Hope College

Financial Report
with Additional Information
June 30, 2009

Hope College

Contents

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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, 2009 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 2008 financial statements and, in our report dated October 27, 2008, 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 hedge funds, limited partnerships, and fund of funds investments valued at $78,118,492 (32 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, 2009 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 November 2, 2009 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

November 2, 2009

Hope College

Statement of Financial Position
June 30, 2009
(with comparative totals for June 30, 2008)

	2009	2008
Assets		
Cash and cash equivalents	$ 23,708,581	$ 18,454,483
Receivables:		
Student accounts and loans receivable - Less allowance for doubtful accounts of $490,000 and $370,000 at June 30, 2009 and 2008, respectively	7,325,992	6,828,015
Contributions receivable - Net (Note 4)	40,330,905	40,140,639
Government grants receivable	1,272,090	955,952
Accrued income receivable	134,647	222,786
Other receivables	3,653,328	2,278,554
Inventories and other assets	762,402	729,733
Prepaid and deferred expenses	867,836	572,786
Note payable issuance costs - Net	1,119,550	1,177,936
Investments (Note 2)	131,530,456	180,580,423
Land, buildings, and equipment - Net (Note 5)	151,438,101	148,384,121
Total assets	**$ 362,143,888**	**$ 400,325,428**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 3,236,630	$ 2,662,334
Accrued liabilities	5,010,300	3,482,547
Students' and other deposits	1,182,966	1,336,105
Deferred tuition and fees	964,833	861,608
Obligations under split-interest agreements (Note 7)	9,689,402	11,112,997
Notes payable (Note 6)	74,055,000	77,125,000
Fair value of interest rate swap (Note 6)	1,209,375	439,102
Refundable Federal Perkins Loan advances	5,923,823	5,940,215
Accumulated employee postretirement plans (Note 9)	13,862,670	16,607,266
Total liabilities	115,134,999	119,567,174
Net Assets		
Unrestricted	112,072,478	156,034,375
Temporarily restricted	29,910,949	25,629,995
Permanently restricted	105,025,462	99,093,884
Total net assets	247,008,889	280,758,254
Total liabilities and net assets	**$ 362,143,888**	**$ 400,325,428**

See Notes to Financial Statements.

Hope College

Statement of Activities
Year Ended June 30, 2009
(with comparative totals for year ended June 30, 2008)

	2009				2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, Gains, and Other Support					
Tuition and fees - Net of institutional discounts of $26,034,841 and $24,173,618 and other financial aid of $19,550,266 and $16,145,585 in 2009 and 2008, respectively	$ 48,063,601	$ -	$ -	$ 48,063,601	$ 46,765,362
Other student revenue	2,201,274	-	-	2,201,274	2,280,807
Contributions	3,830,149	3,267,278	-	7,097,427	28,590,030
Government grants and contracts	-	3,829,519	-	3,829,519	3,383,700
Endowment income recognized under spending policy	6,458,812	-	-	6,458,812	6,304,462
Dividend, interest, and other gain (losses) on nonendowed investments	(1,424,917)	(1,533,551)	-	(2,958,468)	142,197
Income from auxiliary activities	24,318,245	-	-	24,318,245	23,904,211
Other income	1,982,282	1,153,895	-	3,136,177	3,658,455
Total revenue, gains, and other support	85,429,446	6,717,141	-	92,146,587	115,029,224
Net Assets Released from Restrictions					
Purpose restrictions accomplished for research and various programs	7,735,329	(7,735,329)	-	-	-
Purpose restrictions accomplished for capital projects	1,355,747	(1,355,747)	-	-	-
Maturity of annuity contract	39,964	(50,137)	10,173	-	-
Total net assets released from restrictions	9,131,040	(9,141,213)	10,173	-	-
Total revenue, gains, other support, and net assets released from restrictions	94,560,486	(2,424,072)	10,173	92,146,587	115,029,224
Expenses and Losses					
Instruction	30,941,056	-	-	30,941,056	31,116,208
Research	5,810,047	-	-	5,810,047	5,593,409
Academic support	7,883,948	-	-	7,883,948	7,781,027
Student services	11,848,848	-	-	11,848,848	11,830,900
Institutional support	5,462,232	-	-	5,462,232	5,363,506
Fund-raising	4,142,622	-	-	4,142,622	4,285,143
Sales and service	2,831,337	-	-	2,831,337	3,033,449
Auxiliary enterprises	25,305,976	-	-	25,305,976	25,645,275
Total expenses and losses	94,226,066	-	-	94,226,066	94,648,917
Increase (Decrease) in Net Assets - Before endowed gifts and related revenue	334,420	(2,424,072)	10,173	(2,079,479)	20,380,307
Endowed Gifts and Related Revenue					
Investment (loss) income - Net of endowment income recognized under spending policy	(39,034,609)	-	135,686	(38,898,923)	(11,921,364)
Change in value of split-interest agreements	-	1,443,318	-	1,443,318	(149,594)
Endowment and other permanently restricted contributions	-	-	5,785,719	5,785,719	9,093,793
Total endowed gifts and related revenue	(39,034,609)	1,443,318	5,921,405	(31,669,886)	(2,977,165)
Transfer of Net Assets (Note 13)	(5,261,708)	5,261,708	-	-	-
Increase (Decrease) in Net Assets	(43,961,897)	4,280,954	5,931,578	(33,749,365)	17,403,142
Net Assets - Beginning of year	156,034,375	25,629,995	99,093,884	280,758,254	263,355,112
Net Assets - End of year	**$ 112,072,478**	**$ 29,910,949**	**$ 105,025,462**	**$ 247,008,889**	**$ 280,758,254**

Hope College

Statement of Cash Flows
Year Ended June 30, 2009
(with comparative totals for year ended June 30, 2008)

	2009	2008
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (33,749,365)	$ 17,403,142
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	6,860,477	6,985,892
Amortization of loan issuance costs	58,386	58,385
Accumulated postretirement benefits	(2,744,596)	688,250
Obligations under split-interest agreements	(1,443,318)	149,594
Net depreciation of investments	49,569,072	14,693,837
Loss on interest rate swap liability	770,273	439,102
Net realized loss (gain) on sale of investments	2,590,333	(7,001,774)
Decrease (increase) in assets:		
Accrued income	88,139	(38,545)
Grants receivable	(316,138)	659,173
Student receivables and other	(1,181,821)	(1,213,481)
Prepaid and deferred expenses	(295,050)	(120,019)
Inventory and other assets	(32,669)	(129,198)
Contributions receivable - Net of restricted proceeds	(13,156,763)	(49,116,908)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	2,102,049	(344,053)
Students' and other deposits	(153,139)	117,411
Deferred tuition and fees	103,225	(93,351)
Net cash provided by (used in) operating activities	9,069,095	(16,862,543)
Cash Flows from Investing Activities		
Purchase of building improvements and equipment	(10,027,349)	(5,802,147)
Proceeds from sale of property	112,892	-
Student loans collected	666,862	791,106
Student loans advanced	(1,357,792)	(1,293,950)
Proceeds from sale of investments	112,789,320	164,972,901
Purchase of investments	(115,898,758)	(162,497,581)
Net cash used in investing activities	(13,714,825)	(3,829,671)

See Notes to Financial Statements.

Statement of Cash Flows (Continued)
Year Ended June 30, 2009
(with comparative totals for year ended June 30, 2008)

	2009	2008
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowment	$ 5,548,713	$ 9,411,956
Investment in land, buildings, and equipment	7,417,784	15,507,971
Payments on obligations under split-interest agreements	(148,943)	(570,810)
Proceeds from new split-interest agreements	168,666	393,007
Payments of notes payable and long-term debt	(3,070,000)	(2,750,000)
Refundable Federal Perkins Loan advances - Net of assignments	(16,392)	(27,780)
Net cash provided by financing activities	9,899,828	21,964,344
Net Increase in Cash and Cash Equivalents	5,254,098	1,272,130
Cash and Cash Equivalents - Beginning of year	18,454,483	17,182,353
Cash and Cash Equivalents - End of year	**$ 23,708,581**	**$ 18,454,483**

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, 2009 are available for the following purposes:

Scholarships	$ 78,435,693
General activities of the College	26,145,231
Institutional student loans	444,538
Total permanently restricted net assets	$ 105,025,462

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, 2009 are available for the following purposes:

Periods after June 30	$ 10,384,078
Buildings and equipment	19,488,305
Research, scholarships, and other	38,566
Total temporarily restricted net assets	$ 29,910,949

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.

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 $250,000. As of June 30, 2009, the College had uninsured deposits totaling $7,654,207. The College evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

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.

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

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.

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.

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 2009, the College distributed $13,530,248 for direct lending through the U.S. Department of Education, which is not included as revenues and expenditures on the accompanying financial statements.

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.

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.

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

Comparative Financial Information - The financial statements include certain summarized comparative information for 2008. 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, 2008, from which the summarized information was derived.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including November 2, 2009, which is the date the financial statements were available to be issued.

New Accounting Pronouncements - In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 161 (SFAS 161), *Disclosures about Derivative Instruments and Hedging Activities Fair Value Measurements*. This standard is intended to improve transparency about the location and amounts of derivative instruments. Under this standard, the College would be required to disclose the fair value of derivative instruments, including gains and losses in a table format, derivative features that are credit risk-related for liquidity purposes, and cross referencing within footnotes to enable financial statement users to locate important information about derivative instruments. FAS 161 will be effective on the College's financial statements for its fiscal year ending June 30, 2010.

Note 2 - Investments

The following summarizes the College's securities by type at June 30, 2009:

	Fair Value	Cost
Real estate and land contracts	$ 1,850,190	$ 2,749,027
Publicly traded securities	33,458,527	36,863,071
Corporate bonds	1,798,970	1,795,425
Hedge funds, limited partnerships, and fund of funds	78,118,492	77,399,012
Federal and other treasury related securities	13,634,948	13,529,974
Certificate of deposits	2,568,775	2,568,775
Other	100,554	100,000
Total securities	$ 131,530,456	$ 135,005,284

Note 2 - Investments (Continued)

Included in the above securities is $97,825,358 in investments, generally consisting of hedge funds, limited partnerships, fund of funds, and other private equity securities of which $78,118,492 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, 2009, the College has committed to investing additional capital of $26,007,842 in limited partnerships and private equity securities.

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

Total dividends and interest - Net of fees	$ 1,789,995
Net realized and unrealized losses	(37,188,574)
Total	$(35,398,579)
Reported as:	
Endowment income recognized under spending policy	$ 6,458,812
Dividend, interest, and other gains (losses) on nonendowed investments - Net of fees	(2,958,468)
Net losses on investments - Net of endowment income realized under spending policy	(38,898,923)
Total	$(35,398,579)

There was $565,603 of fees netted against investment income as of June 30, 2009.

Note 3 - Fair Value

The estimated fair value amounts have been determined by the College using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the College could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts. With the exception of long-term debt, for all financial instruments, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. All investment securities are carried at fair value in the financial statements and are discussed further on the next page. The carrying amount of the College's notes payable was $74,055,000 compared to fair values of $75,760,000. The estimated fair values were based on rates available to the College for debt with similar terms and maturities as of June 30, 2009.

As of July 1, 2008, the College adopted Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective prospectively for periods beginning July 1, 2008 for financial assets and liabilities and for periods beginning July 1, 2009 for nonfinancial assets and liabilities as a result of the deferral of the effective date of SFAS 157 provided by FSP FAS 157-2. The implementation of the provisions of SFAS 157 for financial assets and liabilities as of July 1, 2009 did not have a material impact on the College's financial statements. The following table present information about the College's assets and liabilities measured at fair value on a recurring basis at June 30, 2009, and the valuation techniques used by the College to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the College has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

Note 3 - Fair Value (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

	Balance at June 30 , 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets - Investments				
Real estate and land contracts	$ 1,850,190	$ -	$ -	$ 1,850,190
Publicly traded securities	33,458,527	7,744,655	25,713,872	-
Corporate bonds	1,798,970	-	1,798,970	-
Hedge funds, limited partnerships, and fund of funds	78,118,492	-	-	78,118,492
Federal and other treasury related securities	13,634,948	-	13,634,948	-
Certificates of deposit	2,568,775	2,568,775	-	-
Other	100,554	-	-	100,554
Total	$ 131,530,456	$ 10,313,430	$ 41,147,790	$ 80,069,236
Liabilities - Fixed rate, variable rate wrap agreement	$ (1,209,375)	$ -	$ (1,209,375)	$ -

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows:

Investments categorized as Level 3 assets primarily consist of private equity, hedge, and fund of fund positions. The College estimates the fair value of real estate investments based on appraisals with the current market and other risks involved. The College estimates the fair value of venture capital investments based on valuations provided from fund managers or the general partners.

Note 3 - Fair Value (Continued)

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The following table sets forth a summary of the changes in the fair value of the Plan's Level 3 investment assets for the year ended June 30, 2009:

	Hedge Funds, Limited Partnerships, and Fund of Funds	Real Estate and Land Contracts	Other
Balance at July 1, 2008	$ 91,179,229	$ 1,923,339	$ 100,000
Total realized and unrealized (losses) gains	(17,261,373)	(73,149)	554
Net purchases, sales, and maturities	4,200,636	-	-
Balance at June 30, 2009	$ 78,118,492	$ 1,850,190	$ 100,554

Note 4 - 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	$ 11,504,781
One to five years	34,184,473
Total contributions receivable	45,689,254
Less unamortized discount	4,520,878
Less allowance for uncollectibles	837,471
Present value of contributions receivable	$ 40,330,905

Note 5 - Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following as of June 30, 2009:

Land and improvements	$ 18,026,909
Buildings	175,014,307
Equipment and other	27,951,282
Construction in progress	7,363,985
Total	228,356,483
Less accumulated depreciation	76,918,382
Net land, buildings, and equipment	$151,438,101

At June 30, 2009, the College had contracts of $2,940,178 outstanding relating to construction in progress.

Depreciation expense was $6,860,477 for the year ended June 30, 2009.

Note 6 - Notes Payable and Long-term Debt

The College has notes payable as follows as of June 30, 2009:

Unsecured MHEFA notes issued in connection with the Revenue Bonds of 2004, due serially each April 1 in amounts ranging from $540,000 to $1,200,000, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2009 of .32 percent). The 2004 bonds mature in fiscal year 2034	$ 20,470,000
Unsecured Michigan Higher Education Facilities Authority (MHEFA) notes issued in connection with the Revenue Bonds of 2002, due serially each April 1 in amounts ranging from $400,000 to $1,285,000 for the Series A Bonds, plus interest payable semiannually, increasing from 3.4 percent to 5.9 percent per annum, and Series B Bonds due serially each April 1 in amounts ranging from $540,000 to $1,145,000, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2009 of 4.25 percent). The 2002 bonds mature in fiscal year 2032	35,720,000
Unsecured MHEFA notes issued in connection with the Revenue Refunding Bonds of 1999, due serially each October 1 in amounts ranging from $860,000 to $1,495,000, plus interest payable semiannually, increasing from 4.50 percent to 4.90 percent per annum. The 1999 bonds mature in fiscal year 2021	13,490,000

Note 6 - 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 $400,000 to $645,000 for the Series A Bonds, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2009 of 4.90 percent). The 1996 bonds were paid in full subsequent to year end	$ 4,375,000
Total	$ 74,055,000

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

2010	$ 3,205,000
2011	3,330,000
2012	3,480,000
2013	3,650,000
2014	3,810,000
Thereafter	56,580,000
Total	$ 74,055,000

Due to the remarketing agreement related to the 2002B and 2004 bonds, it is possible, but not expected, that $38,995,000 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, 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 6 - 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, 2009, the defined liquidity ratio amounted to 181 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, 2009, income available for debt service was 199 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, 2009 and four 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 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.

Note 6 - 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, 2009, 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, 2009, the defined liquidity ratio amounted to 181 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, 2009, income available for debt service was 199 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, 2009 and four preceding years, the College did not incur an adjusted annual deficit)

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, 2009, $11,750,000 of the advance refunded bonds, which are considered extinguished, remains outstanding.

Note 6 - 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, 2009, the Debt Service Reserve Fund, included within investments in the accompanying statement of financial position, had a balance of $1,540,853)

- 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, 2009, the market value of Endowment and Quasi-endowment Fund marketable securities was $125,293,841, which is $91,292,934 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, 2009, income available for debt service was 199 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, 2009 and the four preceding years, the College did not incur an adjusted annual deficit)

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.

Note 6 - Notes Payable and Long-term Debt (Continued)

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.

Subsequent to year end, the College paid off the 1996 bonds and terminated the letter of credit associated with the bonds.

The calculations supporting the various debt covenants at June 30, 2009 and for the year then ended are as follows:

2004 and 2002 Issue - Liquidity ratio:	
Market value of endowment fund	$ 125,293,841
Long-term debt	$ 74,055,000
Interest expense paid and accrued	4,389,915
Debt Service Reserve Fund	(9,367,210)
Total long-term debt plus interest less Debt Service Reserve Fund	$ 69,077,705
Liquidity ratio	181%
2004, 2002, and 1999 Issues - Debt service coverage:	
Current unrestricted fund - Increase in current year net assets	$ 1,286,415
Depreciation	6,860,477
Interest expense paid and accrued	4,389,915
Total income available for debt service	$ 12,536,807
Maximum annual debt service	$ 6,308,029
Percentage of debt service coverage	199%

Note 6 - Notes Payable and Long-term Debt (Continued)

During 2008, 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. An unrealized loss totaling $770,273 has been recognized in 2009. The realized loss recognized as a component of interest expense was $647,634 for 2009.

Note 7 - 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 $12,268,626 and are included in cash and cash equivalents and investments.

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 8 - Donor Restricted and Board Designated Endowments

The College's endowment fund consists of donor-restricted gifts, unrestricted gifts, and other College established quasi endowment funds.

Interpretation of Relevant Law

The board of trustees of the College has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets unless otherwise specified by the donor. In accordance with UMIFA, the College exercises the standard of ordinary business care and prudence with determining the amount of earnings and gains to appropriate for expenditure or to accumulate within the endowment fund. The College considers the following factors in exercising this standard of care:

(1) The long-term and short-term needs of the College in carrying out its charitable purpose;

(2) The present and anticipated financial requirements of the College;

(3) The expected total return on investments;

(4) Price level trends; and

(5) General economic conditions

Note 8 - Donor and Board Designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2008	$ 71,968,286	$ 35,303	$ 97,324,503	$ 169,328,092
Contributions	243,987	1,933	6,241,826	6,487,746
Investment income	756,072	-	-	756,072
Depreciation in fair value	(33,331,869)	-	-	(33,331,869)
Spending draw	(6,458,812)	-	-	(6,458,812)
Other changes	(371,857)	-	-	(371,857)
Endowment net assets at June 30, 2009	$ 32,805,807	$ 37,236	$ 103,566,329	$ 136,409,372

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and amounted to $5,657,692 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Under UMIFA, the College may appropriate for expenditure from the endowment fund only to the extent that the fund has accumulated net appreciation, realized and unrealized.

Return Objectives and Risk Parameters

The College has adopted a policy to insure a total return (yield plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time, provide a dependable source of support for current projects of the College.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 8 - Donor and Board Restricted Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College has adopted a policy to utilize a spending rate up to 5.5 percent of the trailing 12 quarter moving average of the fund's marketable securities. For the years ended June 30, 2009 and 2008, the College used a rate of 4.5 percent. The College has established an unrestricted endowment fund balance that meets or exceeds any deficiencies in donor restricted endowments.

Uniform Prudent Management of Institutional Funds Act (UPMIFA)

Subsequent to year end, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) passed in to law and will replace the Uniform Management of Institutional Funds Act (UMIFA) in Michigan. The change in this law will require that earnings on endowments be temporarily restricted (as opposed to unrestricted) until spent, and also includes a process for releasing or modifying restrictions on a gift. Management is currently assessing the impact that this law will have on its financial statements for the year ending June 30, 2010. At June 30, 2009, the amount of accumulated earnings on endowments classified as unrestricted is $3,878,394.

Note 9 - 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 $3,345,618 in 2009. Employees may also make voluntary contributions to the plan up to certain limitations allowed by law. All contributions vest immediately.

Note 9 - Employee Retirement Plans (Continued)

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.

The change in the accumulated postretirement benefit costs for the year ended June 30, 2009 is as follows:

	1949 Plan	Early Retirement Program	Postretirement Benefit Plan	Total
Accumulated benefit costs - July 1, 2008	$ (29,972)	$ 2,408,382	$ 14,198,884	$16,577,294
Service costs on benefits earned	-	177,530	238,253	415,783
Interest costs on accumulated benefit obligation	17,948	138,807	853,773	1,010,528
Expected return on plan assets	(16,456)	-	-	(16,456)
Amortization (deferral) of prior service cost	-	93,091	(333,466)	(240,375)
Recognition of net actuarial loss	26,956	(6,469)	100,272	120,759
Net periodic benefit cost	28,448	402,959	858,832	1,290,239
Expected benefit payments -				
Net of retiree payments	(65,866)	-	(538,513)	(604,379)
Unrecognized actuarial gain and other	73,802	(1,523,839)	(2,251,364)	(3,701,401)
Accumulated benefit costs - June 30, 2009	$ 6,412	$ 1,287,502	$ 12,267,839	$13,561,753

The primary source of actuarial gain recognized above relates to a decrease in the average post-65 premium costs which resulted from a change in plan providers.

Note 9 - Employee Retirement Plans (Continued)

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

	1949 Plan	Postretirement Benefit Plan	Total
2010	$ 59,406	$ 501,797	$ 561,203
2011	52,788	551,815	604,603
2012	46,403	586,091	632,494
2013	40,354	662,095	702,449
2014	34,708	642,405	677,113
2015-2019	106,110	3,812,539	3,918,649

The 2009 costs were developed based on the health insurance plan in effect at June 30, 2009. For the year ended June 30, 2009, the actuary assumed that retiree medical cost increases would be 8 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, 2009 by approximately $1,700,000 and the aggregate of the service and interest cost components of net periodic retiree health costs for 2009 by approximately $183,000.

Note 10 - Self-insurance

During the year, the College entered into a self-insured medical plan covering all of its eligible employees. The College's individual excess risk benefit level per employee for the period ended June 30, 2009 was $75,000, with total exposure limited to approximately $3,780,000. Losses in excess of these limitations are covered by reinsurance. Amounts expensed by the College under the plan were $4,557,751 for the year ended June 30, 2009. The College has recorded an accrual of $1,076,370 at June 30, 2009 for known claims and estimated claims incurred but not reported.

Note 11 - 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 $2,095,944 during 2009.

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 $6,198,518 at June 30, 2009.

Note 12 - Cash Flows

Noncash investing activities during 2009 consisted of noncash gifts and contributions totaling $128,702. Cash paid for interest during 2009 totaled $4,152,696.

Note 13 - Net Asset Transfer

Net asset transfers recorded on the statement of activities relate to previously unrestricted pledges that during 2009 were changed by the donor from unrestricted to a restricted designation.

Additional Information

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To the Board of Trustees
Hope College

We have audited the financial statements of Hope College for the year ended June 30, 2009. 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, 2009 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

November 2, 2009

	2009		
	Current Unrestricted	Current Restricted	Plant
Assets			
Cash and cash equivalents	$ 1,471,545	$ 5,251,189	$ 1,358,163
Receivables:			
Student accounts and loans receivable - Less allowance for doubtful accounts of $490,000 and $370,000 at June 30, 2009 and 2008, respectively	340,007	-	-
Contributions receivable - Net	-	4,692,366	24,522,958
Government grants receivable	-	1,272,090	-
Accrued income receivable	122,427		153
Other receivables	1,720,078	-	530,838
Inventories and other assets	762,402	-	-
Prepaid and deferred expenses	813,714	-	-
Note payable issuance costs - Net	-	-	1,119,550
Investments	2,430,794	-	8,068,479
Land, buildings, and equipment - Net	-	-	151,438,101
Total assets	**$ 7,660,967**	**$ 11,215,645**	**$ 187,038,242**
Liabilities and Net Assets (Deficit)			
Liabilities			
Accounts payable	$ 1,286,958	$ 129,069	$ 1,758,390
Accrued liabilities	3,204,716	(115,763)	1,921,347
Students' and other deposits	436,527	-	-
Deferred tuition and fees	906,053	-	-
Obligations under split-interest agreements	-	-	-
Notes payable	-	-	74,055,000
Fair value of interest rate swap	-	-	1,209,375
Refundable Federal Perkins Loan advances		-	-
Accumulated employee postretirement benefits	13,862,670	-	-
Total liabilities	19,696,924	13,306	78,944,112
Net Assets (Deficit)			
Unrestricted (deficit)	(12,035,957)	4,952,669	86,011,601
Temporarily restricted	-	6,241,670	21,075,934
Permanently restricted	-	8,000	1,006,595
Total net assets (deficit)	(12,035,957)	11,202,339	108,094,130
Total liabilities and net assets (deficit)	**$ 7,660,967**	**$ 11,215,645**	**$ 187,038,242**

Combining Statement of Financial Position - All Funds
June 30, 2009
(with comparative totals for June 30, 2008)

2009					2008
Endowment	Annuities	Agency	Student Loan	Total	Total
$ 13,903,344	$ 1,727,692	$ 275,787	$ (279,139)	$ 23,708,581	$ 18,454,483
-	-	-	6,985,985	7,325,992	6,828,015
11,115,581	-	-	-	40,330,905	40,140,639
-	-	-	-	1,272,090	955,952
-	12,067	-	-	134,647	222,786
1,200,484	-	201,928	-	3,653,328	2,278,554
-	-	-	-	762,402	729,733
-	-	54,122	-	867,836	572,786
-	-	-	-	1,119,550	1,177,936
110,202,316	10,528,867	300,000	-	131,530,456	180,580,423
-	-	-	-	151,438,101	148,384,121
$ 136,421,725	**$ 12,268,626**	**$ 831,837**	**$ 6,706,846**	**$ 362,143,888**	**$ 400,325,428**
$ 12,303	$ 23,115	$ 26,618	$ 177	$ 3,236,630	$ 2,662,334
-	-	-	-	5,010,300	3,482,547
-	-	746,439	-	1,182,966	1,336,105
-	-	58,780	-	964,833	861,608
-	9,689,402	-	-	9,689,402	11,112,997
-	-	-	-	74,055,000	77,125,000
-	-	-	-	1,209,375	439,102
-	-	-	5,923,823	5,923,823	5,940,215
-	-	-	-	13,862,670	16,607,266
12,303	9,712,517	831,837	5,924,000	115,134,999	119,567,174
32,805,857	-	-	338,308	112,072,478	156,034,375
37,236	2,556,109	-	-	29,910,949	25,629,995
103,566,329	-	-	444,538	105,025,462	99,093,884
136,409,422	2,556,109	-	782,846	247,008,889	280,758,254
$ 136,421,725	**$ 12,268,626**	**$ 831,837**	**$ 6,706,846**	**$ 362,143,888**	**$ 400,325,428**