Hope College

Financial Report
with Additional Information
June 30, 2014

Hope College

Contents

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Independent Auditor's Report

To the Board of Trustees
Hope College

Report on the Financial Statements

We have audited the accompanying financial statements of Hope College (the "College"), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope College as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Hope College

Report on Summarized Comparative Information

We have previously audited Hope College's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As explained in Note 2, the financial statements include hedge funds, limited partnerships, and fund of funds investments valued at $134,024,501 (36 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hope College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 8, 2014

Hope College

Statement of Financial Position
(with comparative totals for June 30, 2013)

	June 30, 2014	June 30, 2013
Assets		
Cash and cash equivalents	$ 41,725,416	$ 45,821,171
Receivables:		
Student accounts and loans receivable - Less allowance for doubtful account of $470,000 at June 30, 2014 and $485,000 at June 30, 2013	5,809,592	5,926,999
Contributions receivable (Note 4)	38,517,657	45,359,078
Government grants receivable	827,810	969,292
Other receivables	3,393,694	1,996,603
Inventories and other assets	785,214	833,873
Prepaid and deferred expenses	1,427,459	925,275
Note payable issuance costs - Net	462,835	663,406
Investments (Note 2)	204,884,171	168,197,014
Land, buildings, and equipment - Net (Note 5)	174,671,386	162,735,736
Total assets	**$ 472,505,234**	**$ 433,428,447**
Liabilities and Net Assets		
Liabilities		
Accounts payable and tax withholdings	$ 8,919,908	$ 6,673,352
Accrued liabilities	2,161,432	2,206,265
Students' and other deposits	1,100,129	1,164,181
Deferred tution and fees	1,035,213	447,172
Obligations under split-interest agreements (Note 8)	8,776,348	8,950,972
Notes payable (Note 6)	57,030,000	60,725,000
Fair value of interest rate swaps (Note 7)	3,640,340	3,432,657
Refundable Federal Perkins Loan advances	5,894,104	5,919,817
Early retirement benefit (Note 10)	703,340	1,592,644
Accumulated employee postretirement plans (Note 10)	9,122,371	8,479,553
Total liabilities	98,383,185	99,591,613
Net Assets		
Unrestricted	152,082,894	134,533,891
Temporarily restricted	92,294,096	75,971,525
Permanently restricted	129,745,059	123,331,418
Total net assets	374,122,049	333,836,834
Total liabilities and net assets	**$ 472,505,234**	**$ 433,428,447**

See Notes to Financial Statements.

Hope College

Statement of Activities
Year Ended June 30, 2014
(with comparative totals for year ended June 30, 2013)

	2014 Unrestricted	2014 Temporarily Restricted	2014 Permanently Restricted	2014 Total	2013 Total
Revenue, Gains, and Other Support					
Tuition and fees - Net of institutional discounts of $31,871,278 and $30,178,723 and other financial aid of $860,886 and $970,244 in 2014 and 2013, respectively	$ 61,231,154	$ -	$ -	$ 61,231,154	$ 58,601,031
Other student revenue	1,995,332	-	-	1,995,332	1,651,949
Government and private grants	3,231,298	541,374	-	3,772,672	3,614,733
Dividend, interest, and other gains on nonendowed activities - Net of fees	(337,615)	1,414,838	-	1,077,223	3,667,115
Income from auxiliary activities	29,931,514	-	-	29,931,514	28,468,276
Contributions	3,859,973	4,379,795	-	8,239,768	13,863,933
Other income	2,894,524	829,940	-	3,724,464	1,274,087
Total revenue, gains, and other support	102,806,180	7,165,947	-	109,972,127	111,141,124
Net Assets Released From Restrictions	-	-	-	-	-
Purpose restrictions accomplished for research and various programs	699,098	(699,098)	-	-	-
Endowment income recognized under spending policy net of restricted commitments	6,406,704	(6,406,704)	-	-	-
Purpose restrictions accomplished for capital projects	5,659,452	(5,659,452)	-	-	-
Maturity of annuity contracts	32,949	(91,858)	58,909	-	-
Total revenue, gains, and other support, and net assets released from restrictions	115,604,383	(5,691,165)	58,909	109,972,127	111,141,124
Expenses					
Instruction	34,216,078	-	-	34,216,078	32,809,729
Research	6,045,621	-	-	6,045,621	6,195,228
Academic support	9,218,787	-	-	9,218,787	8,947,779
Student services	12,596,084	-	-	12,596,084	12,117,996
Institutional support	5,996,540	-	-	5,996,540	5,801,467
Fundraising	4,315,617	-	-	4,315,617	4,421,569
Sales and service	2,887,672	-	-	2,887,672	2,703,449
Auxiliary activities	28,165,441	-	-	28,165,441	26,402,269
Total expenses	103,441,840	-	-	103,441,840	99,399,486
Increase (Decrease) in Net Assets - Before endowed gifts and other nonoperating activity	12,162,543	(5,691,165)	58,909	6,530,287	11,741,638
Endowed Gifts and Other Nonoperating Activity					
Investment income	5,347,657	23,060,421	13,208	28,421,286	13,863,062
Change in value and payments made on split interest agreements	-	(1,046,685)	-	(1,046,685)	195,722
Change in value of swap agreements	(207,683)	-	-	(207,683)	3,370,351
Change in value of postretirement liability	246,486	-	-	246,486	1,250,237
Endowment and other permanently restricted contributions	-	-	6,341,524	6,341,524	4,318,541
Total endowed gifts and other nonoperating revenue	5,386,460	22,013,736	6,354,732	33,754,928	22,997,913
Increase in Net Assets	17,549,003	16,322,571	6,413,641	40,285,215	34,739,551
Net Assets - Beginning of year	134,533,891	75,971,525	123,331,418	333,836,834	299,097,283
Net Assets - End of year	$ 152,082,894	$ 92,294,096	$ 129,745,059	$ 374,122,049	$ 333,836,834

Hope College

Statement of Cash Flows
(with comparative totals for year ended June 30, 2013)

	Year Ended	
	June 30, 2014	June 30, 2013
Cash Flows from Operating Activities		
Increase in net assets	$ 40,285,215	$ 34,739,551
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	6,724,904	6,303,845
Amortization of loan issuance costs	241,011	39,779
Accumulated postretirement recoveries	(246,486)	(1,222,232)
Obligations under split-interest agreements	102,758	(195,722)
Net appreciation of investments	(9,716,565)	(17,994,113)
Loss (gain) on interest rate swap liability	207,683	(3,370,351)
Net realized (gain) loss on sale of investments	(21,018,723)	5,569,703
Changes in operating assets and liabilities which provided (used) cash:		
Grants receivable	141,482	2,083,447
Student receivables	596,422	781,049
Other receivables - Investment proceeds	(2,016,589)	367,326
Prepaid and deferred expenses	(502,184)	42,502
Inventory and other assets	48,659	(58,492)
Contributions receivable - Net of restricted proceeds	(6,057,291)	(18,591,730)
Accounts payable and accrued liabilites	2,201,723	1,060,704
Students' and other deposits	(64,052)	10,727
Deferred tuition and fees	588,041	(238,885)
Net cash provided by operating activities	11,516,008	9,327,108
Cash Flows from Investing Activities		
Purchase of building improvements and equipment	(18,660,554)	(15,990,667)
Student loans collected	982,575	995,220
Student loans advanced	(842,092)	(628,265)
Proceeds from sales of investments	150,666,886	94,602,547
Purchase of investments	(156,618,755)	(91,641,421)
Net cash used in investing activities	(24,471,940)	(12,662,586)

See Notes to Financial Statements.

Statement of Cash Flows (Continued)
(with comparative totals for year ended June 30, 2013)

	Year Ended June 30, 2014	Year Ended June 30, 2013
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowment	$ 6,851,342	$ 3,719,877
Investment in land, buildings, and equipment	6,047,370	10,252,252
Payments under split-interest agreements	(298,157)	(348,040)
Payments for notes payable issuance costs	(40,440)	-
Proceeds from new split-interest agreements	20,775	45,566
Payments of notes payable and long-term debt	(3,695,000)	(3,600,000)
Refundable Federal Perkins Loan advances - Net of assignments	(25,713)	(173,337)
Net cash provided by financing activities	8,860,177	9,896,318
Net (Decrease) Increase in Cash and Cash Equivalents	(4,095,755)	6,560,840
Cash and Cash Equivalents - Beginning of year	45,821,171	39,260,331
Cash and Cash Equivalents - End of year	$ 41,725,416	$ 45,821,171

See Notes to Financial Statements.

Note 1 - Nature of Business and Significant Accounting Policies

Hope College (the "College") is a four-year private residential college 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. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. 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 the passage of time nor can be removed by the College. Permanently restricted net assets at June 30, 2014 are available for the following purposes:

Scholarships	$ 77,616,172
General activites of the College	51,744,114
Institutional student loans	384,773
Total permanently restricted net assets	$ 129,745,059

Temporarily Restricted Net Assets - Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be removed by actions of the College pursuant to those stipulations. Temporarily restricted net assets at June 30, 2014 are available for the following purposes:

Annuity and life income funds	$ 3,669,185
Temporarily restricted earnings on endowment funds	39,002,914
Buildings and equipment	42,424,196
Research, scholarships, and other	7,197,801
Total temporarily restricted net assets	$ 92,294,096

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

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

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, 2014, the College had uninsured deposits totaling $8,222,043. 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, including unconditional promises to give in the future, are measured at fair value and reported as revenue when received. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. 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. All other contributions are reported as unrestricted support. 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 Business and Significant Accounting Policies (Continued)

Land, Buildings, and Equipment - Land, buildings, and equipment are recorded at cost on the date of purchase or at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 50 years. Costs of maintenance and repairs are charged to expense when incurred.

Scholarship Discounts and Allowances - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of activities. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

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, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Compliance Supplement.

During fiscal year 2014, the College distributed $16,661,870 for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures in the accompanying financial statements.

Grant Revenue - Revenue from government grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement.

Financial Aid Discount - During 2014, the College had a financial aid discount of 35.2 percent as compared to a 34.8 percent discount for 2013.

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. Fundraising costs have been identified separately on the statement of activities. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures within the financial statements. 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.

Fair Value of Financial Instruments - 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 including cash and cash equivalents, accounts receivable and payable, inventory, prepaid expenses, and accrued liabilities, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments, which are Level 2 inputs. All investment securities are carried at fair value in the financial statements and are discussed further in Note 3. The carrying amount of the College's notes payable also approximates fair value since all notes payable have variable interest rates, which are Level 2 inputs

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the College and recognize a tax liability if the College has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the College and has concluded that as of June 30, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The College is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the College is no longer subject to income tax examinations for years prior to June 30, 2011.

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

Comparative Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include 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, 2013, from which the summarized information was derived.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including December 8, 2014, which is the date the financial statements were available to be issued.

Note 2 - Investments

The following summarizes the College's securities by type at June 30, 2014:

	Fair Value	Cost
Money markets and CDs	$ 5,058,858	$ 5,058,858
Publicly traded securities	53,580,443	47,757,790
Corporate bonds	2,038,331	2,014,273
Federal and other Treasury-related securities	7,879,118	7,425,736
Hedge funds	79,907,197	58,268,552
Private equity, alternatives, other	27,850,397	22,057,270
Commodities and real assets	28,569,827	28,978,284
Total securities	$ 204,884,171	$ 171,560,763

Included in the above securities are investments, generally consisting of hedge funds, limited partnerships, funds of funds, and other private equity securities totaling $134,024,501, which 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, 2014, the College has committed to investing additional capital of $14,652,403 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	$ 881,254
Net realized and unrealized gains	28,617,255
Total	$ 29,498,509

Reported as:

Endowment income recognized under spending policy	$ 7,175,116
Dividend, interest and other gains on nonendowed investments - Net of fees	1,077,223
Net gains on investments - Net of endowment income realized under spending policy	21,246,170
Total	$ 29,498,509

There was $782,200 of fees netted against investment income as of June 30, 2014.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the College's assets and liabilities measured at fair value on a recurring basis at June 30, 2014 and the valuation techniques used by the College to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization 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. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability. Significant Level 3 inputs include fund manager statements, most recently audited financial statements, and tax returns, including K-1s, from independent sources.

Note 3 - Fair Value Measurements (Continued)

In instances whereby 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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2014
Assets - Investments				
Common stocks:				
Domestic stocks	$ 26,126,801	$ 7,269,561	$ -	$ 33,396,362
Global equity (domestic/int'l)	-	20,184,081	-	20,184,081
Fixed income:				
Federal, government, and agency bonds	-	7,879,118	-	7,879,118
Corporate bonds	-	2,038,331	-	2,038,331
Other:				
Hedge funds	-	-	79,907,197	79,907,197
Commodities and real assets	-	2,302,920	26,266,907	28,569,827
Alternatives	-	-	27,850,397	27,850,397
Money markets and CDs	-	5,058,858	-	5,058,858
Total	$ 26,126,801	$ 44,732,869	$ 134,024,501	$ 204,884,171
Liabilities - Fixed rate, variable rate swap agreement	$ -	$ 3,640,340	$ -	$ 3,640,340

Investments categorized as Level 3 assets primarily consist of private equity, hedge, and fund of funds positions. The College has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include quarterly meetings with the College's investment committee for calibration and review of Level 3 investment monthly or quarterly fund manager statements and annual audited financial statements. The College cannot independently assess the value of these underlying positions through a public exchange or over-the-counter market. The College utilizes a third-party investment manager to monitor the investments, participate in fund manager calls, and obtain underlying financial information on the Level 3 investments.

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.

Note 3 - Fair Value Measurements (Continued)

The College's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer.

The following table sets forth a summary of the changes in the fair value of the College's Level 3 assets for the year ended June 30, 2014:

	Fair Value at July 1, 2013	Total Realized Gains (Losses) Included in Change in Net Assets	Total Unrealized (Losses) Gains Included in Change in Net Assets	Gross Additions and Purchases	Gross Sales and Maturities	Fair Value at June 30, 2014
Hedge funds	$ 68,809,551	$ 12,131,008	$ (2,850,993)	$ 35,500,000	$ (33,682,369)	$ 79,907,197
Commodities and real assets	27,244,465	(1,308,325)	2,323,647	5,448,506	(7,441,386)	26,266,907
Alternatives	19,100,682	622,612	6,786,212	3,067,692	(1,726,801)	27,850,397
Total Level 3 assets at fair value	$ 115,154,698	$ 11,445,295	$ 6,258,866	$ 44,016,198	$ (42,850,556)	$ 134,024,501

Transfers into Level 3 from Level 2 were made as of July 1, 2013 to propertly reflect the activity within the investment hedge funds which consisted of underlying assets classified as Level 1, 2, and 3 investments. As a result, the July 1, 2013 hedge fund balance was increased from $46,418,251 to $68,909,551.

Investments in Entities that Calculate Net Asset Value per Share

The College holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

Investments measured at net asset value per share are classified within Level 2 of the fair value hierarchy if the investment can be redeemed at or within 30 days of the measurement date. If the investment holdings cannot be redeemed at or within 30 days of the measurement date due to redemption restrictions or other factors, then the investment is classified within Level 3 of the fair value hierarchy.

Note 3 - Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investments Held at June 30, 2014

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Event-driven (a)	$ 10,513,121	$ 1,992,994	Quarterly to annually	45-90 days
Directional equity (b)	3,347,873	-	Quarterly to annually	45-90 days
Fund of hedge funds (c)	79,907,197	-	Quarterly to annually	60-90 days
Real estate private equity (d)	26,266,907	2,273,122	Illiquid	Illiquid
Private equity - Domestic (e)	13,989,403	10,386,287	Illiquid	Illiquid
Total	$ 134,024,501	$ 14,652,403		

(a) Event-driven - This strategy involves taking a long or short position in any security (stock, bond, loan) of a corporation that is undergoing some corporate "event." Events include merger, acquisition, spin-off, bankruptcy, and restructuring. For instance, in a merger or acquisition, event-driven managers usually buy the stock of the company that is being acquired and sell short the stock of the company that is acquiring, a trade which makes money if and when the two companies consummate their merger. In other types of corporate events such as bankruptcy, event-driven managers usually use the bankruptcy to purchase the bonds or loans of the bankrupt company in order to profit from the company's restructuring, either through price appreciation of the security purchased, or through actively working with the company to restructure.

(b) Directional equity - This strategy involves buying stock long and selling stock short in order to produce a portfolio that is exposed to far less market exposure than traditional long-only portfolios of stocks. Managers make decisions on which stocks to buy long and which to sell short by using any number of multiple styles, including computer models to model the fundamental health and technical stock movement of companies, and traditional fundamental analysis of a company's value and growth prospects.

(c) Fund of hedge funds - This strategy involves generating returns through diversified portfolios of hedge funds and hedge fund strategies. It should be expected that this asset class will have varying levels of exposure to all of the various hedge fund strategies previously identified. The investments in this asset class will be made in securities of offshore corporations and will have an identifiable, although thinly traded, market for liquidity.

Note 3 - Fair Value Measurements (Continued)

(d) Real estate private equity - This strategy involves generating returns predominately through the identification of undervalued or mispriced real estate assets or real estate-related companies. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure, and will generally be maintaining a long exposure to direct real estate assets or real estate-related companies and securities. Additionally, it is not expected that these assets would be held as marketable securities with an active or easily identifiable market; however, the asset class overall would be expected to generate some level of current income. This exposure is obtained primarily through investments in long-dated limited partnership vehicles and is considered illiquid.

(e) Private equity - Domestic - This strategy involves making investments through limited partnership structures and is illiquid in nature. Investments are typically made in unlisted companies (companies not traded on public exchanges) or in some cases listed companies are purchased and taken private. Private equity encompasses a broad array of strategies and securities. Buyout, growth equity, and venture capital strategies purchase equity in private companies at different stages of the company's life cycle. Other strategies such as mezzanine or special situations will invest in debt, preferred equity, or other parts of a company's capital structure. Investments may be in any sector of the economy or geography in the United States, though funds will typically specialize in specific industries and regions.

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 (ranging from 2.76 to 7.00 percent). The contributions have been made primarily for capital and operating purposes and are expected to be received as follows:

Less than one year	$ 14,932,003
One to five years	25,417,119
Total contributions receivable	40,349,122
Less unamortized discount	(1,167,086)
Less allowance for uncollectibles	(664,379)
Present value of contributions receivable	$ 38,517,657

Note 5 - Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following as of June 30, 2014:

Land and land improvements	$ 22,818,018
Buildings	202,571,735
Equipment and other	28,955,609
Construction in progress	17,553,727
Total cost	271,899,089
Less accumulated depreciation	(97,227,703)
Net land, buildings, and equipment	$ 174,671,386

Depreciation expense was $6,724,904 for the year ended June 30, 2014

The College has entered into commitments relating to construction projects totaling approximately $32.0 million, of which $23.4 million remains uncompleted as of June 30, 2014.

Note 6 - Notes Payable and Long-term Debt

The College has notes payable as of June 30, 2014 as follows:

Unsecured Michigan Finance Authority 2013 notes issued in connection with the revenue refunding bonds Series 2002B, due serially each April 1 in amounts ranging from $640,000 to $1,145,000, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2014 of 1.13 percent). The 2013 bonds mature in fiscal year 2032	$ 15,635,000
Unsecured Michigan Finance Authority 2012 notes issued in connection with the revenue refunding bonds Series 2002A, due serially each April 1 in amounts ranging from $10,000 to $1,340,000, plus interest payable monthly at a variable weekly rate (an all-in rate at June 30, 2014 of 3.59 percent). The 2012 bonds mature in fiscal year 2032	11,200,000
Unsecured Economic Development Corporation of Ottawa County 2011 notes issued in connection with the revenue refunding bonds Series 2002A, due serially each April 1 in amounts ranging from $905,000 to $1,075,000, plus interest payable monthly at a variable weekly rate (an all-in rate at June 30, 2014 of 2.50 percent). The 2011 bonds mature in fiscal year 2022	7,940,000

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

Unsecured Michigan Finance Authority 2010 notes issued in connection with the revenue refunding bonds Series 1999, due serially each October 1 in amounts ranging from $1,060,000 to $1,295,000, plus interest payable monthly at a variable weekly rate (an all-in rate at June 30, 2014 of 2.70 percent). The 2010 bonds mature in fiscal year 2020	$ 7,155,000
Unsecured Michigan Higher Education Facilities Authority (MHEFA) notes issued in connection with the revenue bonds of 2004, due serially each April 1 in amounts ranging from $540,000 to $1,160,000, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2014 of .06 percent). The 2004 bonds mature in fiscal year 2034	15,100,000
Total	$ 57,030,000

The balance of the above debt matures as follows:

2015	$ 3,775,000
2016	3,935,000
2017	3,675,000
2018	3,795,000
2019	3,905,000
Thereafter	37,945,000
Total	$ 57,030,000

The College has synthetically fixed $22 million of its variable-rate debt with an interest rate swap transaction held by JPMorgan Chase at a rate of 3.89 percent.

The College has an unsecured line of credit with a bank, which has available borrowings of $8,000,000. Interest is payable monthly at a rate of LIBOR plus an applicable margin. The line expires on June 29, 2015 and is subject to various financial covenants. There were no borrowings outstanding on this line of credit as of June 30, 2014.

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

Michigan Finance Authority Notes of 2013 - In August 2013, for the benefit of the College, Michigan Finance Authority issued $16,225,000 in General Revenue and Refunding Variable Rate Demand Bonds. The bonds were used to advance refund the remaining portion of the Series 2002B Bonds.

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

Michigan Finance Authority Notes of 2012 - In March 2012, for the benefit of the College, Michigan Finance Authority issued $11,220,000 in General Revenue and Refunding Variable Rate Demand Bonds. The bonds were used to provide funding for the renovation or construction of student housing facilities and the renovation of student dining facilities, as well as the advance refunding of the remaining portion of the Series 2002A Bonds.

Economic Development Corporation Notes of 2011 - In December 2011, for the benefit of the College, the Economic Development Corporation of Ottawa County issued $10,000,000 in General Revenue and Refunding Variable Rate Demand Bonds. The bonds were used to provide funding for the advance refunding of a portion of the Series 2002A Bonds.

Michigan Finance Authority Notes of 2010 - In December 2010, for the benefit of the College, Michigan Finance Authority issued $10,200,000 in General Revenue and Refunding Variable Rate Demand Bonds. The bonds were used to provide partial funding for the advance refunding of $11,745,000 in Series 1999 Bonds.

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 advance 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 amount of $18,652,158. This letter of credit shall terminate no earlier than July 15, 2015, or the first business day following the conversion of interest to a fixed rate. Due to the remarketing agreement, it is possible, but not expected, that $15,100,000 of this debt may be current if the bonds are not able to be remarketed.

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

The various debt obligations that the College has outstanding are subject to the following covenants:

- Maintain for each year a liquidity ratio (as defined) equal to or greater than 100 percent (at June 30, 2014, the defined liquidity ratio amounted to 342 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, 2014, income available for debt service was 183 percent of maximum debt service)
- Maintain for each year a minimum cash-to-debt ratio (temporarily restricted and unrestricted cash and investments to debt ratio) of not less than 40 percent (at June 30, 2014, the College's ratio amounted to 226 percent)

The calculations supporting the various debt covenants at June 30, 2014 and for the year then ended are as follows:

2004, 2010, 2011, 2012, and 2013 issues - Liquidity ratio:

Market value of endowment fund	$ 195,942,635
Long-term debt	$ 57,030,000
Next year interest expense	1,799,050
Debt Service Reserve Fund	(1,609,263)
Total long-term debt plus interest less Debt Service Reserve Fund	$ 57,219,787
Liquidity ratio	342%

2004, 2010, 2011, 2012, and 2013 issues - Debt service coverage:

Current unrestricted fund - Increase in current year net assets	$ 1,763,720
Depreciation	6,724,904
Interest expense paid and accrued	1,865,577
Total income available for debt service	$ 10,354,201
Maximum annual debt service	$ 5,654,333
Percentage of debt service coverage	183%

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

2004, 2010, 2011, 2012, and 2013 issues - Cash-to-debt ratio (temporarily restricted and unrestricted cash and investments to debt ratio):

Cash and cash equivalents	$ 41,725,416
Investment proceeds receivable	2,112,497
Investments	204,884,171
Less:	
Permanently restricted endowment - Net of pledges	(119,103,868)
Permanently restricted loan funds	(384,773)
Agency Fund cash	(587,942)
Temporarily restricted and unrestricted cash and investments	$ 128,645,501
Outstanding debt	$ 57,030,000
Percentage of cash to debt (temporarily restricted and unrestricted cash and investments to debt)	226%

Note 7 - Derivative Financial Instruments

The College is exposed to certain risks in the normal course of its business operations. The main risks are those relating to the variability of future earnings and cash flows, which are managed through the use of derivatives. All derivative financial instruments are reported in the statement of financial position at fair value.

In particular, interest rate swaps, which are designated as fair value hedges, are used to manage the risk associated with interest rates on variable-rate borrowings.

For fair value hedges, the gain or loss on the derivative instruments is offset against the loss or gain on the related hedged item recognized in current earnings. Generally, the College enters into hedging relationships such that changes in the fair value or cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives.

Any gains or losses recognized on derivatives that are not designated as hedging instruments for which the College has elected not to apply hedge accounting are recognized in current year earnings.

Note 7 - Derivative Financial Instruments (Continued)

Below is a summary of the swaps held by the College as of June 30, 2014:

	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty
Series 2002B and Series 2004	22,000,000	6/17/2008	3.892%	One-week LIBOR	$(3,484,857)	4/3/2034	JPMorgan
Series 2010	7,155,000	12/17/2010	1.530%	65% of one-month LIBOR	(81,309)	10/1/2019	PNC
Series 2011	7,940,000	12/7/2011	1.148%	70% of one-month LIBOR	(93,688)	4/1/2022	PNC
Series 2012	11,200,000	5/1/12	1.990%	70% of one-month LIBOR	19,514	4/1/2032	PNC

An unrealized loss totaling $207,683 is included as a fair value adjustment to nonoperating revenue for the year ended June 30, 2014. The realized loss in the amount of $852,694 on the four agreements has been recognized in interest expense for the year ended June 30, 2014.

Note 8 - 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 $12,768,126 and are included in cash and cash equivalents and investments.

Net assets related to these agreements are classified as temporarily 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 2.76 to 7.00 percent.

Note 9 - 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 Prudent Management of Institutional Funds Act (UPMIFA) 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the College and the donor-restricted endowment fund
(3) General economic conditions
(4) The expected total return from income and the appreciation of investments
(5) Other resources of the College
(6) The investment policies of the College.

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (149,649)	$ 39,002,914	$ 129,360,286	$ 168,213,551
Board-designated endowment	37,985,502	-	-	37,985,502
Total funds	$ 37,835,853	$ 39,002,914	$ 129,360,286	$ 206,199,053

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ 29,967,663	$ 23,125,338	$ 121,943,305	$ 175,036,306
Contributions	2,520,533	-	7,416,981	9,937,514
Investment income	-	691,548	-	691,548
Appreciation in fair value	5,347,657	22,361,144	-	27,708,801
Spending policy	-	(7,175,116)	-	(7,175,116)
Endowment net assets - End of year	$ 37,835,853	$ 39,002,914	$ 129,360,286	$ 206,199,053

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 UPMIFA requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $149,649 as of June 30, 2014. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

Return Objectives and Risk Parameters

The College has adopted a policy to ensure 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 9 - Donor-restricted and Board-designated 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 year ended June 30, 2014, 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.

Note 10 - 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 4.25 percent was used to calculate the benefit.

1966 Plan - This is a defined contribution plan covering substantially all regular faculty members, administrative employees, and other employees. The College contributes 10.5 percent of the regular compensation of covered employees after each payroll to TransAmerica Retirement Solutions which then allocates those dollars to each employee's designated investment choice(s). Total contributions to the plan by the College were $3,601,818 in 2014. 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 tenured 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 4.25 percent was used to calculate the liability for this program. This program is in effect until July 31, 2015, 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 4.25 percent was used to calculate the benefit.

Note 10 - Employee Retirement Plans (Continued)

The change in the accumulated postretirement benefit costs for the year ended June 30, 2014 is as follows:

	1949 Plan	Early Retirement Plan	Postretirement Benefit Plan	Total
Accumulated benefit costs - July 1, 2013	$ 29,110	$ 1,592,644	$ 8,479,553	$ 10,101,307
Service costs on benefits earned	-	107,708	75,448	183,156
Interest costs on accumulated benefit obligation	6,073	66,718	359,821	432,612
Expected return on plan assets	(3,175)	-	-	(3,175)
Amortization (deferral) of prior service cost	-	93,091	(387,819)	(294,728)
Recognition of net actuarial gain (loss)	19,515	(89,945)	(324,760)	(395,190)
Net periodic benefit cost	22,413	177,572	(277,310)	(77,325)
Expected benefit payments - Net of retiree payments	(28,545)	(90,654)	(483,523)	(602,722)
Unrecognized actuarial (gain) loss and other	(9,717)	(976,222)	1,403,651	417,712
Accumulated benefit costs - June 30, 2014	$ 13,261	$ 703,340	$ 9,122,371	$ 9,838,972

The primary source of actuarial gain recognized above relates to a change in the actuarial discount rate.

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

Year	1949 Plan	Postretirement Plan	Total
2015	$ 24,715	$ 469,155	493,870
2016	21,375	480,737	502,112
2017	18,254	490,009	508,263
2018	15,378	495,808	511,186
2019	12,782	512,173	524,955
2020-2024	35,280	2,728,131	2,763,411

The 2014 costs were developed based on the health insurance plan in effect at June 30, 2014. For the year ended June 30, 2014, the actuary assumed that retiree medical cost increases would be 3 percent. The healthcare cost trend rate assumption significantly affects the amounts reported. For example, a 1 percentage point increase in each year would increase the accumulated postretirement benefit obligation as of June 30, 2014 by approximately $1,164,000 and the aggregate of the service and interest cost components of net periodic retiree health costs for 2014 by approximately $67,000.

Note 11 - Self-insurance

The College has a self-insured medical plan covering all of its eligible employees. The College's individual excess risk benefit level per employee for the year ended June 30, 2014 was $250,000 for the first employee with $200,000 for each employee thereafter, with total exposure limited to approximately $7,157,225. Losses in excess of these limitations are covered by reinsurance. Amounts expensed by the College under the plan were $5,394,564 for the year ended June 30, 2014. The College has recorded an accrual of $1,417,437 at June 30, 2014 for known claims and estimated claims incurred but not reported.

Note 12 - 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 $2,804,889 during 2014.

The College holds investments in its endowment funds that involve board members, investment committee members, and other related parties of the College along with certain rental housing. The investment values and rental housing transactions totaled $9,577,434 at June 30, 2014.

Note 13 - Cash Flows

Noncash investing activities during 2014 consisted of noncash gifts and contributions totaling $16,579. Cash paid for interest during 2014 totaled $1,865,577.

Additional Information

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Independent Auditor's Report on Additional Information

To the Board of Trustees
Hope College

We have audited the financial statements of Hope College as of and for the year ended June 30, 2014 and have issued our report thereon dated December 8, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The combining statement of financial position is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

December 8, 2014

Combining Statement of Financial Position
June 30, 2014
(with combined totals as of June 30, 2013)

Assets	Current Unrestricted	Current Restricted	Plant	Endowment	Annuities	Agency	Student Loan	2014	2013
Cash and cash equivalents	$ 6,239,280	$ 4,269,402	$ 26,379,932	$ 2,843,414	$ 230,077	$ 587,942	$ 1,175,369	$ 41,725,416	$ 45,821,171
Receivables:									
Student accounts and loans receivable - Less allowance for doubtful account of $470,000 at June 30, 2014 and $485,000 at June 30, 2013	345,104	-	-	-	-	-	5,464,488	5,809,592	5,926,999
Contribution receivable	-	3,610,121	24,651,118	10,256,418	-	-	-	38,517,657	45,359,078
Government grants receivable	-	827,810	-	-	-	-	-	827,810	969,292
Other receivables	1,199,504	-	-	2,112,497	-	81,693	-	3,393,694	1,996,603
Inventories and other assets	785,214	-	-	-	-	-	-	785,214	833,873
Prepaid and deferred expenses	1,385,964	1,410	-	-	-	40,085	-	1,427,459	925,275
Note payable issuance costs - Net	-	-	462,835	-	-	-	-	462,835	663,406
Investments	10,599	-	1,636,620	191,009,108	12,227,844	-	-	204,884,171	168,197,014
Land, buildings, and equipment - Net	-	-	174,671,386	-	-	-	-	174,671,386	162,735,736
Total assets	$ 9,965,665	$ 8,708,743	$ 227,801,891	$ 206,221,437	$ 12,457,921	$ 709,720	$ 6,639,857	$ 472,505,234	$ 433,428,447

Combining Statement of Financial Position (Continued)
June 30, 2014
(with combined totals as of June 30, 2013)

	Current Unrestricted	Current Restricted	Plant	Endowment	Annuities	Agency	Student Loan	2014	2013
Liabilities and Net Assets (Deficit)									
Liabilities									
Accounts payable and tax withholdings	$ 4,480,188	$ 289,998	$ 4,043,489	$ 22,384	$ 12,388	$ 68,379	$ 3,082	$ 8,919,908	$ 6,673,352
Accrued liabilities	1,120,371	3,345	1,037,716	-	-	-	-	2,161,432	2,206,265
Students' and other deposits	520,563	-	-	-	-	579,566	-	1,100,129	1,164,181
Deferred tuition and fees	973,438	-	-	-	-	61,775	-	1,035,213	447,172
Obligations under split-interest agreements	-	-	-	-	8,776,348	-	-	8,776,348	8,950,972
Notes payable	-	-	57,030,000	-	-	-	-	57,030,000	60,725,000
Fair value of interest rate swaps	-	-	3,640,340	-	-	-	-	3,640,340	3,432,657
Refundable Federal Perkins Loan advances	-	-	-	-	-	-	5,894,104	5,894,104	5,919,817
Early retirement benefit	703,340	-	-	-	-	-	-	703,340	1,592,644
Accumulated employee postretirement plans	9,122,371	-	-	-	-	-	-	9,122,371	8,479,553
Total liabilities	16,920,271	293,343	65,751,545	22,384	8,788,736	709,720	5,897,186	98,383,185	99,591,613
Net Assets (Deficit)									
Unrestricted	(6,954,606)	1,217,599	119,626,150	37,835,853	-	-	357,898	152,082,894	134,533,891
Temporarily restricted	-	7,197,801	42,424,196	39,002,914	3,669,185	-	-	92,294,096	75,971,525
Permanently restricted	-	-	-	129,360,286	-	-	384,773	129,745,059	123,331,418
Total net assets (deficit)	(6,954,606)	8,415,400	162,050,346	206,199,053	3,669,185	-	742,671	374,122,049	333,836,834
Total liabilities and net assets (deficit)	$ 9,965,665	$ 8,708,743	$ 227,801,891	$ 206,221,437	$ 12,457,921	$ 709,720	$ 6,639,857	$ 472,505,234	$ 433,428,447