Hope College

Financial Report
with Additional Information
June 30, 2007

Hope College

Contents

Plante & Moran, PLLC
Bridgewater Place
Suite 600
333 Bridge St. N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0702
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Hope College

We have audited the accompanying statement of financial position of Hope College (the "College") as of June 30, 2007 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's 2006 financial statements and, in our report dated August 31, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope College as of June 30, 2007 and the changes in its net assets and its cash flows for the year 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 September 24, 2007 on our consideration of Hope College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions on the internal control over financial reporting or on compliance. That 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.

As described in Note 7 to the financial statements, the College adopted the provisions of FASB 158, *Employee Accounting for Defined Benefit Pension and Other Postretirement Plans*, as of June 30, 2007.

Plante & Moran, PLLC

September 24, 2007

Hope College

Statement of Financial Position
June 30, 2007
(with comparative totals for June 30, 2006)

	2007	2006
Assets		
Assets		
Cash and cash equivalents	$ 17,182,353	$ 16,855,279
Investments (Note 2)	10,726,023	17,327,551
Receivables:		
Student accounts and loans receivable - Less allowance for doubtful accounts of $345,000 at June 30, 2007 and 2006	6,325,171	6,418,851
Contributions receivable - Net (Note 3)	4,077,343	4,930,285
Government grants receivable	1,615,125	535,166
Accrued income receivable	184,241	277,255
Other receivables	1,065,073	1,623,190
Inventories and other assets	600,535	601,661
Prepaid and deferred expenses	452,767	520,011
Loan issuance costs - Net	1,236,321	1,294,706
Investments held for long-term purposes (Note 2)	180,021,783	153,987,378
Contributions restricted for long-term purposes - Net (Note 3)	11,866,315	11,231,998
Land, buildings, and equipment - Net (Note 4)	149,567,866	150,838,444
Total assets	**$ 384,920,916**	**$ 366,441,775**

See Notes to Financial Statements.

Statement of Financial Position (Continued)
June 30, 2007
(with comparative totals for June 30, 2006)

	2007	2006
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 2,344,609	$ 3,094,116
Accrued liabilities	3,915,886	3,341,257
Students' and other deposits	1,218,694	1,081,179
Deferred tuition and fees	954,959	902,694
Tuition paid in advance (Note 8)	228,439	263,759
Obligations under split-interest agreements (Note 6)	11,141,206	10,502,686
Notes payable (Note 5)	79,875,000	85,648,770
Refundable Federal Perkins Loan advances	5,967,995	5,959,834
Accumulated employee postretirement plans (Note 7)	15,919,016	12,604,238
Total liabilities	121,565,804	123,398,533
Net Assets		
Unrestricted	156,380,798	137,890,184
Temporarily restricted	17,398,296	22,649,422
Permanently restricted	89,576,018	82,503,636
Total net assets	263,355,112	243,043,242
Total liabilities and net assets	**$ 384,920,916**	**$ 366,441,775**

Hope College

Statement of Activities
Year Ended June 30, 2007
(with comparative totals for year ended June 30, 2006)

	2007				2006
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, Gains, and Other Support					
Tuition and fees - Net of institutional discounts of $22,126,683 and $20,650,604 and other financial aid of $15,171,817 and $15,999,739 in 2007 and 2006, respectively	$ 44,408,776	$ -	$ -	$ 44,408,776	$ 42,221,428
Other student revenue	2,353,672	-	-	2,353,672	2,355,117
Contributions	2,510,046	1,599,616	-	4,109,662	8,452,527
Government grants and contracts	-	3,504,169	-	3,504,169	3,608,208
Endowment income recognized under spending policy	6,033,153	-	-	6,033,153	5,418,804
Other dividend and interest	1,535,711	1,281,750	-	2,817,461	2,038,197
Income from auxiliary activities	21,428,246	-	-	21,428,246	20,443,174
Other income	2,155,366	1,238,666	-	3,394,032	3,264,931
Total revenue, gains, and other support	80,424,970	7,624,201	-	88,049,171	87,802,386
Net Assets Released from Restrictions					
Purpose restrictions accomplished for research and various programs	- 7,989,196	- (7,989,196)	- -	- -	- -
Purpose restrictions accomplished for capital projects	3,776,412	(3,776,412)	-	-	-
Death of annuity beneficiary	190,690	(1,024,967)	834,277	-	-
Total net assets released from restrictions	11,956,298	(12,790,575)	834,277	-	-
Total revenue, gains, other support, and net assets released from restrictions	92,381,268	(5,166,374)	834,277	88,049,171	87,802,386
Expenses and Losses					
Instruction	29,630,818	-	-	29,630,818	27,336,405
Research	5,969,330	-	-	5,969,330	6,071,606
Academic support	7,511,163	-	-	7,511,163	6,985,706
Student services	11,421,555	-	-	11,421,555	10,433,450
Institutional support	5,356,668	-	-	5,356,668	4,957,713
Fund-raising	3,736,333	-	-	3,736,333	3,210,930
Sales and service	3,009,410	-	-	3,009,410	2,651,982
Auxiliary enterprises	24,665,800	-	-	24,665,800	22,610,986
Total expenses and losses	91,301,077	-	-	91,301,077	84,258,778
Increase (Decrease) in Net Assets - Before endowed gifts and related revenue	1,080,191	(5,166,374)	834,277	(3,251,906)	3,543,608
Endowed Gifts and Related Revenue					
Investment income - Net of endowment income recognized under spending policy	18,636,133	-	27,665	18,663,798	11,199,925
Change in value of split-interest agreements	-	(84,752)	-	(84,752)	(502,726)
Endowment and other permanently restricted contributions	-	-	6,210,440	6,210,440	5,650,764
Total endowed gifts and related revenue	18,636,133	(84,752)	6,238,105	24,789,486	16,347,963
Increase (Decrease) in Net Assets Before Change in Accounting Principle	19,716,324	(5,251,126)	7,072,382	21,537,580	19,891,571
Change in Accounting Principle (Note 7)	(1,225,710)	-	-	(1,225,710)	-
Increase (Decrease) in Net Assets	18,490,614	(5,251,126)	7,072,382	20,311,870	19,891,571
Net Assets - Beginning of year	137,890,184	22,649,422	82,503,636	243,043,242	223,151,671
Net Assets - End of year	$ 156,380,798	$ 17,398,296	$ 89,576,018	$ 263,355,112	$ 243,043,242

Hope College

Statement of Cash Flows
Year Ended June 30, 2007
(with comparative totals for year ended June 30, 2006)

	2007	2006
Cash Flows from Operating Activities		
Increase in net assets	$ 20,311,870	$ 19,891,571
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	7,528,496	5,745,861
Amortization of loan issuance costs	58,385	58,385
Accumulated postretirement benefits	3,314,778	507,108
Obligations under split-interest agreements	84,752	502,726
Net appreciation of investments	(8,520,166)	(9,795,029)
Net realized loss on disposal of equipment	-	178,615
Net realized gain on sale of investments	(12,106,978)	(4,721,952)
(Increase) decrease in assets:		
Accrued income	93,014	(17,398)
Grants receivable	(1,079,959)	239,129
Other receivables	558,117	(712,011)
Prepaid and deferred expenses	67,244	249,683
Inventory and other assets	1,126	(32,631)
Contributions receivable - Net of restricted proceeds	(6,941,550)	(7,925,388)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(174,878)	(613,248)
Students' and other deposits	137,515	(111,206)
Tuition paid in advance	(35,320)	(58,183)
Deferred tuition and fees	52,265	(24,026)
Accrued pension benefits	-	(274,857)
Net cash provided by operating activities	3,348,711	3,087,149
Cash Flows from Investing Activities		
Purchase of building improvements and equipment	(6,257,918)	(22,076,434)
Student loans collected	1,235,804	1,649,160
Student loans advanced	(1,142,124)	(1,194,642)
Proceeds from sale of investments	288,549,903	313,676,423
Purchase of investments	(287,355,636)	(305,358,858)
Net cash used in investing activities	(4,969,971)	(13,304,351)

Statement of Cash Flows (Continued)
Year Ended June 30, 2007
(with comparative totals for year ended June 30, 2006)

	2007	2006
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowment	$ 6,529,876	$ 5,333,121
Investment in land, buildings, and equipment	630,299	3,114,538
Payments on obligations under split-interest agreements	(300,812)	(358,645)
Proceeds from new split-interest agreements	854,580	506,191
Proceeds from issuance of notes payable and long-term debt	-	1,950,000
Payments of notes payable and long-term debt	(5,773,770)	(2,692,628)
Refundable Federal Perkins Loan advances	8,161	(15,416)
Net cash provided by financing activities	1,948,334	7,837,161
Net Increase (Decrease) in Cash and Cash Equivalents	327,074	(2,380,041)
Cash and Cash Equivalents - Beginning of year	16,855,279	19,235,320
Cash and Cash Equivalents - End of year	**$ 17,182,353**	**$ 16,855,279**

See Notes to Financial Statements.

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Operations - Hope College (the "College") is a four-year private residential institution located in Holland, Michigan. The College is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accrual Basis - The financial statements of the College have been prepared on the accrual basis.

Classification of Net Assets - Net assets of the College are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the College's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Permanently Restricted Net Assets - Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by the College. Permanently restricted net assets at June 30, 2007 are available for the following purposes:

Scholarships	$ 66,625,480
General activities of the College	22,208,494
Institutional student loans	742,044
Total permanently restricted net assets	$ 89,576,018

Temporarily Restricted Net Assets - Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that expire by passage of time or can be removed by actions of the College pursuant to those stipulations. Temporarily restricted net assets at June 30, 2007 are available for the following purposes:

Periods after June 30	$ 5,344,768
Building and equipment	4,822,259
Research, scholarships, and other	7,231,269
Total temporarily restricted net assets	$ 17,398,296

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Cash Equivalents - The College considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses reported on the statement of activities. Investments are stated at current market value based on quoted prices for publicly traded securities. Real estate investments are stated at cost on the date of acquisition or fair market value at the date of receipt in the case of gifts. Investments not publicly traded are either stated at cost, which approximates market, or at appraised market values when applicable. Hedge funds and alternatives 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 activities. 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.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract. The College has adopted the policy of recording temporarily restricted contributions as unrestricted if the restriction is met and released in the same accounting period.

Inventories - Inventories consist of books, merchandise, and food supplies, and are carried at the lower of cost or market determined by the first-in, first-out (FIFO) method.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Land, Buildings, and Equipment - Land, buildings, and equipment are recorded at cost, except for donated land and equipment, which are recorded at fair market value at the date of the gift. Depreciation is computed by the straight-line basis over the estimated useful lives of the assets, which range from 5 to 50 years. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major additions are capitalized.

Fair Values of Financial Instruments - The fair values of the College's financial instruments are as follows:

- **Cash and Cash Equivalents** - The carrying amount approximates fair value.
- **Investments** - A summary of the cost and fair value of various investments is provided in Note 2.
- **Contributions Receivable** - The carrying amount represents recorded promises to contribute, measured at fair value, net of estimated uncollectible promises (see Note 3).
- **Notes Payable** - At June 30, 2007, the carrying amount of the College's notes payable was approximately $79,875,000 compared to fair values of $80,150,000. The estimated fair values were based on rates available to the College for debt with similar terms and maturities as of June 30, 2007.
- **Obligations Under Split-interest Agreements** - The carrying amount approximates fair value.
- **Other** - The College's other financial instruments carried in the accompanying statement of financial position are amounts that approximate fair values.

Federal Financial Assistance Programs - The College 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, the College distributed approximately $9,612,000 for direct lending through the U.S. Department of Education, which is not included as revenues and expenditures on the accompanying financial statements.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

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 certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Tax Status - The College is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

Comparative Financial Information - The financial statements include certain summarized comparative information for 2006. Such information does not include information by net asset class or other disclosures in sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

Note 2 - Investments

The following summarizes the College's securities by type at June 30, 2007:

	Cost	Carrying Value
Real estate and land contracts	$ 2,312,742	$ 1,651,199
Stocks	12,274,531	6,717,198
Corporate bonds	1,267,300	1,210,865
Limited partnerships	53,426,637	67,557,928
Federal securities	2,237,066	2,206,027
Mutual funds	77,977,703	109,837,376
Other	1,572,393	1,567,213
Total securities	$ 151,068,372	$ 190,747,806

Investments to be used for bond service and endowment have a cost value of $148,993,198 and a carrying value of $180,021,783 and are classified as investments held for long-term purposes.

At June 30, 2007, the College has committed to investing additional capital of $24,656,960 in limited partnerships and private equity securities.

Note 2 - Investments (Continued)

Investment income included in the accompanying statement of activities is as follows:

Total dividends and interest - Net of fees	$ 2,817,461
Net realized and unrealized gains	24,696,951
Total	$ 27,514,412
Reported as:	
Endowment income recognized under spending policy	$ 6,033,153
Other dividend and interest income - Net of fees	2,817,461
Net gains on investments - Net of endowment income realized under spending policy	18,663,798
Total	$ 27,514,412

There was $618,000 of fees netted against investment income as of June 30, 2007.

Note 3 - Contributions Receivable

Contributions receivable are recorded at their net present value using a discount rate equal to the 30-year Treasury bond rate on June 30 of the year in which the gift was received. The contributions have been made primarily for capital and operating purposes, and are expected to be received as follows:

Less than one year	$ 4,077,344
One to five years	17,235,781
Total contributions receivable	21,313,125
Less unamortized discount	4,763,732
Less allowance for uncollectibles	605,735
Present value of contributions receivable	$ 15,943,658

Note 4 - Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following as of June 30, 2007:

Land and improvements	$ 16,621,545
Buildings	171,575,330
Equipment and other	28,743,662
Construction in progress	346,510
Total	217,287,047
Less accumulated depreciation	67,719,181
Land, buildings, and equipment - Net	$149,567,866

At June 30, 2007, the College had contracts of $958,667 outstanding relating to construction in progress.

Depreciation expense was $7,528,496 for the year ended June 30, 2007.

Note 5 - Notes Payable and Long-term Debt

The College has notes payable as follows as of June 30, 2007:

Unsecured MHEFA notes issued in connection with the Revenue Bonds of 2002, due serially each October 1 in amounts ranging from $365,000 in fiscal year 2008 to $6,715,000 in fiscal year 2032 for the Series A Bonds, plus interest payable semiannually, increasing from 3.4% to 5.9% per annum, and Series B Bonds due serially each April 1 in amounts ranging from $500,000 in 2008 to $1,145,000 in 2032, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2007 of 3.74%)	$ 37,315,000
Unsecured MHEFA notes issued in connection with the Revenue Bonds of 2004, due serially each April 1 in amounts ranging from $945,000 in 2008 to $1,200,000 in 2016, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2007 of 3.75%). The 2004 Bonds mature in 2034	22,395,000
Unsecured MHEFA notes issued in connection with the Revenue Refunding Bonds of 1999, due serially each October 1 in amounts ranging from $780,000 in 2007 to $2,925,000 in 2019, plus interest payable semiannually, increasing from 3.80% to 4.05% per annum	15,090,000

Note 5 - Notes Payable and Long-term Debt (Continued)

Unsecured MHEFA notes issued in connection with the Revenue Bonds of 1996, due serially each October 1 in amounts ranging from $345,000 in 2008 to $645,000 in 2017 for the Series A Bonds, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2007 of 5.37%)	$ 5,075,000
Total	$ 79,875,000

Scheduled minimum principal payments on these notes payable to maturity are as follows:

2008	$ 2,935,000
2009	3,070,000
2010	3,190,000
2011	3,300,000
2012	3,430,000
Thereafter	63,950,000
Total	$ 79,875,000

Due to the remarketing agreement related to the 2002B and 2004 bonds, it is possible, but not expected, that approximately $41,765,000 of this amount may be due current if these bonds are not able to be remarketed.

Other information concerning the more significant indenture agreements is as follows:

Michigan Higher Education Facilities Notes of 2004 - In July 2004, for the benefit of the College, the Michigan Higher Education Facilities Authority (MHEFA) issued $25,000,000 in general revenue and Refunding Variable Rate Demand Bonds. The bonds were used to provide funding for the remaining construction on the Martha Miller Center and the construction of the DeVos Fieldhouse as well as the advanced refunding of $4,890,000 Series 1994 Bonds, and $8,972,500 of Series 1996B Bonds.

The revenue of the College is pledged as collateral to the debt and, as additional collateral for the 2004 Bonds, the College obtained a letter of credit in the maximum amount of $22,671,103. This letter of credit shall terminate no earlier than July 15, 2012, or the first business day following the conversion of interest to a fixed rate.

Note 5 - Notes Payable and Long-term Debt (Continued)

Agreements related to the notes require that the College shall:

- Maintain for each year a liquidity ratio (as defined) equal to or greater than 100 percent (at June 30, 2007, the defined liquidity ratio amounted to 220 percent)

- Establish and maintain income available for debt service (as defined) in an amount sufficient to provide annually sums equal to at least 110 percent of maximum debt service (for the year ended June 30, 2007, income available for debt service was 209 percent of maximum debt service)

- Not incur an adjusted annual deficit (as defined) that is equal to or greater than 15 percent of total unrestricted current fund revenues plus cumulative realized and unrealized net gains on investments in any fiscal year, and the sum of adjusted annual deficit percentages in the immediately preceding last three fiscal years minus the sum of adjusted annual surplus percentages in the immediately preceding last three fiscal years shall not equal or exceed 25 percent (for the year ended June 30, 2007 and three preceding years, the College did not incur an adjusted annual deficit)

Michigan Higher Education Facilities Notes of 2002 - In April 2002, for the benefit of the College, MHEFA issued $18,910,000 in Limited Obligation Revenue Bonds (Series A) and $20,955,000 in Variable Rate Demand Limited Obligation Revenue Bonds (Series B), primarily to provide funding for the addition to the existing Peale Science Center and construction of the Martha Miller Center. The College executed notes payable to MHEFA related to such bonds. The obligation to make repayments on the notes payable related to the 2002 Series A and B Bonds are unsecured general obligations of the College.

At the option of the College, the variable rate Series B Bonds can be converted to a fixed rate on any business day of any calendar month, at which time the interest rate would be fixed by the lender at the prevailing market rate; therefore, the College's liability to MHEFA can be converted to a fixed interest rate.

The revenue of the College is pledged as collateral to the debt and, as additional collateral for the 2002 Series B Bonds, the College obtained a letter of credit in the maximum amount of $19,459,314. This letter of credit shall terminate no earlier than May 15, 2012, or the first business day following the conversion of interest to a fixed rate.

Note 5 - Notes Payable and Long-term Debt (Continued)

Agreements related to the notes require that the College shall:

- Maintain a Debt Service Reserve Fund or obtain a letter of credit for at least $1,370,470 (at June 30, 2007, the College has a letter of credit in the amount of $1,370,470, which expires on June 15, 2012)

- Maintain for each year a liquidity ratio (as defined) equal to or greater than 100 percent (at June 30, 2007, the defined liquidity ratio amounted to 220 percent)

- Establish and maintain income available for debt service (as defined) in an amount sufficient to provide annually sums equal to at least 110 percent of maximum debt service (for the year ended June 30, 2007, income available for debt service was 209 percent of maximum debt service)

- Not incur an adjusted annual deficit (as defined) that is equal to or greater than 15 percent of total unrestricted current fund revenues plus cumulative realized and unrealized net gains on investments in any fiscal year, and the sum of adjusted annual deficit percentages in the immediately preceding last three fiscal years minus the sum of adjusted annual surplus percentages in the immediately preceding last three fiscal years shall not equal or exceed 25 percent (for the year ended June 30, 2007 and three preceding years, the College did not incur an adjusted annual deficit)

- Not incur additional debt or leases without meeting certain additional requirements

Michigan Higher Education Facilities Notes of 1999 - In March 1999, for the benefit of the College, the Michigan Higher Education Facilities Authority issued $17,080,000 in Limited Obligation Revenue Refunding Bonds, Series 1999 primarily to advance refund $14,385,000 of previously issued 1994 Series Bonds. The College executed notes payable to MHEFA related to such bonds, and revenues of the College are pledged as collateral for repayment of the bonds.

Substantially all of the proceeds of the 1999 Series Bonds were placed in escrow with a bond trustee and used to purchase State of Michigan and United States Treasury obligations. The future cash flows from bond proceeds placed in escrow are expected to be sufficient to meet the obligations for debt service on the refunded bonds. In connection with the advance refunding, the College has been legally released from its notes to MHEFA associated with the portion of the Series 1994 Bonds to be refunded. As of June 30, 2007, $13,145,000 of the advance refunded bonds, which are considered extinguished, remains outstanding.

Note 5 - Notes Payable and Long-term Debt (Continued)

Agreements related to the notes require that the College shall:

- Maintain a Debt Service Reserve Fund of at least $1,540,653 (at June 30, 2007, the Debt Service Reserve Fund, included within investments in the accompanying statement of financial position, had a balance of $1,605,661)
- Maintain the market value of the marketable securities in its Endowment and Quasi-endowment Fund not pledged to any debt of the College at an amount equal to 2.0 times the sum of the principal outstanding of the Series 1999 Bonds and the Series 1996 Bonds, plus interest due on the Series 1999 Bonds and the Series 1996 Bonds on the next two succeeding interest payment dates, less any monies then on deposit in the Debt Service Reserve Fund and the Reserve Fund for the Series 1996 Bonds (at June 30, 2007, the market value of Endowment and Quasi-endowment Fund marketable securities was $171,376,864, which is approximately $130,187,980 more than the required market value)
- Establish and maintain income available for debt service (as defined) in an amount sufficient to provide annually sums equal to at least 115 percent of maximum annual debt service (for the year ended June 30, 2007, income available for debt service was 209 percent of maximum debt service)
- Not incur an adjusted annual deficit (as defined) that is equal to or greater than 15 percent of total unrestricted revenues in any fiscal year, and the sum of adjusted annual deficit percentages in the immediately preceding last three fiscal years minus the sum of adjusted annual surplus percentages in the immediately preceding last three fiscal years shall not equal or exceed 25 percent (for the year ended June 30, 2007 and the three preceding years, the College did not incur an adjusted annual deficit)
- Not incur additional debt or leases or enter into purchase contracts without meeting certain additional requirements

Michigan Higher Education Facilities Notes of 1996 - In June 1996, for the benefit of the College, MHEFA issued $7,150,000 in Limited Obligation Federally Taxable Variable Rate Revenue Bonds (Series A), primarily to provide funding for campus expansion and completion of the Haworth Center and Cook Residence Hall. The College executed notes payable to MHEFA related to such bonds. The obligation to make repayments on the notes payable related to the 1996 Series A are unsecured general obligations of the College.

At the option of the College, the variable rate Series A Bonds can be converted to a fixed rate on any business day of any calendar month, at which time the interest rate would be fixed by the lender at the prevailing market rate; therefore, the College's liability to MHEFA can be converted to a fixed interest rate.

Note 5 - Notes Payable and Long-term Debt (Continued)

The revenue of the College is pledged as collateral to the debt and, as additional collateral for the 1996 Series A Bonds, the College obtained a letter of credit in the maximum amount of $5,108,599. This letter of credit shall terminate no earlier than May 15, 2012, or the first business day following the conversion of interest to a fixed rate.

Agreements related to the notes require that the College shall:

- Establish and maintain income available for debt service (as defined) in an amount sufficient to provide annually sums equal to at least 115 percent of maximum debt service (for the year ended June 30, 2007, income available for debt service was 440 percent of maximum debt service)
- Not incur additional debt or leases without meeting certain additional requirements

The calculations supporting the various debt covenants at June 30, 2007 and for the year then ended are as follows:

2004 and 2002 Issue - Liquidity ratio:	
Market value of endowment fund	$ 164,651,662
Long-term debt	$ 79,875,000
Interest expense	3,585,839
Debt Service Reserve Fund	(8,725,784)
Total long-term debt plus interest less Debt Service Reserve Fund	$ 74,735,055
Liquidity ratio	220%
2004, 2002, and 1999 Issues - Debt service coverage:	
Current unrestricted fund - Increase in current year net assets	$ 2,091,112
Depreciation	7,528,496
Interest expense	3,585,839
Total income available for debt service	$ 13,205,447
Maximum annual debt service	$ 6,308,029
Percentage of debt service coverage	209%

Note 5 - Notes Payable and Long-term Debt (Continued)

1996 Issue - Income available for debt service:	
Current funds revenues plus plant funds gains (or losses)	$ 121,487,363
Current unrestricted funds expenses - Less mandatory transfers	(93,455,295)
Net income available for debt service	$ 28,032,068
Maximum debt service	$ 6,308,029
Ratio	440%

Note 6 - Beneficial Interests and Obligations Under Split-interest Agreements

The College is party to split-interest agreements with certain donors. These agreements include contracts entered into with certain donors and trust agreements from which the College benefits (matching unitrusts, pooled life revenue funds, and irrevocable trusts). Under each agreement, the donor has contributed funds to be held in trust, with the College as the beneficiary. As a condition of accepting the gift, the College is required to pay a specified amount each year to the donor or a designated beneficiary until his or her death. Upon death of the beneficiaries, the remaining funds become the property of the College. The beneficial interests (market value of assets) related to these agreements total approximately $14,800,500 and are included in cash and cash equivalents and investments.

Unrestricted and temporarily restricted contribution revenue for 2007 includes gifts under split-interest agreements of $196,001 for the year ended June 30, 2007. This revenue represents the excess of assets received totaling $1,050,581 over the present value of the obligations assumed under the agreements of $854,580.

Net assets related to these agreements are classified as temporarily and permanently restricted based on donor stipulations.

Obligations under split-interest agreements represent the present value of future payments to beneficiaries required under the agreements. The present value is computed based on the normal life expectancy of the beneficiaries, using discount rates ranging from 4.25 percent to 7.00 percent.

Note 7 - Employee Retirement Plans

The College has two pension plans that cover substantially all nonstudent employees, as follows:

1949 Plan - This noncontributory defined benefit plan was replaced by the 1966 plan. All of the participants are now retired. The pension fund consists of assets segregated for the purpose of meeting obligations under the 1949 plan. The College's policy is to fund the 1949 plan to the extent of required minimum contributions determined actuarially.

1966 Plan - This is a defined contribution plan covering substantially all regular faculty members, administrative, and other employees. The College contributes 10.5 percent of the regular compensation of covered employees on a monthly basis to the Teachers Insurance and Annuity Association and other approved plans. Total contributions to the plan by the College were approximately $2,900,000 in 2007. Employees may also make voluntary contributions to the plan up to certain limitations allowed by law. All contributions vest immediately.

Postretirement Benefits - The College also provides health care benefits to faculty who retire after attaining age 60 with 10 years of service, and to all retirees beginning at age 65. Effective January 1, 2005, the plan was amended to include a level of contribution by the retirees, based on years of service and employment date. A discount of 6.25 percent was used to calculate the postretirement benefits. The change in the accumulated postretirement benefit costs for the year ended June 30, 2007 is as follows:

	1949 Plan	1966 Plan	Postretirement Benefit Plan	Total
Accumulated postretirement benefit costs - July 1, 2006	$ (27,486)	$ 815,418	$ 12,604,238	$ 13,392,170
Service costs on benefits earned	-	147,553	297,951	445,504
Interest costs on accumulated postretirement benefit obligation	25,192	120,562	994,111	1,139,865
Expected return on plan assets	(22,368)	-	-	(22,368)
Amortization of prior service cost	7,983	93,091	(333,466)	(232,392)
Recognition of net actuarial loss	110,246	-	564,406	674,652
Net periodic postretirement benefit cost	121,053	361,206	1,523,002	2,005,261
Less benefit payments	(87,478)	(61,182)	(817,414)	(966,074)
Part D Subsidy	-	-	61,139	61,139
Participant contributions	-	-	200,810	200,810
Accumulated postretirement benefit costs - June 30, 2007 prior to implementation of FASB 158	6,089	1,115,442	13,571,775	14,693,306
Change in accounting principle - Adoption of FASB 158	-	1,157,099	68,611	1,225,710
Accrued postretirement benefit liability after adoption of FASB 158	$ 6,089	$ 2,272,541	$ 13,640,386	$ 15,919,016

Note 7 - Employee Retirement Plans (Continued)

The expected benefits to be paid in the next fiscal years are as follows:

	1949 Plan	1966 Plan	Postretirement Benefit Plan	Total
2008	-	$ 81,003	$ 542,904	$ 623,907
2009	-	72,290	551,242	623,532
2010	-	64,027	593,027	657,054
2011	-	56,256	669,114	725,370
2012	-	49,021	704,505	753,526
2013-2017	-	156,358	4,157,007	4,313,365

The 2007 costs were developed based on the health insurance plan in effect at June 30, 2007. For the year ended June 30, 2007, the actuary assumed that retiree medical cost increases would be 13 percent in the first year, 10 percent in the second year, and would gradually decrease each year until the rate of increase was 5 percent. The health care cost trend rate assumption significantly affects the amounts reported. For example, a one percentage point increase in each year would increase the accumulated postretirement benefit obligation as of June 30, 2007 by approximately $1,970,000 and the aggregate of the service and interest cost components of net periodic retiree health costs for 2007 by approximately $236,000.

During the year ended June 30, 2007, the College adopted the provisions of FASB Statement No. 158 (FAS 158), *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements No. 87, 88, 106, and 132(R). FAS 158 changes the accounting for defined benefit pension and postretirement plans by requiring that the full over- or underfunded status of a defined benefit plan be recognized as an asset or liability. For defined benefit pension plans, the funded status of the plan is the difference between the projected benefit obligation (PBO) and the fair value of plan assets. For all other postretirement benefit plans, the funded status is the difference between the accumulated postretirement benefit obligation (ABO) and the fair value of plan assets.

The adoption of FAS 158 as of June 30, 2007 resulted in a decrease to unrestricted net assets of $1,225,710.

Note 7 - Employee Retirement Plans (Continued)

The incremental effects of applying FAS 158 on individual line items in the balance sheet as of June 30, 2007 are as follows:

	Before Application of FASB 158	Adjustments	After Application of FASB 158
Accumulated employee postretirement plans	$ 14,693,306	$ 1,225,710	$ 15,919,016
Total liabilities	120,340,094	1,225,710	121,565,804
Unrestricted net assets	155,155,088	(1,225,710)	156,380,798
Total net assets	262,129,402	(1,225,710)	263,355,112

Note 8 - Tuition Paid in Advance

The College introduced, and then terminated, a program whereby tuition for a four-year program could be prepaid in a lump sum. Approximately $660,000 in payments were received under the program on behalf of 54 individuals in 1986. The balance will be recognized ratably as tuition revenue over the first four years the students are enrolled at the College, ending in 2008.

Note 9 - Related Party Transactions

The College provides tuition grants to employees and dependents of employees under an employee tuition plan. Such individuals must meet certain employment and academic requirements. Benefits under the plan do not vest. Tuition grants related to this plan were $1,986,490 during 2007.

The investment committee of the board of trustees has authorized the allocation of up to 15 percent of endowment funds to investments that may involve board members or other related parties of the College. The carrying value of such investments totaled $6,204,674 at June 30, 2007.

Note 10 - Cash Flows

Non-cash investing activities during 2007 consisted of non-cash gifts and contributions totaling $1,006,590. Cash paid for interest during 2007 totaled $3,597,625.

Note 11 - Subsequent Event

Subsequent to June 30, 2007, one of the College's investments incurred an other than temporary loss of approximately $2,440,000. The College recorded this loss in its financial statements as of June 30, 2007.

Additional Information

plante moran

Plante & Moran, PLLC
Bridgewater Place
Suite 600
333 Bridge St. N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0702
plantemoran.com

To the Board of Trustees
Hope College

We have audited the financial statements of Hope College for the year ended June 30, 2007. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying combining statement of financial position - all funds as of June 30, 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 24, 2007

	Current Unrestricted	Current Restricted	Plant
Assets			
Cash and cash equivalents	$ 4,234,281	$ 6,630,957	$ 5,340,407
Investments	465,612	-	9,792,712
Receivables:			
Student accounts and loans receivable - Less allowance for doubtful accounts of $345,000 at June 30, 2007 and 2006	573,152	-	-
Contributions receivable	5,520	324,792	2,473,422
Government grants receivable	-	1,615,125	-
Accrued income receivable	152,754	-	25,321
Other receivables	969,944	3,452	-
Inventories and other assets	600,535	-	-
Prepaid and deferred expenses	375,756	-	-
Loan issuance costs - Net	-	-	1,236,321
Investments held for long-term purposes	-	-	-
Contributions restricted for long-term purposes - Net	4,750	2,064,860	4,300,581
Land, buildings, and equipment - Net	-	-	149,567,866
Total assets	**$ 7,382,304**	**$ 10,639,186**	**$ 172,736,630**

Combining Statement of Financial Position - All Funds
June 30, 2007
(with comparative totals for June 30, 2006)

June 30					
2007					2006
Endowment	Annuities	Agency	Student Loan	Total	Total
$ (3,035,187)	$ 1,976,979	748,604	$ 1,286,312	$ 17,182,353	$ 16,855,279
466,698	1,001	-	-	10,726,023	17,327,551
-	-	-	5,752,019	6,325,171	6,418,851
1,273,609	-	-	-	4,077,343	4,930,285
-	-	-	-	1,615,125	535,166
-	6,166	-	-	184,241	277,255
-	-	91,677	-	1,065,073	1,623,190
-	-	-	-	600,535	601,661
-	-	77,011	-	452,767	520,011
-	-	-	-	1,236,321	1,294,706
167,220,151	12,801,632	-	-	180,021,783	153,987,378
5,496,124	-	-	-	11,866,315	11,231,998
-	-	-	-	149,567,866	150,838,444
$ 171,421,395	**$ 14,785,778**	**$ 917,292**	**$ 7,038,331**	**$ 384,920,916**	**$ 366,441,775**

	Current Unrestricted	Current Restricted	Plant
Liabilities and Net Assets (Deficit)			
Liabilities			
Accounts payable	1,467,976	124,511	$ 685,759
Accrued liabilities	2,461,075	7,935	1,446,876
Students' and other deposits	378,248	-	-
Deferred tuition and fees	897,309	-	-
Tuition paid in advance	-	228,439	-
Obligations under split-interest agreements	-	-	-
Notes payable	-	-	79,875,000
Refundable Federal Perkins Loan advances	-	-	-
Accumulated postretirement benefits	15,919,016	-	-
Total liabilities	21,123,624	360,885	82,007,635
Net Assets (Deficit)			
Unrestricted (deficit)	(13,741,320)	3,072,360	83,164,743
Temporarily restricted	-	7,197,941	6,557,657
Permanently restricted	-	8,000	1,006,595
Total net assets (deficit)	(13,741,320)	10,278,301	90,728,995
Total liabilities and net assets (deficit)	**$ 7,382,304**	**$ 10,639,186**	**$ 172,736,630**

Combining Statement of Financial Position - All Funds (Continued)
June 30, 2007
(with comparative totals for June 30, 2006)

	June 30					
	2007					2006
	Endowment	Annuities	Agency	Student Loan	Total	Total
	$ 11,203	$ 35,202	$ 19,196	$ 762	$ 2,344,609	$ 3,094,116
	-	-	-	-	3,915,886	3,341,257
	-	-	840,446	-	1,218,694	1,081,179
	-	-	57,650	-	954,959	902,694
	-	-	-	-	228,439	263,759
	-	11,141,206	-	-	11,141,206	10,502,686
	-	-	-	-	79,875,000	85,648,770
	-	-	-	5,967,995	5,967,995	5,959,834
	-	-	-	-	15,919,016	12,604,238
	11,203	11,176,408	917,292	5,968,757	121,565,804	123,398,533
	83,557,485	-	-	327,530	156,380,798	137,890,184
	33,328	3,609,370	-	-	17,398,296	22,649,422
	87,819,379	-	-	742,044	89,576,018	82,503,636
	171,410,192	3,609,370	-	1,069,574	263,355,112	243,043,242
	$ 171,421,395	**$ 14,785,778**	**$ 917,292**	**$ 7,038,331**	**$ 384,920,916**	**$ 366,441,775**