



June 30, 2013
Trustees of Grinnell College

**TRUSTEES OF GRINNELL COLLEGE
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YEARS ENDED JUNE 30, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Trustees of Grinnell College
Grinnell, Iowa

We have audited the accompanying financial statements of Trustees of Grinnell College (the College), which comprise the statement of financial position as of June 30, 2013, 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.

Auditors' 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. 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 auditors' 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.

Board of Trustees
Trustees of Grinnell College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2013, and the change in its net assets and its cash flows

TRUSTEES OF GRINNELL COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

	2013	2012
ASSETS		
Cash and Cash Equivalents	\$ 1,799	\$ 1,290
Accounts Receivable - Less Allowance for Doubtful Accounts of \$132 in 2013 and \$130 in 2012	723	728
Inventories and Prepaid Expenses	3,787	3,941
Loans to Students - Less Allowance for Doubtful Loans of \$408 in 2013 and \$386 in 2012 (Note 4)	7,736	7,917
Investments (Note 2)	1,604,059	1,431,560
Property and Equipment - Net (Note 5)	245,267	254,186
 Total Assets	 \$ 1,863,371	 \$ 1,699,622
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,599	\$ 2,627
Accrued Payroll and Fringe Benefits	4,084	3,557

See accompanying Notes to Financial Statements.

**TRUSTEES OF GRINNELL COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(DOLLARS IN THOUSANDS)**

TRUSTEES OF GRINNELL COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(DOLLARS IN THOUSANDS)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
Revenue, Gains and Other Support:				
Tuition and Fees	\$ 64,731	\$ -	\$ -	\$ 64,731
Grants and Scholarships	(41,156)	-	-	(41,156)
Net Tuition and Fees	23,575	-	-	23,575
Government Grants and Contracts	-	2,678	-	2,678
Private Gifts and Grants	2,154	2,418	-	4,572
Net Realized and Unrealized Gains on Investments	151	-	-	151
Investment Income	181	-	-	181
Auxiliary Income	14,417	-	-	14,417
Other	440	2	-	442
Net Operating Revenues	40,918	5,098	-	46,016
Endowment Spending Distribution	53,281	-	-	53,281
Net Assets Released from Restrictions	4,694	(4,694)	-	-
Net Resources Funding Operations	98,893	404	-	99,297
Expenses and Losses:				
Instruction	35,608	-	-	35,608
Academic Support	11,918	-	-	11,918
Student Services	18,808	-	-	18,808
Institutional Support	17,611	-	-	17,611
Auxiliary Enterprises	15,050	-	-	15,050
Total Operating Expenses	98,995	-	-	98,995
Change in Net Assets from Operating Activities	(102)	404	-	302
NON-OPERATING ACTIVITIES				
Private Gifts and Grants	3,253	1,006	1,524	5,783
Net Realized and Unrealized Losses on Investments	(61,688)	(27,374)	(634)	(89,696)
Investment Income	12,625	5,532	1,092	19,249
Endowment Spending Distribution	(53,281)	-	-	(53,281)
Net Assets Released from Restrictions	17,371	(17,371)	-	-
Change in Value of Spl. Intere	\$ 7,266.7()	J-48.304 -1.3041 TD.0009 Tc-.0005 TwPo(3)6(1)629(e)Fur(526)94T(1)487(men)8(er)4.6(-6		38,1634)

See accompanying Notes to Financial Statements.

**TRUSTEES OF GRINNELL COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 167,766	\$ (127,405)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	11,670	11,558
Amortization of Bond Premium	(979)	(1,194)
Net Realized and Unrealized (Gains) Losses on Investments	(171,514)	89,639
Provision for Recoveries of Losses	37	9
Loss on Disposal of Property and Equipment	2	6
Restricted Contributions	(5,149)	(7,626)
Restricted Investment Income	(16,820)	(6,624)
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost	(1,596)	10,078
Actuarial (Gain) Loss on Annuities Payable		-9877((()270))

See accompanying Notes to Financial Statements.

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Trustees of Grinnell College (the College) is a liberal arts institution in Grinnell, Iowa. The College is accredited as a baccalaureate institution by the North Central Association of Colleges and Schools.

TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Expenses are generally reported as decreases in unrestricted net assets. Expirations or modifications of donor-imposed stipulations are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The College considers all highly-liquid instruments purchased with cash with an original maturity of three months or less to be cash equivalents, except for cash and cash equivalents held in the investment portfolio.

Income Taxes

The College has received a tax determination letter from the IRS stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. As such, the College is taxed only on any net unrelated business income under Section 511 of the Code.

GAAP requires management to evaluate tax positions taken by the College and recognize a tax liability (or asset) if the College has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the College, and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) 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 it is no longer subject to income tax examinations for years prior to 2010.

Accounts Receivable

Receivables are stated at net realizable value and are unsecured. The College does not charge interest on its accounts receivable. The College provides an allowance for doubtful accounts using the allowance method, which is based on management's judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted, the accounts are

TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The College carries its investments at fair value. Unrealized appreciation or depreciation is reported as increases or decreases to net assets. Realized gains and losses on investments are determined using the first-in first-out method, the specific identification method, or the average cost method based upon the underlying investment structures and holdings.

Property and Equipment

Property and equipment is stated at cost at date of acquisition or estimated fair value at date of gift, less accumulated depreciation computed on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	20-40
Equipment and Furnishings	3-10

Expenditures for new equipment and buildings and improvements which substantially extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. Construction in progress comprises costs incurred for building improvements and equipment and furnishings.

U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the U.S. government and are included as a liability in the statements of financial position.

Operating Activities

The College defines operating activities as activities closely related to the educational mission of the College and related auxiliary services. Included in operating revenues is the endowment spending distribution. See discussion of the endowment spending distribution in Note 3.

Gifts

The College reports gifts of cash and other assets as restricted support if the gifts are received with donor stipulations that limit the use of the donated assets. Gifts received with donor-imposed restrictions that stipulate resources be maintained permanently but permit the use of all or part of the income derived from the donated assets are reported as permanently restricted assets. Gifts received with donor-imposed restrictions that permit the use of the donated assets as specified are reported as temporarily restricted assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as Net Assets Released from Restrictions.

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Financial instruments are generally described as cash, contractual obligations or rights to pay or receive cash. The carrying amount approximates fair value for certain financial instruments because of the short-term maturity of these instruments, which include cash and cash equivalents, accounts receivable, U.S. government receivables, accounts payable and accrued expenses, and student deposits and deferred income.

Fair value estimates are made at a specific point in time based on relevant market information. Fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Investments are recorded at fair value primarily as determined by values provided by external investment managers or quoted market prices.

U.S. government loans receivable and U.S. government grants refundable are not saleable and can only be assigned to the U.S. government or its designees. The carrying value approximates fair value.

The estimated fair value of bonds payable was calculated using Level 2 inputs by discounting future cash flows through estimated maturity using the borrowing rate currently available to the College for debt of similar original maturity. The carrying value of the College's bonds payable was \$110,280 and \$117,159 at June 30, 2013 and 2012, respectively; the fair value was approximately \$112,414 and \$122,002 at June 30, 2013 and 2012, respectively.

Revenue Recognition

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 2 INVESTMENTS AND COMMITMENTS (CONTINUED)

Fair values on marketable securities are based on quoted market prices from an active exchange. The College's short-term investment funds and mutual funds, regardless of the underlying asset (i.e. equity, treasuries, credit), are all registered investment companies and have daily net asset values (NAV).

Forward currency contracts, entered into by the College, are valued using quoted prices on active markets or exchanges. All of these investments, except those held in a common collective trust fund and subject to withdrawal limitations, are classified in Level 1.

In 2012, the College had transfers out of Level 3 and into Level 1 of \$15,768 related to an investment in a commingled equity fund. This transfer resulted from a change in the observable inputs used to measure the fair value of the investment. The commingled equity fund previously was priced using unobservable inputs, but has since begun trading on an exchange and is currently priced using unadjusted quoted prices in an active market. For the years ended June 30, 2013 and 2012, there were no other significant transfers in or out of Levels 1, 2, or 3.

Direct investments in United States government and agency notes and bonds are priced based through wire services that look at the bid/ask quote across the market for that issue. Certain issues, that trade less frequently, are priced based on an estimate using previous market data. Corporate and other bonds are often traded in less active markets with pricing being determined by looking at a similar asset that is currently trading. As such, these investments are classified in Level 2.

The fair value of limited partnerships and similar nonmarketable equity interests, which invest in both publicly and privately owned securities, are based on estimates and assumptions of general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. For the public securities held by the limited partnerships, investment office staff verifies the price of each public security and recalculates the resulting market value. Investments in limited partnerships and similar nonmarketable equity interests have been classified as Level 3.

TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 2 INVESTMENTS AND COMMITMENTS (CONTINUED)

- (c) Distressed investments are made through limited partnerships that generally seek to achieve capital appreciation through investments in debt securities and other obligations at substantial discounts to their original value. These investments are generally made in connection with episodes of financial distress for the underlying company. These partnership interests are not eligible for redemption and have terms of 10 to 11 years. Distressed funds are invested globally. Unfunded commitments are \$30,112 at June 30, 2013.
- (d) Real estate investments primarily are made through limited partnerships whose investment objective is to purchase direct or indirect debt or equity interests in real estate and real estate related assets or businesses. These partnership interests are not eligible for redemption and have terms of 8 to 10 years. Certain real estate investments are held directly. Real estate funds are invested globally. Unfunded commitments are \$19,988 at June 30, 2013.
- (e) The other category primarily consists of community investments. Unfunded commitments are \$0 at June 30, 2013.

The following table reconciles the change in fair value of the College's Level 3 investments from the beginning to the end of each annual reporting period:

	Commingled Funds	Private Equity	Distressed	Real Estate	Other	Total
Balance as of June 30, 2011	\$ 254,180	\$ 261,513	\$ 163,984	\$ 42,956	\$ 571	\$ 723,204
Realized and Unrealized						
Gains (Losses)	(4,558)	9,466	4,760	801	948	11,417
Purchases	50,000	62,970	5,750	5,911	-	124,631
Sales	(80,139)	(63,545)	(45,304)	(8,330)	(1,082)	(198,400)
Transfer	(15,768)	-	-	-	-	(15,768)
Balance as of June 30, 2012	203,715	270,404	129,190	41,338	437	645,084
Realized and Unrealized						
Gains	26,724	28,113	16,782	11,294	1,164	84,077
Purchases	26,561	45,708	9,609	12,591	-	94,469
Sales	(7,273)	(62,061)	(69,215)	(4,756)	(1,173)	(144,478)
Balance as of June 30, 2013	<u>\$ 249,727</u>	<u>\$ 282,164</u>	<u>\$ 86,366</u>	<u>\$ 60,467</u>	<u>\$ 428</u>	<u>\$ 679,152</u>

The change in unrealized gains (losses) reported above that relate to Level 3 assets held at June 30, 2013 and 2012 are \$2,790 and \$(24,925), respectively, and are included in net realized and unrealized gains (losses) on investments on the statements of activities.

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

NOTE 3 ENDOWMENT

The College's endowment consists of donor-restricted funds and other Board designated funds which are deemed to be held and invested in perpetuity. Endowment funds are primarily pooled for investment purposes.

Per the State of Iowa's statute, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for uses, benefits, purposes and duration for which the endowment is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. Appropriation for expenditure is deemed to occur upon approval for expenditure unless approval is for a future period, in which case appropriation is deemed to occur when that period is reached. UPMIFA does not apply to Board designated endowment funds and therefore the appreciation on these funds remains a part of unrestricted net assets.

The endowment and similar funds consist of the following net asset components as of June 30, 2013 and 2012:

		2013		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted	\$ (136)	\$ 379,517	\$ 95,711	\$ 475,092
Board Designated	1,078,537	-	-	1,078,537
 Total Endowment Net Assets	 \$ 1,078,401	 \$ 379,517	 \$ 95,711	 \$ 1,553,629

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

NOTE 3 ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

The College seeks to achieve these objectives via a liquidity-oriented asset allocation process which identifies a strategic mix of asset classes to produce the highest expected investment return within a prudent risk framework, utilizing bottom-up decision-making methods. The perpetual nature of the endowment funds and the significant degree to which the College relies on endowment distributions to support the operations of the College is considered.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Trustees affirmed the current endowment spending policy on June 10, 2011. For the years ended June 30, 2013 and 2012, the endowment distribution under this policy was calculated as 4.00% of a 12-quarter moving average of the fair value of endowment net assets. The policy precludes allocating the entire distribution to the College's operating budget. The Board of Trustees annually approves allocation of the distribution between the operating budget and reserve funds.

Endowment activity was as follows for the fiscal years ended June 30, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets as of June 30, 2011	\$ 1,043,360	\$ 365,734	\$ 91,126	\$ 1,500,220
Endowment Return:				
Investment Income, Net of Expenses	12,557	5,532	1,092	19,181
Net Realized and Unrealized Losses on Investments	(61,753)	(26,783)	-	(88,536)
Net Endowment Return	(49,196)	(21,251)	1,092	(69,355)
Gifts	3,098	-	1,464	4,562
Endowment Spending Distribution	(53,281)	-	-	(53,281)
Release or Change in Restriction	15,895	(15,847)		

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

NOTE 3 ENDOWMENT (CONTINUED)

Funds with Deficiencies

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or IUPMIFA 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 \$136 and \$429 for the years ended June 30, 2013

TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)

NOTE 4 LOANS TO STUDENTS (CONTINUED)

The Federal Perkins loan program is a revolving loan program through the Federal government. Funds advanced by the government are ultimately refundable to the government and are classified as liabilities in the statements of financial position in the amounts of \$2,536 and \$2,525 at June 30, 2013 and 2012, respectively.

Allowances for doubtful loans are established based on prior collection experience and current economic factors. Institutional and donor-sponsored loans are written-off when deemed permanently uncollectible. The allowance for doubtful loans related to the Federal Perkins loan program of \$110 at June 30, 2013 and 2012, is offset in the refundable amount due to the government classified as a liability in the statements of financial position.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following components as of June 30, 2013 and 2012:

	2013	2012
Land and Improvements	\$ 11,771	\$ 11,698
Buildings and Improvements	326,408	325,223
Equipment and Furnishings	68,197	66,245
Construction in Process	273	1,119
	406,649	404,285
Less: Accumulated Depreciation	161,382	150,099
	\$ 245,267	\$ 254,186

As of June 30, 2013 and 2012, the College has outstanding construction contract commitments totaling \$125 and \$292, respectively.

NOTE 6 EMPLOYEE BENEFITS

The College is a participant in the Teachers Insurance and Annuity Association – College Retirement Equity Fund (TIAA-CREF), which is a defined contribution plan for academic and nonacademic personnel. TIAA-CREF does not segregate the assets, liabilities, or costs by

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

NOTE 7 POSTRETIREMENT BENEFIT PLAN

Postretirement Benefits

The College sponsors a postretirement healthcare plan for all employees who meet eligibility requirements. The plan is contributory with retiree contributions that are adjustable annually based on various factors, some of which are discretionary.

The measurement date for the postretirement plan is June 30. The following tables set forth the plan's benefit obligation, fair value of plan assets, funded status (deficiency), components of net periodic benefit costs, and weighted average actuarial assumptions as of June 30, 2013 and 2012:

	2013	2012
Change in Benefit Obligation:		
Benefit Obligation at Beginning of Year	33,090	

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

NOTE 7 POSTRETIREMENT BENEFIT PLAN (CONTINUED)

Postretirement Benefits (Continued)

	<u>2013</u>	<u>2012</u>
Actuarial Assumptions:		
Discount Rate	4.70%	4.10%
Expected Return on Plan Assets	6.00	6.00
Healthcare Cost Present Trend Rate for Participants up to 65 Medical/Prescription Drug	7.0-7.0	7.1 - 8.5
Healthcare Cost Present Trend Rate for Participants 65 and Over Medical/Prescription Drug	7.0-7.0	7.1 - 8.5
Healthcare Cost Ultimate Trend Rate (Year of Stabilization)	5.00 (2024)	5.00 (2019)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on Total of Service and Interest Cost Components	\$ 751	\$ (568)
Effect on Postretirement Benefit Obligations	6,621	(5,261)

Cash Contributions and Benefit Payments

The College's postretirement benefits are partially unfunded; therefore, cash contributions for postretirement benefits are equal to the benefit payments.

The following table details the expected cash contributions and benefit payments for 2014 through 2022:

<u>Year Ending</u>	<u>Amount</u>
2014	\$ 766
2015	927
2016	1,090
2017	1,176
2018	1,330
Years 2019 - 2022	8,539

All benefit payments for other postretirement benefits are voluntary, as the postretirement plans are not funded, and are not subject to any minimum regulatory funding requirements. Benefit payments for each year represent claims paid for medical expenses, and the College anticipates the 2014 postretirement benefit payments will be made from cash generated from operations.

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(DOLLARS IN THOUSANDS)**

NOTE 7 POSTRETIREMENT BENEFIT PLAN (CONTINUED)

Asset Allocation

The College's postretirement plan's asset allocation as of June 30, 2013, (measurement date) is 71% in fixed income investments and 29% in cash and cash equivalents. All plan investments are considered Level 1 investments.

The investment strategy for postretirement plan assets is to maintain a conservative portfolio designed to preserve principal value.

Medicare Prescription Drug, Improvements and Modernization Act of 2003

The Medicare Prescription Drug, Improvements and Modernization Act of 2003 (the Act) introduced a prescription drug benefit under Medicare Part D beginning in 2006 as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D.

The College determined that the postretirement medical benefits provided under its plan are actuarially equivalent to the benefits provided under the Act. As a result, the College received a federal subsidy related to these benefits in the amount of \$86 and \$84 for fiscal years 2013 and 2012, respectively.

NOTE 8 NET ASSETS

Temporarily restricted net assets as of June 30, 2013 and 2012 consist of the following:

	2013	2012
General Purposes	\$ 76,745	\$ 67,369
Instruction	122,514	105,217
Academic Support	32,199	28,691
Student Services	41,533	36,180
Institutional Support	18,064	15,672
Scholarships, Grants and Loans	92,758	79,123
Facilities Operations	270	245
Split Interest Agreements	5,121	4,306
	<hr/>	<hr/>
Total	<u>\$ 389,204</u>	<u>\$ 336,803</u>

TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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(DOLLARS IN THOUSANDS)

NOTE 8 NET ASSETS (CONTINUED)

Permanently restricted net assets (investments to be held in perpetuity) as of June 30, 2013 and 2012 consist of the following:

	2013	2012
General Purposes	\$ 10,571	\$ 10,286
Instruction	41,769	40,800
Academic Support	4,571	4,092
Student Services	8,727	8,444
Institutional Support	2,515	2,515
Scholarships, Grants and Loans	33,116	32,386
Facilities Operations	10	10
Total	\$ 101,279	\$ 98,533

NOTE 9 CONDITIONAL PROMISES TO GIVE

Conditional promises to give are not reported in the financial statements until the promises become unconditional. Conditional promises totaling approximately \$2,394 at June 30, 2013, primarily restricted to facilities use, are expected to be received during the next five fiscal years.

NOTE 10 BONDS PAYABLE

Bonds payable at June 30, 2013 and 2012 consist of the following:

	2013	2012
Revenue Bonds dated June 26, 2008 Maturing on June 1, 2023	\$ 60,000	\$ 60,000
Revenue Bonds dated March 9, 2010 with Final		

**TRUSTEES OF GRINNELL COLLEGE
NOTES TO FINANCIAL STATEMENTS
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(DOLLARS IN THOUSANDS)**

NOTE 10 BONDS PAYABLE (CONTINUED)

Repayment of principal, if any, is due upon maturity of the standby bond purchase agreement. There have been no bonds purchased by the bank under the standby bond purchase agreement as of June 30, 2013. If the bond purchase agreement is not extended, the entire balance outstanding on the bonds could become due and payable on June 25, 2014.

