Hope College

Financial Report
with Additional Information
June 30, 2008

Hope College

Contents

Plante & Moran, PLLC
Suite 400
634 Front Avenue 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, 2008 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 2007 financial statements and, in our report dated September 24, 2007, 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.

As explained in Note 2, the financial statements include investments valued at approximately $124 million (44 percent of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

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, 2008 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 October 27, 2008 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.

Plante & Moran, PLLC

October 27, 2008

Hope College

Statement of Financial Position
June 30, 2008
(with comparative totals for June 30, 2007)

	2008	2007
Assets		
Cash and cash equivalents	$ 18,454,483	$ 17,182,353
Receivables:		
Student accounts and loans receivable - Less allowance for doubtful accounts of $370,000 and $345,000 at June 30, 2008 and 2007, respectively	6,828,015	6,325,171
Contributions receivable - Net (Note 3)	10,486,026	4,077,343
Government grants receivable	955,952	1,615,125
Accrued income receivable	222,786	184,241
Other receivables	2,278,554	1,065,073
Inventories and other assets	729,733	600,535
Prepaid and deferred expenses	572,786	452,767
Loan issuance costs - Net	1,177,936	1,236,321
Investments held for long-term purposes (Note 2)	180,580,423	190,747,806
Contributions restricted for long-term purposes - Net (Note 3)	29,654,613	11,866,315
Land, buildings, and equipment - Net (Note 4)	148,384,121	149,567,866
Total assets	**$ 400,325,428**	**$ 384,920,916**

Statement of Financial Position (Continued)
June 30, 2008
(with comparative totals for June 30, 2007)

	2008	2007
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 2,662,334	$ 2,344,609
Accrued liabilities	3,482,547	4,144,325
Students' and other deposits	1,336,105	1,218,694
Deferred tuition and fees	861,608	954,959
Obligations under split-interest agreements (Note 6)	11,112,997	11,141,206
Notes payable (Note 5)	77,125,000	79,875,000
Fair value of interest rate swap (Note 5)	439,102	-
Refundable Federal Perkins Loan advances	5,940,215	5,967,995
Accumulated employee postretirement plans (Note 7)	16,607,266	15,919,016
Total liabilities	119,567,174	121,565,804
Net Assets		
Unrestricted	156,034,375	156,380,798
Temporarily restricted	25,629,995	17,398,296
Permanently restricted	99,093,884	89,576,018
Total net assets	280,758,254	263,355,112
Total liabilities and net assets	**$ 400,325,428**	**$ 384,920,916**

Hope College

Statement of Activities
Year Ended June 30, 2008
(with comparative totals for year ended June 30, 2007)

	2008 Unrestricted	2008 Temporarily Restricted	2008 Permanently Restricted	2008 Total	2007 Total
Revenue, Gains, and Other Support					
Tuition and fees - Net of institutional discounts of $24,173,618 and $22,126,683 and other financial aid of $16,145,585 and $15,171,817 in 2008 and 2007, respectively	$ 46,765,362	$ -	$ -	$ 46,765,362	$ 44,408,776
Other student revenue	2,280,807	-	-	2,280,807	2,353,672
Contributions	12,148,289	16,441,741	-	28,590,030	4,109,662
Government grants and contracts	-	3,383,700	-	3,383,700	3,504,169
Endowment income recognized under spending policy	6,304,462	-	-	6,304,462	6,033,153
Dividend, interest, and other	488,826	(346,629)	-	142,197	2,817,461
Income from auxiliary activities	23,904,211	-	-	23,904,211	21,428,246
Other income	1,828,253	1,830,202	-	3,658,455	3,394,032
Total revenue, gains, and other support	93,720,210	21,309,014	-	115,029,224	88,049,171
Net Assets Released from Restrictions					
Purpose restrictions accomplished for research and various	-	-	-	-	-
programs	7,542,925	(7,542,925)	-	-	-
Purpose restrictions accomplished for capital projects	4,865,626	(4,865,626)	-	-	-
Death of annuity beneficiary	146,598	(519,170)	372,572	-	-
Total net assets released from restrictions	12,555,149	(12,927,721)	372,572	-	-
Total revenue, gains, other support, and net assets released from restrictions	106,275,359	8,381,293	372,572	115,029,224	88,049,171
Expenses and Losses					
Instruction	31,116,208	-	-	31,116,208	29,630,818
Research	5,593,409	-	-	5,593,409	5,969,330
Academic support	7,781,027	-	-	7,781,027	7,511,163
Student services	11,830,900	-	-	11,830,900	11,421,555
Institutional support	5,363,506	-	-	5,363,506	5,356,668
Fund-raising	4,285,143	-	-	4,285,143	3,736,333
Sales and service	3,033,449	-	-	3,033,449	3,009,410
Auxiliary enterprises	25,645,275	-	-	25,645,275	24,665,800
Total expenses and losses	94,648,917	-	-	94,648,917	91,301,077
Increase (Decrease) in Net Assets - Before endowed gifts and related revenue	11,626,442	8,381,293	372,572	20,380,307	(3,251,906)
Endowed Gifts and Related Revenue					
Investment (loss) income - Net of endowment income recognized under spending policy	(11,972,865)	-	51,501	(11,921,364)	18,663,798
Change in value of split-interest agreements	-	(149,594)	-	(149,594)	(84,752)
Endowment and other permanently restricted contributions	-	-	9,093,793	9,093,793	6,210,440
Total endowed gifts and related revenue	(11,972,865)	(149,594)	9,145,294	(2,977,165)	24,789,486
Increase (Decrease) in Net Assets Before Change in Accounting Principle	(346,423)	8,231,699	9,517,866	17,403,142	21,537,580
Change in Accounting Principle (Note 7)	-	-	-	-	(1,225,710)
Increase (Decrease) in Net Assets	(346,423)	8,231,699	9,517,866	17,403,142	20,311,870
Net Assets - Beginning of year	156,380,798	17,398,296	89,576,018	263,355,112	243,043,242
Net Assets - End of year	**$ 156,034,375**	**$ 25,629,995**	**$ 99,093,884**	**$ 280,758,254**	**$ 263,355,112**

See Notes to Financial Statements.

Hope College

Statement of Cash Flows
Year Ended June 30, 2008
(with comparative totals for year ended June 30, 2007)

	2008	2007
Cash Flows from Operating Activities		
Increase in net assets	$ 17,403,142	$ 20,311,870
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	6,985,892	7,528,496
Amortization of loan issuance costs	58,385	58,385
Accumulated postretirement benefits	688,250	3,314,778
Obligations under split-interest agreements	149,594	84,752
Net depreciation (appreciation) of investments	14,693,837	(8,520,166)
Loss on interest rate swap liability	439,102	-
Net realized gain on sale of investments	(7,001,774)	(12,106,978)
(Increase) decrease in assets:		
Accrued income	(38,545)	93,014
Grants receivable	659,173	(1,079,959)
Other receivables	(1,213,481)	558,117
Prepaid and deferred expenses	(120,019)	67,244
Inventory and other assets	(129,198)	1,126
Contributions receivable - Net of restricted proceeds	(49,116,908)	(6,941,550)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(344,053)	(210,198)
Students' and other deposits	117,411	137,515
Deferred tuition and fees	(93,351)	52,265
Net cash (used in) provided by operating activities	(16,862,543)	3,348,711
Cash Flows from Investing Activities		
Purchase of building improvements and equipment	(5,802,147)	(6,257,918)
Student loans collected	791,106	1,235,804
Student loans advanced	(1,293,950)	(1,142,124)
Proceeds from sale of investments	164,972,901	288,549,903
Purchase of investments	(162,497,581)	(287,355,636)
Net cash used in investing activities	(3,829,671)	(4,969,971)

Statement of Cash Flows (Continued)
Year Ended June 30, 2008
(with comparative totals for year ended June 30, 2007)

	2008	2007
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowment	$ 9,411,956	$ 6,529,876
Investment in land, buildings, and equipment	15,507,971	630,299
Payments on obligations under split-interest agreements	(570,810)	(300,812)
Proceeds from new split-interest agreements	393,007	854,580
Payments of notes payable and long-term debt	(2,750,000)	(5,773,770)
Refundable Federal Perkins Loan advances - Net of assignments	(27,780)	8,161
Net cash provided by financing activities	21,964,344	1,948,334
Net Increase in Cash and Cash Equivalents	1,272,130	327,074
Cash and Cash Equivalents - Beginning of year	17,182,353	16,855,279
Cash and Cash Equivalents - End of year	**$ 18,454,483**	**$ 17,182,353**

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, 2008 are available for the following purposes:

Scholarships	$ 73,754,323
General activities of the College	24,584,775
Institutional student loans	754,786
Total permanently restricted net assets	$ 99,093,884

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, 2008 are available for the following purposes:

Periods after June 30	$ 12,406,476
Building and equipment	13,190,191
Research, scholarships, and other	33,328
Total temporarily restricted net assets	$ 25,629,995

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, 2008, the carrying amount of the College's notes payable was $77,125,000 compared to fair values of $78,170,000. The estimated fair values were based on rates available to the College for debt with similar terms and maturities as of June 30, 2008.
- **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 2008, the College distributed approximately $10,118,000 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)

Functional Expenses - Program expenses on the statement of activities are classified as instruction, student services, and research. Support and administrative expenses include academic support, institutional support, sales and service, and auxiliary enterprises. Fund-raising costs have been identified separately on the statement of activities.

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.

Concentration of Credit Risk Arising from Deposit Accounts - The College maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. As of June 30, 2008, the College had uninsured deposits totaling approximately $1,662,000. The College evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits. Subsequent to year end, the FDIC increased the insured portion up to $250,000, therefore reducing the uninsured portion of the College's cash balances.

Risks and Uncertainties - The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position.

Comparative Financial Information - The financial statements include certain summarized comparative information for 2007. 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, 2007, from which the summarized information was derived.

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

New Accounting Pronouncement - In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The provisions of SFAS 157 are effective for the fiscal year beginning July 1, 2008. The College is currently evaluating the impact, if any, of the provisions of SFAS 157 on the College's financial statements.

Reclassification - Certain 2007 balances have been reclassified to be consistent with the current year presentation.

Note 2 - Investments

The following summarizes the College's securities by type at June 30, 2008:

	Cost	Carrying Value
Real estate and land contracts	$ 3,312,742	$ 2,066,199
Stocks	6,579,644	6,313,311
Corporate bonds	2,357,587	2,277,129
Limited partnerships	55,210,730	67,133,310
Federal securities	2,210,469	2,256,372
Mutual funds	74,923,235	99,385,670
Other	1,158,092	1,148,432
Total securities	$ 145,752,499	$ 180,580,423

Included in the above securities is approximately $124 million in investments, generally consisting of hedge funds, limited partnerships, and other private equity securities that do not have readily determinable fair market values, and consequently have been recorded at their estimated fair market value based upon the most recent available valuation.

At June 30, 2008, the College has committed to investing additional capital of $40,916,899 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	$ 2,696,585
Net realized and unrealized losses	(8,171,290)
Total	$ (5,474,705)
Reported as:	
Endowment income recognized under spending policy	$ 6,304,462
Other dividend and interest income - Net of fees	142,197
Net losses on investments - Net of endowment income realized under spending policy	(11,921,364)
Total	$ (5,474,705)

There was $785,000 of fees netted against investment income as of June 30, 2008.

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	$ 10,486,026
One to five years	37,598,368
Total contributions receivable	48,084,394
Less unamortized discount	7,107,399
Less allowance for uncollectibles	836,356
Present value of contributions receivable	$ 40,140,639

Note 4 - Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following as of June 30, 2008:

Land and improvements	$ 17,008,193
Buildings	173,794,985
Equipment and other	29,256,458
Construction in progress	1,471,924
Total	221,531,560
Less accumulated depreciation	73,147,439
Net land, buildings, and equipment	$148,384,121

At June 30, 2008, the College had contracts of $4,519,297 outstanding relating to construction in progress.

Depreciation expense was $6,985,892 for the year ended June 30, 2008.

Note 5 - Notes Payable and Long-term Debt

The College has notes payable as follows as of June 30, 2008:

Unsecured Michigan Higher Education Facilities Authority (MHEFA) notes issued in connection with the Revenue Bonds of 2002, due serially each October 1 in amounts ranging from $385,000 in fiscal year 2009 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 $520,000 in 2009 to $1,145,000 in 2032, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2008 of 1.56%). The 2002 bonds mature in 2032	$ 36,625,000
Unsecured MHEFA notes issued in connection with the Revenue Bonds of 2004, due serially each April 1 in amounts ranging from $980,000 in 2009 to $1,200,000 in 2016, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2008 of 1.56%). The 2004 bonds mature in 2034	21,450,000

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

Unsecured MHEFA notes issued in connection with the Revenue Refunding Bonds of 1999, due serially each October 1 in amounts ranging from $820,000 in 2008 to $2,925,000 in 2019, plus interest payable semiannually, increasing from 3.80% to 4.05% per annum. The 1999 bonds mature in 2021	$ 14,310,000
Unsecured MHEFA notes issued in connection with the Revenue Bonds of 1996, due serially each October 1 in amounts ranging from $365,000 in 2009 to $645,000 in fiscal year 2017 for the Series A Bonds, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2008 of 2.70%. The 1996 bonds mature in fiscal year 2017	4,740,000
Total	$ 77,125,000

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

2009	$ 3,070,000
2010	3,190,000
2011	3,300,000
2012	3,430,000
2013	5,670,000
Thereafter	58,465,000
Total	$ 77,125,000

Due to the remarketing agreement related to the 2002B and 2004 bonds, it is possible, but not expected, that approximately $40,495,000 of this amount may be due current if these bonds are not able to be remarketed. Any amounts not remarketed on the 1996 bonds will become due in 375 days and bear an interest rate of 4.5 percent.

Subsequent to year end, $880,000 of the 1996 bonds has been drawn on the letter of credit and now bear an interest rate of 4.5 percent. If bonds continue to not be remarketed, the balance will be due in full in 2010. The College expects the bonds to remarket prior to the expiration date and therefore has not adjusted the principal payment schedule above.

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

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, 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.

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, 2008, the defined liquidity ratio amounted to 223 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, 2008, income available for debt service was 194 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, 2008 and three preceding years, the College did not incur an adjusted annual deficit)

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

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 obligations 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.

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, 2008, 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, 2008, the defined liquidity ratio amounted to 223 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, 2008, income available for debt service was 194 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, 2008 and three preceding years, the College did not incur an adjusted annual deficit)

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

- 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, 2008, $12,470,000 of the advance refunded bonds, which are considered extinguished, remains outstanding.

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, 2008, the Debt Service Reserve Fund, included within investments in the accompanying statement of financial position, had a balance of $1,548,516)
- 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, 2008, the market value of Endowment and Quasi-endowment Fund marketable securities was $169,292,788, which is $133,543,699 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, 2008, income available for debt service was 194 percent of maximum debt service)

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

- 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, 2008 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.

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, 2008, income available for debt service was 238 percent of maximum debt service)
- Not incur additional debt or leases without meeting certain additional requirements

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

The calculations supporting the various debt covenants at June 30, 2008 and for the year then ended are as follows:

2004 and 2002 Issue - Liquidity ratio:

Market value of endowment fund	$ 157,814,814
Long-term debt	$ 77,125,000
Interest expense	3,328,369
Debt Service Reserve Fund	(9,618,190)
Total long-term debt plus interest less Debt Service Reserve Fund	$ 70,835,179
Liquidity ratio	223%

2004, 2002, and 1999 Issues - Debt service coverage:

Current unrestricted fund - Increase in current year net assets	$ 1,935,598
Depreciation	6,985,892
Interest expense	3,328,369
Total income available for debt service	$ 12,249,859
Maximum annual debt service	$ 6,308,029
Percentage of debt service coverage	194%

1996 Issue - Income available for debt service:

Current funds revenues plus plant funds gains (or losses)	$ 114,366,852
Current unrestricted funds expenses - Less mandatory transfer	(99,367,706)
Net income available for debt service	$ 14,999,146
Maximum debt service	$ 6,308,029
Ratio	238%

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

During the year, the College entered into an interest rate swap agreement maturing in April 2034, in order to convert $25,000,000 of its variable debt disclosed above into a fixed rate of 3.892 percent. The interest rate swap is recognized in the accompanying statement of financial position at fair value. Changes in the fair value of the interest rate swap are recognized as a component of interest expense. A loss totaling approximately $439,000 has been recognized in 2008.

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 $15,048,000 and are included in cash and cash equivalents and investments.

Unrestricted and temporarily restricted contribution revenue for 2008 includes gifts under split-interest agreements of $224,921 for the year ended June 30, 2008. This revenue represents the excess of assets received totaling $617,928 over the present value of the obligations assumed under the agreements of $393,007.

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 the following employee retirement benefit 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. A discount rate of 6 percent was used to calculate the benefit.

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 $3,006,000 in 2008. Employees may also make voluntary contributions to the plan up to certain limitations allowed by law. All contributions vest immediately.

Early Retirement Program - An early retirement program is available to faculty members who have reached the age of 60 and have completed 20 years of full-time service to the College. A discount rate of 6.25 percent was used to calculate the liability for this program. This program is in effect until July 31, 2011, at which time it shall terminate, unless it is renewed by the College's board of trustees.

Postretirement Benefits - The College also provides healthcare benefits to faculty who retire after attaining age 60 with 10 years of service and to all retirees beginning at age 65. Effective April 1995, this plan was amended to discontinue offering postemployment health insurance to new employees hired after June 1, 1995. Employees hired after June 1, 1995 can receive retiree health insurance, but will be required to pay 100 percent of the monthly premiums. Effective January 1, 2005, the plan was further amended to include a level of retiree contribution by employees hired before June 1, 1995 based upon years of service and employment date. A discount rate of 6.25 percent was used to calculate the benefit.

Note 7 - Employee Retirement Plans (Continued)

The change in the accumulated postretirement benefit costs for the year ended June 30, 2008 is as follows:

	1949 Plan	Early Retirement Program	Postretirement Benefit Plan	Total
Accumulated benefit costs - July 1, 2007	$ 6,089	$ 2,272,541	$ 13,640,386	$ 15,919,016
Service costs on benefits earned	-	155,016	220,688	375,704
Interest costs on accumulated benefit obligation	22,680	127,186	818,593	968,459
Expected return on plan assets	(19,092)	-	-	(19,092)
Amortization of prior service cost	-	(93,091)	(333,466)	(426,557)
Recognition of net actuarial loss	38,370	(814)	129,870	167,426
Net periodic benefit cost	41,958	188,297	835,685	1,065,940
Less benefit payments - Net of retiree payments	(78,019)	(52,456)	(446,855)	(577,330)
Participant contributions	-	-	169,668	169,668
Accumulated benefit costs - June 30, 2008	$ (29,972)	$ 2,408,382	$ 14,198,884	$ 16,577,294

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

	1949 Plan	1966 Plan	Postretirement Benefit Plan	Total
2009	$ 61,946	$ -	$ 538,513	$ 600,459
2010	55,667	-	588,152	643,819
2011	49,517	-	666,781	716,298
2012	43,592	-	699,545	743,137
2013	37,974	-	745,040	783,014
2014-2018	119,909	-	4,354,613	4,474,522

Note 7 - Employee Retirement Plans (Continued)

The 2008 costs were developed based on the health insurance plan in effect at June 30, 2008. For the year ended June 30, 2008, the actuary assumed that retiree medical cost increases would be 10 percent in the first year and would gradually decrease each year until the rate of increase was 5 percent. The healthcare 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, 2008 by approximately $2,036,000 and the aggregate of the service and interest cost components of net periodic retiree health costs for 2008 by approximately $176,000.

The College has 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 8 - 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 $2,129,827 during 2008.

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 $5,552,969 at June 30, 2008.

Note 9 - Cash Flows

Noncash investing activities during 2008 consisted of noncash gifts and contributions totaling $191,876. Cash paid for interest during 2008 totaled $3,341,117.

Note 10 - Subsequent Events

Subsequent to year end, the College's investment portfolio has incurred a decline in fair value, consistent with the general decline in the financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined at this time.

Additional Information

Plante & Moran, PLLC
Suite 400
634 Front Avenue 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, 2008. 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, 2008 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

October 27, 2008

	Current Unrestricted	Current Restricted	Plant
Assets			
Cash and cash equivalents	$ 2,136,555	$ 6,733,638	$ 4,941,594
Receivables:			
Student accounts and loans receivable - Less allowance for doubtful accounts of $370,000 and $345,000 at June 30, 2008 and 2007, respectively	532,958	-	-
Contributions receivable - Net	-	1,939,720	5,030,219
Government grants receivable	-	955,952	-
Accrued income receivable	220,284	-	2,414
Other receivables	1,614,816	-	352,000
Inventories and other assets	729,733	-	-
Prepaid and deferred expenses	534,632	-	-
Loan issuance costs - Net	-	-	1,177,936
Investments held for long-term purposes	1,020,831	-	9,932,673
Contributions restricted for long-term purposes - Net	-	7,814,368	13,843,054
Land, buildings, and equipment - Net	-	-	148,384,121
Total assets	**$ 6,789,809**	**$ 17,443,678**	**$ 183,664,011**

Combining Statement of Financial Position - All Funds
June 30, 2008
(with comparative totals for June 30, 2007)

June 30					
2008					2007
Endowment	Annuities	Agency	Student Loan	Total	Total
$ 1,508,629	$ 1,727,226	674,711	$ 732,130	$ 18,454,483	$ 17,182,353
-	-	-	6,295,057	6,828,015	6,325,171
3,516,087	-	-	-	10,486,026	4,077,343
-	-	-	-	955,952	1,615,125
-	88	-	-	222,786	184,241
-	-	311,738	-	2,278,554	1,065,073
-	-	-	-	729,733	600,535
-	-	38,154	-	572,786	452,767
-	-	-	-	1,177,936	1,236,321
156,306,185	13,320,734	-	-	180,580,423	190,747,806
7,997,191	-	-	-	29,654,613	11,866,315
-	-	-	-	148,384,121	149,567,866
$ 169,328,092	**$ 15,048,048**	**$ 1,024,603**	**$ 7,027,187**	**$ 400,325,428**	**$ 384,920,916**

	Current Unrestricted	Current Restricted	Plant
Liabilities and Net Assets (Deficit)			
Liabilities			
Accounts payable	$ 1,645,257	$ 129,504	$ 801,790
Accrued liabilities	1,877,091	200,172	1,405,284
Students' and other deposits	406,999	-	-
Deferred tuition and fees	808,308	-	-
Obligations under split-interest agreements	-	-	-
Notes payable	-	-	77,125,000
Fair value of interest rate swap	-	-	439,102
Refundable Federal Perkins Loan advances	-	-	-
Accumulated employee postretirement benefits	16,607,266	-	-
Total liabilities	21,344,921	329,676	79,771,176
Net Assets (Deficit)			
Unrestricted (deficit)	(14,555,112)	10,146,543	88,142,878
Temporarily restricted	-	6,959,459	14,743,362
Permanently restricted	-	8,000	1,006,595
Total net assets (deficit)	(14,555,112)	17,114,002	103,892,835
Total liabilities and net assets (deficit)	**$ 6,789,809**	**$ 17,443,678**	**$ 183,664,011**

Combining Statement of Financial Position - All Funds (Continued)
June 30, 2008
(with comparative totals for June 30, 2007)

2008					2007
Endowment	Annuities	Agency	Student Loan	Total	Total
$ -	$ 43,180	$ 42,197	$ 406	$ 2,662,334	$ 2,344,609
-	-	-	-	3,482,547	4,144,325
-	-	929,106	-	1,336,105	1,218,694
-	-	53,300	-	861,608	954,959
-	11,112,997	-	-	11,112,997	11,141,206
-	-	-	-	77,125,000	79,875,000
-	-	-	-	439,102	-
-	-	-	5,940,215	5,940,215	5,967,995
-	-	-	-	16,607,266	15,919,016
-	11,156,177	1,024,603	5,940,621	119,567,174	121,565,804
71,968,286	-	-	331,780	156,034,375	156,380,798
35,303	3,891,871	-	-	25,629,995	17,398,296
97,324,503	-	-	754,786	99,093,884	89,576,018
169,328,092	3,891,871	-	1,086,566	280,758,254	263,355,112
$ 169,328,092	**$ 15,048,048**	**$ 1,024,603**	**$ 7,027,187**	**$ 400,325,428**	**$ 384,920,916**