FINANCIAL REPORT

June 30, 2007

Trustees of Grinnell College

TRUSTEES OF GRINNELL COLLEGE

TABLE OF CONTENTS

Deloitte & Touche LLP
Capital Square
400 Locust Street, Suite 740400 L4.539cr $77(

INDEPENDENT AUDITORS' REPORT

Trustees of Grinnell College
Grinnell, Iowa

We have audited the accompanying statements of financial position of Trustees of Grinnell College (the "College") as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the College. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the College, as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 2 to the financial statements, the financial statements include investments valued at $725.1 million (36% of total assets) and $602.3 million (34% of total assets) as of June 30, 2007 and 2006, respectively, 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 general partners or partnership valuation committees.

As discussed in Note 1 to the financial statements, the College adopted *Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements N. 87, 88, 106, and 132(R)*, during the year ended June 30, 2007.

Deloitte & Touche LLP

October 4, 2007

TRUSTEES OF GRINNELL COLLEGE

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006
(Dollars in Thousands)

ASSETS	2007	2006
Cash and cash equivalents	$ 1,563	$ 1,948
Accounts receivable, less allowance for doubtful accounts of $126 in 2007 and $184 in 2006	698	367
Inventories and prepaid expenses	2,303	1,788
Loans to students, less allowance for doubtful loans of $308 in 2007 and $359 in 2006	7,258	6,772
Investments (Note 2-1.8		

TRUSTEES OF GRINNELL COLLEGE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITY:				
Revenue, gains and other support:				
Tuition and fees	$ 44,582	$ -	$ -	$ 44,582
Grants and scholarships	(23,221)	-	-	

TRUSTEES OF GRINNELL COLLEGE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
(Dollars in Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITY:				
Revenue, gains and other support:				
Tuition and fees	$ 41,991	$ -	$ -	$ 41,991
Grants and scholarships	(21,627)	-	-	(21,627)
Net tuition and fees	20,364	-	-	20,364
Government grants and contracts	-	1,188	-	1,188
Private gifts and grants	2,244	2,013	-	4,257
Net realized and unrealized losses on investments	(1)	-	-	(1)
Investment income	465	-	-	465
Auxiliary income	10,652	-	-	10,652
Other	661	24	-	685
Net operating revenues	34,385	3,225	-	37,610
Endowment spending distribution	49,155	-	-	49,155
Net assets released from restrictions	3,511	(3,376)	-	135
Net resources funding operations	87,051	(151)	-	86,900
Expenses and losses:				
Instruction	28,353	-	-	28,353
Academic support	10,660	-	-	10,660
Student services	15,323	-	-	15,323
Institutional support	11,612	-	-	11,612
Auxiliary enterprises	10,984	-	-	10,984
Total operating expenses	76,932	-	-	76,932
Change in net assets from operating activity	10,119	(151)	-	9,968
NON-OPERATING ACTIVITY:				
Private gifts and grants	249	3,901	720	4,870
Net realized and unrealized gains on investments	101,013	58	268	101,339
Investment income	28,436	53	861	29,350
Endowment spending distribution	(49,155)	-	-	(49,155)
Net assets released from restrictions	6,028	(6,214)	51	(135)
Change in value of split interest agreements	-	-	(88)	(88)
Loss on disposal of property and equipment	(136)	-	-	(136)
Change in net assets from non-operating activity	86,435	(2,202)	1,812	86,045
TOTAL CHANGE IN NET ASSETS	96,554	(2,353)	1,812	96,013
NET ASSETS AT BEGINNING OF YEAR	1,490,550	10,980	76,800	1,578,330
NET ASSETS AT END OF YEAR	$ 1,587,104	$ 8,627	$ 78,612	$ 1,674,343

See notes to financial statements.

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 Universities.

***Basis of Presentation* -** The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The College maintains its internal accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the College has adopted

***Inventories* -** Inventories are valued at the lower of cost (first-in, first-out method) or market.

***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 on the specific identification method.

The College reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the College reports expiration of donor restrictions when the long-lived assets are acquired or donated.

***Split Interest Agreements* -** The College is the beneficiary of various trusts and annuities. The College's interest in these split interest agreements is reported as a contribution in the year received at its net present value discounted at rates between 3.10% and 12.40% as of June 30, 2007 and 2006 based upon actuarially determined mortality rates. The assets of these agreements, for which the College is the trustee, total approximately $16,117 and $13,199 as of June 30, 2007 and 2006, respectively, and are included in investments on the statements of financial position.

***Postretirement Benefits* -** The College provides certain healthcare benefits for all retired employees who meet eligibility requirements. The College's share of the estimated costs that will be paid after retirement is being accrued by charges to unrestricted net assets over the employees' active service periods to the date they are fully eligible for benefits in accordance with Financial Accounting Standards Board ("FASB") Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.

***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. These estimates are subjective in nature4.8(e-hort-ter)-5.6(m)7T35.rke51(in.005.)2.nas ofbactivet.00t4(the a6 555.tf43..S8(

***Adoption of New Accounting Pronouncement* -** During the year ended June 30, 2007, the College adopted Statement of Financial Accounting Standard No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans–an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. SFAS

	2006				
	Notional Amount		Cost		Fair Value
Currency:					
Yen	5,075,376	$	46,052	$	46,178
Pound Sterling	£ -	$	172	$	-

As the fair value of the forward contract fluctuates, the College records an unrealized gain or loss. A summary of net forward currency contracts outstanding as of June 30, 2007 and 2006 is as follows:

As of June 30, 2007, the College has outstanding construction contract commitments totaling $5,751, which are expected to be fulfilled over the next year. Subsequent to June 30, 2007, the College has agreed to additional contract commitments of approximately $4,870.

4. EMPLOYEE BENEFITS

The College has a noncontributory defined contribution pension plan for academic and nonacademic personnel. Total pension plan costs for the years ended June 30, 2007 and 2006 were $3,138 and $2,970, respectively.

5. 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. Effective January 1, 2005, the plan was amended to provide for employer-paid coverage from age 60 to 65 based on a service-related tiered structure.

During the year ended June 30, 2007, the College adopted the recognition provision of SFAS 158. As a

	2007	2006
Reconciliation of the Accrued Liability:		
Funded status	$ 9,257	$ 12,635
Unrecognized accumulated net gain (loss)	81	(4,700)
Unrecognized prior service cost	(786)	(861)
Accrued postretirement benefit obligation before cumulative effect of SFAS 158	8,552	7,074
Cumulative effect of SFAS 158	705	-
Estimated premium payments made between measurement date and fiscal year end	-	(75)
Accrued balance sheet liability at end of year	$ 9,257	$ 6,999

	2007	2006
Components of Net Periodic Benefit Cost:		
Service cost	$ 711	$ 528
Interest cost	821	584

The following table details the expected cash contributions and benefit payments for 2008 through 2017:

2008	$ 273
2009	330
2010	388
2011	455
2012	522
Years 2013-2017	3,083

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 2008

Permanently restricted net assets (investments to be held in perpetuity) are available for the following purposes as of June 30, 2007 and 2006:

	2007	2006
General purposes	$ 9,477	$ 9,406
Instruction	31,721	29,016
Academic support	3,923	3,869
Student services	7,105	6,693
Institutional support	2,515	2,515
Facilities operations	(236)	(290)
Scholarships, grants and loans	28,682	27,403
	$ 83,187	$ 78,612

7. CONDITIONAL PROMISES TO GIVE

Conditional promises to give are not reported in the financial statements until the promises become unconditional. Conditional promises totaling approximately $3,472 at June 30, 2007, primarily restricted to facilities use, are expected to be received during the next five fiscal years.

8. BONDS PAYABLE

In December 2001, the Iowa Higher Education Loan Authority ("IHELA") issued $50,000 of Private College Facility Variable Rate Demand Revenue Bonds on behalf of the College. Bond repayment is subject to a Loan Agreement between IHELA and the College. The obligation of the College to make loan repayments under the Loan Agreement is a general obligation of the College and is unsecured. The bonds bear interest at a variable weekly rate based on the lowest rate among a number of measures including prime and commercial paper, payable on the first business day of each calendar month. The interest rate for the week of June 28, 2007 through July 4, 2007 was 3.74%. Principal is due at maturity