-	-	1,049,002	278,829
Other capital income	-	-	-	-	-	-	-	3,819	-	3,819	1,706
Capital additions	(4,482,090)	(96,219)	(26,816)	(829,250)	(5,434,375)	-	-	5,434,375	-	-	-
Additions to permanent endowments	-	-	-	-	-	-	1,895,288	-	-	1,895,288	1,671,973
Gain (loss) on disposal of plant assets	94	2,454	-	-	2,548	-	-	(138,568)	-	(136,020)	(25,472)
Total other revenue, expenses, gains, and losses	(4,481,996)	(93,765)	(26,816)	1,265,185	(3,337,392)	-	1,895,288	14,749,943	-	13,307,839	6,033,732
<b>Transfers Out (In)</b>											
Mandatory transfers	3,704,237	49,802	12,598,299	(583,610)	15,768,728	-	(82,448)	(15,686,280)	-	-	-
Nonmandatory transfers	7,316,729	2,327,814	373,960	(408,454)	9,610,049	-	(88,500)	(9,521,549)	-	-	-
Total transfers	11,020,966	2,377,616	12,972,259	(992,064)	25,378,777	-	(170,948)	(25,207,829)	-	-	-
<b>Increase (Decrease) in Net Assets</b>	(4,427,017)	5,710,400	144,376	855,650	2,283,409	183,409	9,964,208	12,132,685	-	24,563,711	18,576,387
<b>Net Assets - Beginning of year</b>	1,747,756	36,041,208	583,198	6,566,367	44,938,529	11,575,551	52,325,059	331,965,278	-	440,804,417	422,228,030
<b>Net Assets (Deficit) - End of year</b>	\$ (2,679,261)	\$ 41,751,608	\$ 727,574	\$ 7,422,017	\$ 47,221,938	\$ 11,758,960	\$ 62,289,267	\$ 344,097,963	\$ -	\$ 465,368,128	\$ 440,804,417