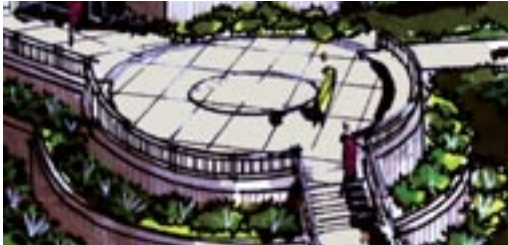


Grand Valley State University

Annual Report



2001



Grand Valley State University

**Financial Report
with Additional Information
June 30, 2001**

Grand Valley State University

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Independent Auditor's Report

Board of Trustees
Grand Valley State University

We have audited the accompanying basic financial statements of Grand Valley State University as of June 30, 2001 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion of these basic 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 that the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Grand Valley State University at June 30, 2001, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the University adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* as of July 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2001, on our consideration of University's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis presented on pages 2 through 12 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Morse, LLP

August 29, 2001

Grand Valley State University
Administrative Officers as of July 1, 2001

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Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

New Accounting Standards

In June 1999, the Governmental Accounting Standard's Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. The State of Michigan has elected to adopt these new standards in fiscal year 2001 and, as a component unit of the state government, Grand Valley State University (the "University") has adopted the new standards as well.

The following discussion and analysis provides an overview of the University's financial activities. Since this is a transition year for the new format, only one year of information is presented in the audited financial statements. For management's discussion and analysis we have restated the previous year's financial information in order to provide a comparison.

The new accounting standards resulted in a prior period adjustment of \$9 million to the beginning fund balance. The components of this adjustment are included in the footnotes to the financial statements and primarily include net revenue for spring classes, pledges receivable and pension assets.

As required by the newly adopted accounting principles, the annual report consists of three basic financial statements that provide information on the University as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Each one of these statements will be discussed.

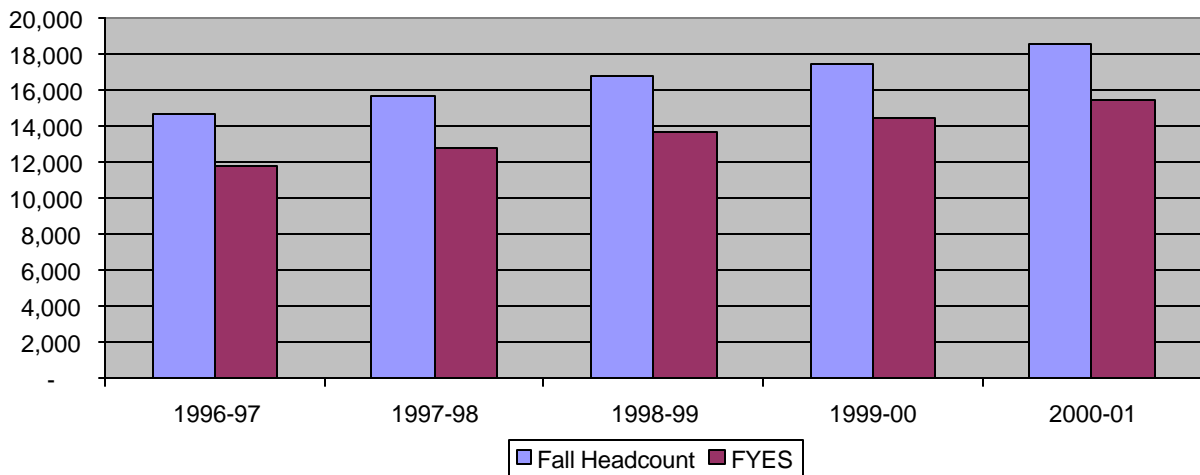
Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

Financial and Enrollment Highlights

- Net assets increased 13% due to continuing investment in capital assets and reserves for repairs, maintenance and future debt service.
- The downturn in the equity market affected the market value of endowment and retirement investments.
- Capital campaigns and capital appropriations from the State of Michigan supported several construction projects.
- In October 2000, the University issued \$36 million in debt to finance additional student housing in Allendale and renovations for the student activities center.
- Operating revenue increased 14% as a result of increased enrollment, tuition rates, housing capacity and grant activity.

Historical Enrollment



- Enrollment increased by 7.2% based on FYES (fiscal year equated students). Headcount for the fall semester increased by 6.5%.
- State appropriations for operations increased 11%.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way to measure the financial health of the University.

	(in thousands)		
	2001	2000	Change
		(unaudited)	
Current assets:			
Cash and short-term investments	\$ 50,674	\$ 33,047	53%
Receivables	35,647	32,363	10%
Inventory, prepaid expenses and other	<u>2,933</u>	<u>2,397</u>	22%
Total current assets	89,254	67,807	32%
Non-current assets			
Long-term investments	56,547	50,274	12%
Long-term receivables	18,923	12,812	48%
Capital assets, net of depreciation	288,882	239,609	21%
Other	<u>1,253</u>	<u>739</u>	70%
Total non-current assets	<u>365,605</u>	<u>303,434</u>	17%
Total assets	<u>\$ 454,859</u>	<u>\$ 371,241</u>	23%
Current liabilities:			
Accounts payable and accrued liabilities	\$ 33,616	\$ 24,868	35%
Deferred revenue	7,798	5,728	36%
Long-term liabilities - current portion	<u>4,670</u>	<u>3,355</u>	39%
Total current liabilities	46,084	33,951	36%
Non-current liabilities:			
Long-term liabilities	<u>81,457</u>	<u>48,579</u>	68%
Total liabilities	127,541	82,530	55%
Net assets			
Invested in physical properties	208,352	188,013	11%
Restricted	58,581	51,561	14%
Unrestricted	<u>60,385</u>	<u>49,137</u>	23%
Total net assets	<u>\$ 327,318</u>	<u>\$ 288,711</u>	13%

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

The cash and short-term investment increase consists primarily of the unspent bond proceeds from the October 2000 bond issue. These unspent bond proceeds are classified as restricted because the tax-exempt bonds require the proceeds to be spent on capital projects. Operating cash also increased as reflected in the Statement of Cash Flows.

Receivables include grants, state appropriations, pledges, student notes and various operating receivables. Grants receivable increased because the University received certain new federal grants such as the Michigan Small Business Development Center. State appropriation receivables include the general operating appropriation, public school academy funds and capital appropriations. Increases in both the general operating receivable and the public school academy receivable were offset by a \$5 million decrease in the receivable for capital appropriation. Pledges receivable have been recorded according to the new accounting standards. Current pledges are those expected to be collected within a year. Increases are a result of the Health Professions Building capital campaign.

Long-term investments include both unrestricted cash and endowment. The endowment investments stayed the same – market losses and spending distributions offset gifts. Other changes in unrestricted long-term investments are a result of operating activity and investment policy. Long-term pledges receivable increased because of the capital campaign for the Health Professions Building. These long-term pledges were discounted to net present value for financial statement purposes.

Capital assets have increased by \$58 million due to new construction. Buildings that were completed included the Richard M. DeVos Center, Secchia Hall apartments, Grand Valley Apartments, a remodeled Robinson Living Center, the Fred M. Keller Engineering Laboratories, the Alumni House and Visitor Center, and the Lake Michigan Center. The University also began several other capital projects including a new Health Professions Building, new student housing and several additions to buildings on the Allendale campus. These additions, net of depreciation and some disposals, are summarized in Note 3 of the footnotes to the financial statements.

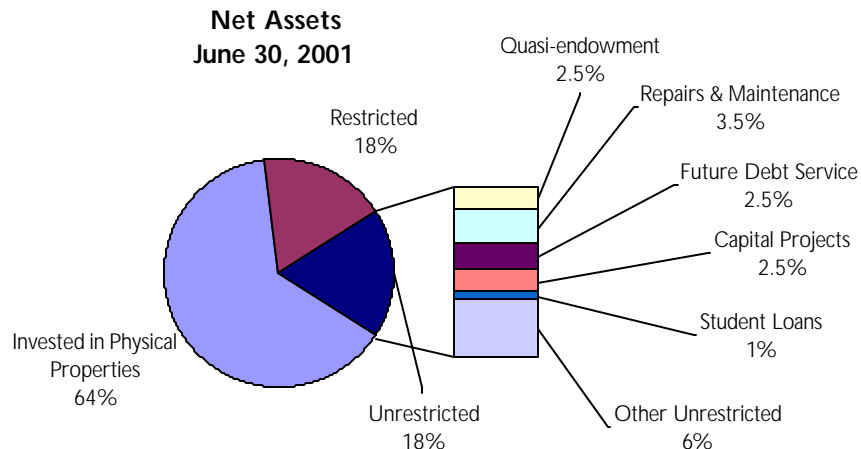
Accounts payable increased because of the additional construction projects and overall increases in the accrual for public school academy distributions. Increased enrollment in the summer session of 2001 resulted in \$855,000 additional deferred tuition revenue. Increases in the volume as well as the amounts of grants and contracts resulted in \$1.2 million of additional deferred revenue. Of that increase, \$955,000 is due to an autism grant received from the State of Michigan.

Long-term debt increased in October 2000 when the University issued \$36,475,000 in General Revenue bonds to fund capital additions for housing and student activities. The University's bond rating continues to be A+, as rated by Standard & Poors. More detailed information about the University's long-term debt is presented in the footnotes to the financial statements.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

Many of the University's unrestricted net assets have been designated or reserved for specific purposes such as: insurance reserves, repairs and replacement of equipment, future debt service, quasi-endowments, capital projects, and student loans. The following graph shows the allocations:



The increase in the University's net assets of 13% reflects the expansion that occurred in this past year. The University's physical assets have grown because of the generous support from the community and the State of Michigan. The increase in restricted net assets reflects pledges from capital campaigns that have been accrued as gift revenue but the related construction expenses have not yet been incurred. Unrestricted net assets primarily increased due to funds set aside for repairs and maintenance, debt service, capital projects and investment income on pooled cash. These increases were offset by unrealized investment losses in quasi-endowment.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the University, as well as the non-operating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

	(in thousands)		
	2001	2000	Change
		(unaudited)	
Operating revenue:			
Net tuition and fees	\$69,456	\$61,881	12%
Auxiliary	23,730	20,179	18%
Grant and contracts	14,692	11,863	24%
Other	8,871	8,212	8%
Total	<u>116,749</u>	<u>102,135</u>	14%
Operating expenses	<u>169,411</u>	<u>145,764</u>	16%
Net operating expenses	<u>(52,662)</u>	<u>(43,629)</u>	21%
Non-operating revenues:			
State appropriations	60,688	54,706	11%
Gifts (including endowment and capital)	26,183	9,466	177%
Capital appropriations	5,298	21,757	-76%
Investment income	2,152	5,754	-63%
Other income and expense	(3,052)	(1,668)	83%
Total	<u>91,269</u>	<u>90,015</u>	1%
Increase in net assets	38,607	46,386	-17%
Net assets - Beginning of year	<u>288,711</u>	<u>242,325</u>	19%
Net assets - End of year	<u>\$ 327,318</u>	<u>\$ 288,711</u>	13%

Tuition and fees, net of scholarship allowances, increased by 12% to \$69 million in 2001. The increase was caused by tuition rate increases of 4.5% and enrollment increases of 7.2% FYES (fiscal year equated students). Scholarship allowances increased by 12.7% overall primarily due to an additional \$4.8 million from the State of Michigan's MEAP program.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

Auxiliary revenue consists of housing, bookstores, vending, golf course, health center fees and telephone charges. The 18% increase is primarily related to housing rate increases of 3.8% and additional housing capacity of 13%. In the fall the University opened 153 beds in Secchia Hall and 284 beds through the acquisition of Grand Valley Apartments.

Grants and contracts revenue increased by \$2.8 million as a result of increased student financial aid and increased activity in grants. For example, new grants received include the Michigan Small Business Development Center and an autism grant from the State of Michigan.

Gifts to the University reflect community support for the mission and goals of the University. After a GASB 35 adjustment to record pledges, gifts to the University more than doubled. Capital campaigns included gifts for the Health Professions Building, the Richard M. DeVos Center, the Fred M. Keller Engineering Laboratories, the Alumni House & Visitors Center and the Lake Michigan Center. Gifts to the endowment of the University totaled \$3.5 million compared to \$2 million last year. Planned giving, a new program of the University's Development Office, contributed \$865,000 of gift revenue through charitable gift annuities.

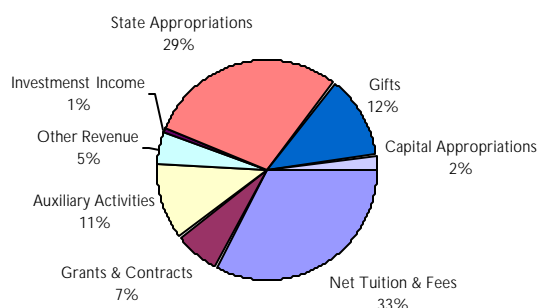
Interest, dividends and realized gains of \$6.1 million were offset by unrealized losses of \$3.6 million and expenses of \$300,000. The income on operating cash and unspent bond proceeds was offset by unrealized losses on long-term investments in the endowment.

Capital appropriations for 2000 and 2001 represent the State of Michigan's support for the construction of the Richard M. DeVos Center in downtown Grand Rapids. This building was funded 75% by the State of Michigan and 25% by gifts from the community. The University celebrated the opening of this building in August 2000.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

**Total Revenue
June 30, 2001**



Tuition and fees, net of scholarship allowances, makes the largest contribution (33%) to the total revenue of the University. State appropriation is the next largest at 29%. These two sources, along with grants and contracts, provide for the majority of the operating expenses. Gifts and capital appropriations support the continued investments in endowments and capital assets while auxiliary activities are considered self-supporting enterprises.

Operating Expenses (by functional classification and in thousands)

	2001	2000 (unaudited)	Change	Percent
Instruction	\$ 69,767	\$ 60,884	\$ 8,883	15%
Research	1,795	1,608	187	12%
Public service	9,063	8,253	810	10%
Academic support	17,054	13,967	3,087	22%
Student services	14,044	12,870	1,174	9%
Institutional support	10,277	8,093	2,184	27%
Operation and maintenance of facilities	14,123	10,741	3,382	31%
Depreciation	9,340	7,464	1,876	25%
Scholarships and related expenses	5,183	5,185	(2)	0%
Auxiliary activities	18,475	16,282	2,193	13%
Other expenditures	290	417	(127)	-30%
	<u>\$ 169,411</u>	<u>\$ 145,764</u>	<u>\$ 23,647</u>	16%

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

Expenses for instruction, research, and public service continue to grow at a steady rate. Instruction as a percent of total expenses remained constant at 41%. Salaries, wages, and benefits for instruction increased \$8 million, which included 38 new positions for faculty, additional staff and annual pay increases. Supplies and other expenses increased by \$1 million.

Academic support expenses increased \$3.1 million overall with \$1.9 million for salaries and benefits and \$1.2 million for supplies and other expenses. In addition to annual pay increases, the increased expenses are a result of the new Steelcase Library, academic support for the Pew Campus, additional administration expenses for various dean offices and the establishment of an office for grants and graduate studies.

Institutional support, operation, and maintenance of facilities have grown by an unusually large amount due to the opening of new buildings. While the largest impact has been the opening of the Richard M. DeVos Center, the Alumni & Visitors Center and Fred M. Keller Engineering Laboratories have increased operating expenses as well.

Institutional support also reflects expansion of the development office into planned giving and cost related to changes in the executive office. Increases in public safety expenses relate to the opening and operation of the Pew Campus.

The increase in the operation and maintenance of facilities expenses again reflects the opening of the new facilities. Utility increases, annual salary increases, inflationary increases, and special maintenance projects are also reflected in this category.

Scholarships and related expenses include work-study programs as well as the portion of financial aid that is not considered a scholarship allowance. Increases in federal awards, stability in university-funded awards and increases in third-party awards are all factors that offset each other and result in the same level of expense.

Increases in expense for auxiliary activities reflect the additional housing on both the Pew Campus and in Allendale.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

Operating Expenses (by natural classification and in thousands)

	2001	2000	Change	Percent
		(unaudited)		
Salaries and benefits	\$ 103,567	\$ 90,439	\$ 13,128	15%
Scholarships and awards	4,419	4,195	224	5%
Utilities	5,200	4,516	684	15%
Supplies and other	46,885	39,150	7,735	20%
Depreciation	9,340	7,464	1,876	25%
	<u>\$ 169,411</u>	<u>\$ 145,764</u>	<u>\$ 23,647</u>	16%

Salaries and benefit expenses, which clearly represent the largest operating expense, increased due to additional positions and annual pay increases throughout every functional category. Both salaries and supplies expenses reflect the opening of the Richard M. DeVos Center, the Fred M. Keller Engineering Laboratories and the Alumni & Visitors Center. Scholarships and awards represent financial aid expense less scholarship allowance and work-study wage. The increase from fiscal year 2000 reflects and increases in non-work-study awards. Utilities expense increased due to market prices. Depreciation on buildings increased with the completion and opening of several new buildings.

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the University's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	(in thousands)	
	2001	2000
		(unaudited)
Cash Provided By (Used In) :		
Operating activities	\$ (35,609)	\$ (29,048)
Non-capital financing activities	64,961	56,665
Capital and related financing activities	(7,498)	(20,313)
Investing activities	(11,388)	(9,353)
Net increase (decrease) in cash	10,466	(2,050)
Cash - Beginning of year	3,221	5,271
Cash - End of year	<u>\$ 13,687</u>	<u>\$ 3,221</u>

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2001

The primary cash receipts from operating activities consist of tuition and housing revenues. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships. Overall, net cash used by operations increased, reflecting the growth in the University.

State appropriation is the primary source of non-capital financing. The new accounting standards require that we reflect this source of revenue as non-operating even though the University's budget depends on this to continue the current level of operations. Appropriations increased by 11% from fiscal year 2000. Other non-capital financing activity includes gifts received for endowment and charitable gift annuities.

The main financing activities include the October 2000 bond issue of \$36 million, state appropriations received for the Richard M. DeVos Center, and gifts received from several capital campaigns that were conducted. Financing income is offset by capital expenditures of \$58 million that represent several construction projects undertaken during the year.

Economic Factors That Will Affect the Future

The economic position of Grand Valley is closely tied to that of the State of Michigan. State appropriation comprises 29% of total revenues and, after tuition revenue, is the second largest source of funding. The appropriation for the upcoming fiscal year has not been finalized. Since the state economy has slowed down, payrolls at major manufacturing concerns have been reduced, causing state revenues to decrease. This will most likely result in smaller increases in state appropriation for higher education. The specific impact on the University is uncertain.

Grand Valley State University

Statement of Net Assets June 30, 2001

Assets	
Current assets:	
Cash & cash equivalents (Note 2)	\$ 12,670,760
Restricted cash & cash equivalents (Note 2)	1,016,245
Short-term investments (Note 2)	23,707,181
Restricted short-term investments (Note 2)	13,279,961
Accounts receivable	6,202,298
State appropriation receivable	21,822,389
Pledges receivable	5,319,067
Inventory	1,795,231
Prepaid expenses & other	1,138,157
Student notes receivable - current portion	2,303,000
Total current assets	<u>89,254,289</u>
Noncurrent assets:	
Endowment investments (Note 2)	39,735,741
Other long-term investments (Note 2)	16,811,243
Pledges receivable	10,878,556
Student notes receivable, net of allowance of \$570,000	8,043,530
Capital assets, net (Note 3)	288,882,469
Other assets	1,252,509
Total noncurrent assets	<u>365,604,048</u>
Total assets	<u>\$ 454,858,337</u>
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 33,615,927
Deferred revenue	7,798,417
Long-term liabilities - current portion (Note 5)	4,669,830
Total current liabilities	<u>46,084,174</u>
Noncurrent liabilities:	
Long-term liabilities (Note 5)	81,456,504
Total noncurrent liabilities	<u>81,456,504</u>
Total Liabilities	127,540,678
Net assets:	
Invested in capital assets, net of related debt	208,351,923
Restricted for:	
Nonexpendable -	
Scholarships & academic support	15,342,683
Expendable -	
Scholarships & academic support	16,034,683
Capital projects	16,405,221
Loans	10,797,539
Unrestricted	60,385,610
Total net assets	<u>327,317,659</u>
Total liabilities and net assets	<u>\$ 454,858,337</u>

Grand Valley State University

Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2001

Revenues:		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of \$8,146,147)	\$	69,456,040
Government grants and contracts		14,414,080
Nongovernmental grants		277,682
Sales and services of educational activities		3,737,481
Auxiliary activities:		
Residential life (net of scholarship allowances of \$1,658,533)		14,782,435
Bookstores		6,641,530
Other		2,305,672
Other operating revenues		5,133,584
Total operating revenue		<u>116,748,504</u>
Expenses:		
Operating expenses:		
Education and general:		
Instruction		69,767,112
Research		1,794,503
Public service		9,063,014
Academic support		17,054,226
Student services		14,043,915
Institutional support		10,277,381
Operation and maintenance - Plant		14,123,470
Depreciation expense		9,340,062
Scholarships and related expenses		5,182,992
Auxiliary activities		18,475,126
Loan administrative fees and collection costs		289,669
Total operating expenses		<u>169,411,470</u>
Operating loss		(52,662,966)
Nonoperating revenues (expenses):		
State appropriations		60,688,422
Gifts		4,666,959
Investment income (net of investment expense of \$239,193)		2,152,407
Interest on capital asset - Related debt		(3,923,062)
Net non-operating revenues		63,584,726
Income before other revenues, expenses, gains or losses		10,921,760
Capital appropriations		5,298,182
Capital grants and gifts		19,079,213
Additions to permanent endowments		2,436,702
Gain on disposal of plant assets		871,026
Total other revenue		<u>27,685,123</u>
Increase in net assets		<u>38,606,883</u>
Net Assets - Beginning of year as restated (Note 1)		<u>288,710,776</u>
Net Assets - End of year	\$	<u>327,317,659</u>

Grand Valley State University

Statement of Cash Flows Year Ended June 30, 2001

Cash Flows from Operating Activities

Tuition and fees	\$ 70,252,353
Grants and contracts	13,014,446
Payments to suppliers	(42,975,054)
Payments for utilities	(5,244,151)
Payments to employees	(81,353,053)
Payments for benefits	(20,519,694)
Payments for scholarships and fellowships	(4,418,546)
Loans issued to students	(10,901,362)
Collection of loans from students	11,022,203
Auxiliary enterprise charges:	
Residence halls	14,892,974
Bookstore	6,491,733
Other	2,050,525
Sales and service of educational activities	4,293,735
Other receipts	7,785,394
Net cash used in operating activities	(35,608,497)

Cash Flows from Noncapital Financing Activities

State appropriations	57,141,710
Gifts and grants for other than capital purposes	3,802,250
Private gifts for endowment purposes	2,436,702
Charitable annuities receipts, net of payments	1,535,724
Federal direct loan receipts	42,680,945
Federal direct loan lending disbursements	(42,636,345)
Net cash provided by noncapital financing activities	64,960,986

Cash Flows from Capital and Related Financing Activities

Proceeds from capital debt	36,475,000
Capital appropriations	10,959,667
Capital grants and gifts received	10,083,302
Proceeds from sale of capital assets	955,806
Purchases of capital assets and construction	(58,698,119)
Principal paid on capital debt	(3,355,000)
Interest paid on capital debt	(3,365,408)
Bond issue costs paid on new debt issue	(553,675)
Net cash used in capital and related financing activities	(7,498,427)

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	69,000,425
Investment income	2,044,992
Purchase of investments	(82,433,705)
Net cash used in investing activities	(11,388,288)

Net Increase in cash 10,465,774

Cash and Cash Equivalents - Beginning of the year 3,221,231

Cash and Cash Equivalents - End of the year \$ 13,687,005

Grand Valley State University

Statement of Cash Flows (Continued) Year Ended June 30, 2001

Reconciliation of Net Operating Loss To Net Cash Used in Operating Activities

Operating loss	\$ (52,662,996)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	9,340,062
Change in assets and liabilities:	
Receivables (net)	(2,464,643)
Inventories	(64,718)
Other assets	(455,971)
Accounts payable	8,911,325
Deferred revenue	2,070,461
Deposits held for others	<u>(282,017)</u>
Net cash used in operating activities	<u>\$ (35,608,497)</u>

Grand Valley State University

Statement of Fiduciary Net Assets Employee Benefit Plans June 30, 2001

Assets:

Cash and investments	\$ 15,991,810
Accrued interest receivable	<u>649</u>
Total assets	<u><u>\$ 15,992,459</u></u>
Net Assets - Held in trust for pension benefits	<u><u>\$ 15,992,459</u></u>

Grand Valley State University

Statement of Changes in Fiduciary Net Assets Employee Benefit Plans June 30, 2001

Additions

Investment income:

Interest and dividends	\$ 528,636
Net depreciation in fair value of investments	<u>(2,667,166)</u>
Total investment income	(2,138,530)

Employer contributions

690,831

Total additions

(1,447,699)

Deductions

Benefit payments

596,929

Administrative expense

67,103

Total deductions

664,032

Net Decrease

(2,111,731)

Net Assets Held in Trust for Pension Benefits

Beginning of year

18,104,190

End of year

\$ 15,992,459

Note 1 – Summary of Significant Accounting Policies

Reporting Entity - Grand Valley State University (the "University") is an institution of higher education created by the Michigan Constitution of 1963 and is considered to be a component unit of the State of Michigan (the "State"). Its Board of Trustees is appointed by the Governor of the State. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations for operations and capital improvements and grants from various state agencies.

No component units are required to be reported in the University's financial statements. The financial statements of all organizations which are affiliated with but not controlled by the University, such as the Grand Valley University Foundation, Inc. and University Properties, Inc., are not included in the University's financial statements. The net assets of these organizations are immaterial to the financial statements and accordingly have not been separately disclosed.

Basis of Presentation - The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999. While these Statements are scheduled for a phased implementation according to the size of the governmental unit, the University is required to adopt the Statement in the year that the State adopts it, and the State has elected adoption for the year ended September 30, 2001. The University now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the University's financial activities.

Basis of Accounting - The financial statements of the University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Investments - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value. Investments for which there are no quoted market prices are not material.

Inventories - Inventories, consisting principally of bookstore merchandise, golf equipment and apparel and computer equipment, are determined on first-in, first out (FIFO) method and stated at the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Note 1 – Summary of Significant Accounting Policies (Continued)

Physical Properties - Capital assets with a unit cost of over \$2,000, and all library books, are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

Deferred Tuition and Fee Revenue - Tuition and fee revenues received and related to the period after June 30, 2001 have been deferred.

Provision for Unemployment Compensation - The University has elected to establish a provision for unemployment compensation under the terms of the Michigan Employment Security Act. Under this provision, the State of Michigan is reimbursed by the University for claims paid to former employees.

Compensated Absences - Compensated absence costs are accrued when earned by employees.

Operating Revenues - All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are state appropriations, investment income, and gifts. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Scholarship Allowances and Student Aid - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Note 1 – Summary of Significant Accounting Policies (Continued)

Federal Financial Assistance Programs - The University participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Lending, and Perkins Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

During 2000-2001, the University distributed \$42,636,345 for direct lending through the U.S. Department of Education, which is not included as revenues and expenditures on the accompanying financial statements.

Encumbrances - The University maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. At year-end, encumbrances totaled \$56,559,100, which represents the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2001 are completed. Approximately \$55,009,000 of the total is committed for capital projects, including \$32,544,100 for the new Health Professions building, \$16,574,200 for new student housing projects, and \$5,120,100 for the addition to the student activities building and new classroom additions.

Encumbrances outstanding at June 30, 2001 do not constitute expenses or liabilities and are not reflected in the financial statements

Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of \$60,385,610 at June 30, 2001 includes \$1,132,367 in reserves held for insurance purposes, \$8,765,586 in quasi-endowment, \$8,835,374 reserved for future debt service, \$2,854,597 held for student loans, \$8,231,411 reserved for future capital projects, and \$11,820,480 reserved for repairs and maintenance, with \$18,745,795 remaining for other purposes. Expenditures of quasi-endowment funds require approval by the Board of Trustees.

Note 1 – Summary of Significant Accounting Policies (Continued)

Restatement of Beginning Net Assets - In connection with the implementation of GASB Statements No. 34 and No. 35, the following adjustments have been made to reflect the cumulative effect of this accounting change:

Accrual of spring tuition revenue, net of associated teaching expenses	\$ 2,019,327
Accrual of unrecorded pledges receivable at present value	7,201,712
Accrual of interest earned on student loans	205,692
Capitalization of infrastructure, net of accumulated depreciation	275,500
Capitalization of historical treasures	204,507
Fiduciary classification of defined benefit plans	(18,104,190)
Recording contract advances as deferred revenue	<u>(1,146,822)</u>
Total adjustments	(9,344,274)
Fund balances reported at June 30, 2000	<u>298,055,050</u>
Net asset balance at July 1, 2000	<u>\$ 288,710,776</u>

Note 2 – Cash and Investments

Policies:

Cash and Short-term Investments: Investment policies for cash and short-term investments as set forth by the Board of Trustees authorize the University to invest in interest-bearing time deposits, short-term cash funds, money market funds, intermediate cash funds, U.S. Government-backed obligations, managed equity mutual funds, and commercial paper. All investments must be held by financial institutions organized under Federal or State law.

Note 2 – Cash and Investments (Continued)

Investments: Investment policies as set forth by the Board of Trustees also authorize the University to invest in equity securities, bonds, or other securities and real estate investments for production of rental income. The Board of Trustees has authorized the treasurer or assistant treasurer of the Board of Trustees to make the University's investment decisions with the members of the appropriate board committee. In accordance with policies set forth by the Board of Trustees, complete discretion in selecting individual investments of endowment assets is assigned to two or more money managers who are chosen at the discretion of the Board of Trustees. The University's treasurer and the appropriate board committee monitor the money managers' performance.

In accordance with the GASB Statement No. 3, deposits and investments are classified into three categories of custodial credit risk:

	<u>Cash</u>	<u>Investments</u>
Category 1	Deposits that are either insured or collateralized with securities held by the University or by its agent in the University's name.	Investments that are insured or registered, or securities held by the University or by its agent in the University's name.
Category 2	Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the University's name.	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the University's name.
Category 3	Deposits that are uncollateralized (including any bank balance that is collateralized with securities held by pledging financial institution, or by its trust department or agent, but not in the University's name).	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the University's name.
Not Categorized		Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Grand Valley State University

Notes to Financial Statements June 30, 2001

Note 2 – Cash and Investments (Continued)

Investments are reported at fair value (market) and reported on the Statement of Net Assets as follows:

	Business Type Activities	Fiduciary Activities
Cash and cash equivalents	\$ 13,687,005	\$ -
Short-term investments	36,987,142	-
Endowment investments	39,735,741	-
Other investments	16,811,243	15,991,810
Total	<u>\$ 107,221,131</u>	<u>\$ 15,991,810</u>

For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University's endowment are included in non-current investments.

The following tables summarize the categorization of investments at June 30, 2001:

	Category 1	Category 2	Category 3	Not Categorized	Total Per Bank
Cash and short-term investments:					
Cash	\$ 164,304	\$ -	\$ 679,654	\$ -	\$ 843,958
Certificates of deposits	400,000	-	5,875,798	-	6,275,798
Repurchase agreements	-	2,633,234	-	-	2,633,234
Money markets	-	-	-	1,502,673	1,502,673
Commercial paper	12,135,000	-	-	-	12,135,000
Investment management funds	-	-	-	22,745,036	22,745,036
Total cash and short-term investments	<u>12,699,304</u>	<u>2,633,234</u>	<u>6,555,452</u>	<u>24,247,709</u>	<u>46,135,699</u>
Investments:					
Government securities	20,426,576	-	-	-	20,426,576
Equity securities	-	161,639	-	-	161,639
Real estate	-	86,126	-	-	86,126
Money market funds	-	-	-	1,116,382	1,116,382
Mutual funds	-	-	-	4,384,569	4,384,569
Investment management funds	-	-	-	39,549,477	39,549,477
Total investments	<u>20,426,576</u>	<u>247,765</u>	<u>-</u>	<u>45,050,428</u>	<u>65,724,769</u>
Total cash and investments	<u>\$ 33,125,880</u>	<u>\$ 2,880,999</u>	<u>\$ 6,555,452</u>	<u>\$ 69,298,137</u>	<u>\$ 111,860,468</u>

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2001 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 14,247,416	\$ 458,014	\$ 9,608	\$ 14,695,822
Non-depreciable artwork and historical treasures	2,296,326	1,064,565	-	3,360,891
Non-depreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress (net)	56,620,885	(20,121,449)	-	36,499,436
Total cost of nondepreciable capital assets	74,887,447	(18,598,870)	9,608	56,278,969
Land improvements and infrastructure	17,146,803	5,952,647	-	23,099,450
Buildings	176,684,167	64,037,650	-	240,721,817
Equipment	32,681,164	4,566,960	387,738	36,860,386
Library books	10,094,920	2,739,732	224,430	12,610,222
Total cost of depreciable capital assets	236,607,054	77,296,989	612,168	313,291,875
Total cost of capital assets	311,494,501	58,698,119	621,776	369,570,844
Less accumulated depreciation for:				
Land improvements and infrastructure	4,795,713	988,454	-	5,784,167
Buildings	38,242,608	4,624,509	-	42,867,117
Equipment	23,690,189	2,593,258	312,565	25,970,882
Library books	5,156,798	1,133,841	224,430	6,066,209
Total accumulated depreciation	71,885,308	\$ 9,340,062	\$ 536,995	80,688,375
Capital assets - Net	\$ 239,609,193			\$ 288,882,469

The following estimated useful lives are used to compute depreciation:

Buildings	50 years
Library books	10 years
Land improvements and infrastructure	20 years
Equipment	7-15 years

Note 4 – Endowments and Similar Funds

The Board of Trustees has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. It is the goal of the University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 5%, which insures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

Note 5 – Long-term Liabilities

Long-term liabilities of the University consist of bonds payable, interest accrued on capital appreciation bonds, and charitable gift annuities payable. The changes in long-term liabilities are as show below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Bonds, Series 1989	\$ 10,000	\$ -	\$ 5,000	\$ 5,000	\$ 5,000
General Revenue and Refunding Bonds, Series 1994	5,450,000	-	900,000	4,550,000	367,090
General Revenue and Refunding Bonds, Series 1997	21,060,000	-	1,780,000	19,280,000	1,855,000
General Revenue Bonds, Series 1998	14,745,000	-	335,000	14,410,000	345,000
General Revenue Bonds, Series 1999	9,030,000	-	335,000	8,695,000	350,000
General Revenue Bonds, Series 2000	-	36,475,000	-	36,475,000	1,465,000
Total bonds payable	50,295,000	36,475,000	3,355,000	83,415,000	4,387,090
Accrued interest –					
Capital appreciation bonds	1,639,060	401,259	-	2,040,319	168,047
Charitable gift annuities payable	-	698,240	27,225	671,015	114,693
Total	\$ 51,934,060	\$ 37,574,499	\$ 3,382,225	86,126,334	\$ 4,669,830
Due within one year				4,669,830	
Total long-term liabilities				\$ 81,456,504	

Note 5 – Long-term Liabilities (Continued)

The General Revenue Bonds, Series 1989, were issued in May 1989 by the Board of Trustees to provide funds for an addition to an existing classroom and office building and for the redevelopment of an open campus area.

The General Revenue Refunding Bonds, Series 1994, were issued in January 1994 by the Board of Trustees for the advance refunding of \$6,680,000 of Series 1988 bonds and \$1,130,000 of Series 1989 bonds. The University has covenanted to maintain revenues available for debt service and certain other revenues at or beyond specified minimum levels. The advance refunding of the callable portions of the Series 1988 and Series 1989 bonds resulted in an in-substance defeasance. Appropriate portions of the proceeds of the Series 1994 bonds were placed in an irrevocable trust and were used to purchase United States Treasury securities. Accordingly, both the Treasury securities and the refunded bonds have been excluded from the statement of net assets.

The General Revenue and Refunding Bonds, Series 1997, were issued in June 1997 by the Board of Trustees to provide funds for construction of residential facilities, an addition to an existing classroom and office building, and refunding a 5.85% bank note payable.

The General Revenue Bonds, Series 1998, were issued in January 1998 by the Board of Trustees to provide funds for construction of additional residential facilities.

The General Revenue Bonds, Series 1999, were issued in July 1999 by the Board of Trustees for an advance bond refunding of \$1,775,000 and \$7,325,000 to fund a portion of the cost of constructing student housing in downtown Grand Rapids.

The General Revenue Bonds, Series 2000, were issued in October 2000 by the Board of Trustees to fund new construction and remodeling on the Allendale campus.

As of June 30, 2001, the aggregate amount of outstanding principal on all bonds which have been refinanced is \$955,000.

The University has issuance costs as well as bond premiums and discounts in connection with all of the bond issues. These items are accrued and are being amortized over the life of the bonds using the straight-line method. The net amount of unamortized bond issuance costs, discounts and premiums at June 30, 2001 totaled \$1,010,012.

Note 5 – Long-term Liabilities (Continued)

Principal and interest on all of the outstanding bonds are payable from, and secured by, the University's general revenues. The Bonds, consisting of both serial, term and capital appreciation serial bonds, bear interest primarily from 4.0% to 7.1% and mature in varying amounts through 2025. Interest payments on the capital appreciation bonds begin in 2002.

In October 2000, the Board of Trustees authorized the implementation of a charitable gift annuity program. Assets received from these gift arrangements belong to the university, subject to a liability for future payments due to annuitants. The estimated present value of annuities payable at June 30, 2001 was \$671,015.

Scheduled maturities of long-term liabilities are as follows:

Fiscal Year	Revenue Bonds and Accrued Interest	Annuities Payable	Total
2002	\$ 4,555,137	\$ 114,693	\$ 4,669,830
2003	4,975,057	114,693	5,089,750
2004	5,259,664	114,693	5,374,357
2005	3,869,216	114,693	3,983,909
2006	4,109,995	114,693	4,224,688
Thereafter	62,686,250	97,550	62,783,800
Totals	<u>\$ 85,455,319</u>	<u>\$ 671,015</u>	<u>\$ 86,126,334</u>

Note 6 – Retirement Benefits

The University has established retirement plans for substantially all permanent employees. Total payroll at June 30, 2001 was approximately \$82,690,000 for the University, of which \$60,225,000 was payroll covered by the various University retirement plans.

The executive, administrative, and professional staff and faculty are covered under a defined contribution retirement plan through the TIAA-CREF (Teachers Insurance and Annuity Association of America - College Retirement Equities Fund) or Fidelity Investments. Employees may contribute an amount not to exceed the Internal Revenue Service designated maximum. Participants become fully vested upon completion of two years of employment. During 2001, the University made contributions equal to 12% of the participants' base salary.

Note 6 – Retirement Benefits (Continued)

No contributions were required from participants. The total expense under this plan was \$5,765,500 for year ended June 30, 2001. Total payroll covered under this plan was \$47,640,000 in 2001.

Clerical, office, technical, maintenance, grounds and service staff and public safety officers not entitled to participate in the TIAA-CREF retirement plans are covered under two non-contributory defined benefit plans sponsored by the University that are designed to provide monthly sources of retirement income at future dates. The University maintains an unaudited stand alone financial report of its pension plans that is available at its Human Resource Office.

The University's funding policy is to match the current annual required contribution. The University contributed 5.5% of payroll during the fiscal year ended June 30, 2001.

For the year ended June 30, 2001, the University's annual pension cost totaled \$490,014. The annual required contribution was determined as part of an actuarial valuation at June 30, 2000, using the aggregate actuarial cost method. This method does not identify or separately amortize unfunded actuarial liabilities. Significant assumptions include (a) an 8 percent investment rate of return, (b) projected salary increases of 4 percent per year, (c) no cost of living adjustment.

Three year trend information:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Annual pension cost	\$ 490,014	\$ 652,456	\$ 492,877
Percentage of annual pension cost contributed	141%	108%	108%
Net pension obligation	-	-	-

Note 6 – Retirement Benefits (Continued)

The University also provides certain health care benefits for retired faculty and staff. Substantially all of the University’s employees may become eligible for those benefits if they reach retirement age while working for the University, are vested in a University sponsored retirement plan, and their years of University service and age total a minimum of 75. The University recognizes the cost of providing these benefits by expensing them on a current basis. The number of retirees who received benefits under this program and the related costs are as follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Retirees receiving benefits	146	150	134
Total costs	\$ 159,200	\$ 156,900	\$ 137,500

Note 7 – Commitments

The University has an arrangement with the State of Michigan and State Building Authority (the “SBA”) to finance a large portion of the Life Science Complex located on the Allendale Campus and the Graduate School of Business and Graduate Library Building located on the Pew Campus in downtown Grand Rapids. The arrangement is based upon a lease agreement that is signed by the University. It stipulates that the SBA will hold title to the buildings and the State will make all lease payments to the SBA on behalf of the University, and the University will pay all operating and maintenance costs. At the expiration of the lease, the SBA has agreed to sell each building to the University for \$1.

The University has also committed \$3,000,000 for the purchase of property adjacent to its downtown campus.

Note 8 – Contingencies

The University is self-funded for coverage under portions of its hospital/medical benefits and for all workers’ compensation. The University also offers two HMO plans to employees. Stop loss coverage has been purchased by the University for the self-funded hospital/medical benefits and workers’ compensation claims. The stop loss insurance limits the claims for hospital/medical benefits to \$125,000 per individual up to \$1 million in aggregate. Individual claims in excess of the \$1 million limit are funded by the University with an aggregate annual stop loss of \$3.7 million in 2001. The workers’ compensation stop loss insurance limits its liability for claims paid to \$300,000 per individual in 2001.

Note 8 – Contingencies (Continued)

Effective July 1, 1987, the University entered into an arrangement with several other Michigan public universities to form a separate corporation that provides comprehensive general liability, errors and omissions, property and vehicle liability coverages. The corporation provides coverage for claims in excess of agreed upon deductibles.

Reserves for insurance activities have been internally funded and are included in Unrestricted Net Assets.

In the normal course of its activities, the University has been a party in various legal actions. Historically, the University has not experienced significant losses from such actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on its financial statements.

Note 9 – Subsequent Events

In July 2001, General Revenue bonds totaling \$31,375,000 were issued by the Board of Trustees to fund the cost of constructing new student housing, classroom additions, and an athletic facility addition on the Allendale campus. This issue consists of serial bonds totaling \$10,100,000 that bear interest in the range of 3.25% to 4.1% and mature in varying amounts through 2008. The remainder of \$21,275,000 consists of variable rate term bonds that mature through 2027.

Note 10 – Related Organizations

Pursuant to the State of Michigan Public Act 362 of 1993, the University has authorized thirty public school academies. Twenty-eight of these public school academies operate schools funded by the State School Aid Act. The University, as fiscal agent, provides guidance in and review of compliance with state requirements and forwards the state payment to the public school academy. Public funding is provided by the State of Michigan on a per pupil basis. Funding of \$62,465,951 was appropriated by the State in 2001 to be allocated to the public school academies, net of a 3% administrative fee retained by the University. At June 30, 2001, \$11,081,125 is outstanding from the State, of which \$10,753,832 will be subsequently forwarded to the public school academics. This activity is treated as an agency transaction.

To the Board of Trustees
Grand Valley State University

We have audited the basic financial statements of Grand Valley State University for the year ended June 30, 2001. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Grand Valley State University. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, LLP

August 29, 2001

Additional Information

Grand Valley State University

Schedule of Endowment and Similar Funds June 30, 2001

	Balance July 1, 2000	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2001	Retained Investment Income	Principal Balance 06/30/01
Endowment Funds								
Alumni Heritage Scholarship Fund	\$ 166,754	\$ 8,472	\$ (10,619)	\$ 8,508	\$ 100	\$ 156,199	\$ 20,156	\$ 136,043
Joseph E. Appelt P.E. Engineering Scholarship Fund	34,261	2,869	(2,292)	1,845	-	32,993	3,597	29,396
APICS Scholarship Fund	34,862	200	(2,191)	-	200	33,071	28,071	5,000
Ara Cary Lectureship Fund	13,105	977	(865)	-	591	13,808	4,009	9,799
Art & Design Endowment	12,775	1,670	(865)	-	1,412	14,992	802	14,190
Baker-Hall Physics Fund	46,706	1,276	(2,954)	2,364	-	42,664	14,222	28,442
Fred A. Bell Business Scholarship Fund	40,447	-	(2,521)	2,022	-	35,904	5,663	30,241
William C. Baum Endowment	35,621	8,171	(2,420)	1,926	2,926	42,372	(561)	42,933
David Alan Bergsma Scholarship Fund	58,112	-	(3,641)	2,906	-	51,565	40,930	10,635
Hyman H. & Greta M. Berkowitz Scholarship Fund	434,241	50	(27,122)	21,714	50	385,505	122,325	263,180
Blodgett Music Scholarship	55,514	836	(3,489)	2,799	200	50,262	21,297	28,965
Biology Department Science Equipment Fund	59,105	1,659	(3,769)	3,009	1,284	55,270	16,860	38,410
The Biomedical/Health Science Fund	1,369	591	(103)	-	502	2,359	(9)	2,368
Joan Boand Athletic Scholarship Fund	35,845	1,729	(2,292)	1,842	435	33,875	6,560	27,315
William J. & Margaret G. Branstrom Fund	119,362	-	(7,461)	5,968	-	105,933	57,347	48,586
The Donna K. Brooks Presidential Scholarship	-	250,000	(7,563)	6,046	6,046	242,437	(7,563)	250,000
The Brooks Family Minority Scholarship	-	250,000	(7,563)	6,048	6,048	242,437	(7,563)	250,000
Johnny C. Burton Memorial Scholarship	78,008	200	(4,889)	3,906	-	69,413	15,798	53,615
Greg Cadaret Baseball Fund	69,958	115	(4,380)	3,500	50	62,243	23,978	38,265
Bernard & Camile Cebalak Scholarship Fund	45,042	10,000	(2,801)	2,252	-	49,989	4,989	45,000

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2001

	Balance July 1, 2000	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2001	Retained Investment Income	Principal Balance 06/30/01
Endowment Funds (Continued)								
Robert L. Chamberlain Scholarship Fund	54,538	961	(3,464)	2,763	358	49,630	21,227	28,403
Hong Chen Memorial Endowment Fund	22,330	25	(1,401)	1,117	99	19,936	-	19,936
School of Communications Scholarship Fund	28,072	1,677	(1,809)	1,455	465	26,950	2,686	24,264
Computer Science and Information Systems Endowment	70,526	2,423	(4,482)	3,595	414	65,286	20,707	44,579
The COT Association Scholarship Endowment Fund	50,949	3,840	(3,362)	2,683	3,594	52,338	2,267	50,071
David Daniels Memorial Scholarship Fund	52,693	1,448	(3,337)	2,669	616	48,751	20,180	28,571
Gilbert and Patricia Davis Endowed Merit Scholarship	70,040	2,048	(4,457)	3,566	377	64,442	17,840	46,602
Greta & Arthur DeLong Perpetual Scholarship Fund	66,685	100	(4,176)	3,337	-	59,272	16,549	42,723
Mary Jane Dockeray Scholarship Fund	45,854	4,174	(3,031)	2,430	-	44,567	16,335	28,232
L. V. Eberhard Scholarship Fund	596,118	2,739	(37,334)	29,875	-	531,648	267,993	263,655
Eitzen Voice Scholarship Fund	93,475	1,959	(5,908)	4,724	769	85,571	32,085	53,486
School of Engineering Fund	107,513	4,693	(6,850)	-	2,589	107,945	40,285	67,660
Enrichment Fund	593,696	500	(37,079)	29,688	-	527,429	257,804	269,625
Faculty Teaching and Learning Center Endowment	2,079,625	160	(129,903)	103,987	59,425	1,905,320	-	1,905,320
Film and Video Scholarship	-	2,005	(51)	-	652	2,606	(51)	2,657
Richard E. Flanders Scholarship Fund	128,463	1,301	(8,073)	6,459	432	115,664	40,925	74,739
Geology Development Fund	114,881	691	(7,208)	5,760	130	102,734	44,407	58,327
Geology Student Field Endowment	12,831	2,443	(891)	-	1,085	15,468	1,163	14,305
Charlotte A. Gierst & Salome C. Egeler Trust Fund	72,457	300	(4,532)	3,637	300	64,888	22,808	42,080
Richard Giles Memorial Scholarship Fund	350,925	1,204	(21,978)	17,582	154	312,723	162,447	150,276

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2001

	Balance July 1, 2000	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2001	Retained Investment Income	Principal Balance 06/30/01
Endowment Funds (Continued)								
The Graduate Teacher Certification Scholarship	-	28,807	(1,146)	-	1,375	29,036	(1,146)	30,182
Grand Valley Grand Forum Endowment	88,986	12,442	(5,908)	-	220	95,740	7,349	88,391
Grand Valley State University Athletic Fund	143,697	7,228	(9,015)	7,226	361	135,045	33,537	101,508
GVSU Women's Scholarship Endowment	14,044	5,534	(1,146)	-	5,033	23,465	(26)	23,491
Grand Valley State University Fund	4,356,531	135,725	(274,374)	30,257	(100,000)	4,087,625	2,276,051	1,811,574
Earl Harper Scholarship Fund	63,739	670	(3,999)	3,208	177	57,379	21,573	35,806
Joyce Hecht Distinguished Scholarship in Philanthropy	-	92,169	(2,725)	2,175	11,038	98,307	(2,725)	101,032
William Hegarty Endowment Fund	27,917	-	(1,732)	1,396	-	24,789	1,019	23,770
Arthur C. Hills Music Scholarship Fund	71,065	1,782	(4,507)	3,601	101	64,840	28,394	36,446
Hispanic Scholarship Fund	52,688	1,641	(3,362)	2,691	1,482	49,758	13,696	36,062
W. G. Jackson Fund	221,534	3,530	(13,955)	11,171	182	200,120	52,455	147,665
Dr. Thomas & Mrs. Joann Jackson Scholarship Endowment	5,140	473	(357)	-	577	5,833	(16)	5,849
Dorothy A. Johnson Center for Philanthropy Endowment	529,241	8,000	(33,209)	26,579	26,579	504,032	(11,193)	515,225
Lynne Kraemer Memorial Scholarship Fund	38,236	-	(2,395)	1,912	-	33,929	16,335	17,594
Kirkhof School of Nursing Endowment	82,659	3,037	(5,272)	4,226	1,832	78,030	17,931	60,099
Don Klein Endowment	37,585	21,855	(3,056)	-	1,018	57,402	690	56,712
Walton Boston Koch Memorial Scholarship	32,472	704	(2,064)	1,642	227	29,697	12,360	17,337
Koeze Art Scholarship	-	10,082	(485)	-	100	9,697	(485)	10,182
Loutit Foundation Fund	213,684	50	(7,971)	-	8,022	213,785	-	213,785
Lubbers Presidential Scholarship	-	132,520	(560)	-	-	131,960	(560)	132,520

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2001

	Balance July 1, 2000	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2001	Retained Investment Income	Principal Balance 06/30/01
Endowment Funds (Continued)								
Faite R-P. Mack Scholarship Fund	59,909	1,294	(3,795)	3,043	1,300	55,665	17,606	38,059
Mathematics and Statistics Endowment	160,678	4,957	(10,237)	8,190	3,705	150,913	40,365	110,548
Corky Meinecke Scholarship Endowment Fund	21,864	5,733	(1,502)	1,208	596	25,483	-	25,483
Paul C. Miller Scholarship Fund	112,231	-	(7,003)	5,612	-	99,616	49,404	50,212
Minority Scholarship Endowment Fund	712,601	48,613	(46,247)	37,019	2,261	680,209	39,219	640,990
Mithilesh & Jitendra Mishra								
Foreign Student/Faculty Scholarship	31,991	38	(2,012)	1,601	-	28,416	5,586	22,830
Jacob B. Mol Family Scholarship Fund	85,964	-	(5,374)	4,299	50	76,341	28,478	47,863
Niemeyer Endowment Fund	69,518	4,076	(4,507)	-	3,452	72,539	16,965	55,574
Nursing Nontraditional Student Scholarship	13,000	(5,496)	(713)	-	4,183	10,974	(713)	11,687
Arnold C. Ott Lectureship in Chemistry	-	500,000	(13,013)	10,417	10,417	486,987	(13,013)	500,000
Barbara Padnos Scholarship Fund	205,380	200,000	(19,074)	15,269	15,269	386,306	(13,969)	400,275
Seymour and Esther Padnos Engineering Scholarship	-	500,000	(13,013)	10,417	10,417	486,987	(13,013)	500,000
Peace & Justice Award Fund	45,839	530	(2,877)	2,308	335	41,519	17,257	24,262
Physical Therapy Department Fund	30,453	1,453	(1,961)	1,567	905	29,283	9,847	19,436
William F. Pickard Fund	73,502	50	(4,583)	-	50	69,019	38,283	30,736
Positive Black Woman Endowment Fund	26,494	2,446	(1,758)	1,414	2,193	27,961	3,264	24,697
Berthold Price Scholarship Fund	138,943	2,019	(8,760)	7,010	1,118	126,310	48,152	78,158
Plant Service Personnel Descendants Scholarship Fund	254,908	16,779	(16,553)	13,254	9,824	251,704	44,246	207,458
Reister Family Scholarship	-	10,030	(51)	-	-	9,979	(51)	10,030
Warren Reynolds Endowment	3,541	5,486	(509)	-	665	9,183	(363)	9,546

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2001

	Balance July 1, 2000	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2001	Retained Investment Income	Principal Balance 06/30/01
Endowment Funds (Continued)								
Science Math Development Fund	69,308	1,319	(4,380)	3,503	275	63,019	36,197	26,822
Science Equipment Fund	2,123,506	852	(132,679)	106,209	312	1,885,782	916,601	969,181
School of Public and Nonprofit Administration Endowment	11,430	936	(765)	-	1,035	12,636	2,019	10,617
Mary & Wilhelm Seeger Scholarship Fund	117,576	3,683	(7,486)	5,999	2,560	110,334	37,810	72,524
Esther L. Seidman Chair in Management Fund	358,232		(22,384)	17,912	-	317,936	142,536	175,400
Seidman Endowment Fund	1,289,572	11,829	(80,982)	64,819	4,804	1,160,404	547,672	612,732
Marilyn and B. P. Sherwood III Scholarship Fund	25,505	200	(1,604)	1,279	-	22,822	7,371	15,451
The Social Work Minority Scholarship	-	1,677	(51)	-	1,052	2,678	(51)	2,729
Social Work Scholarship Fund	23,117	1,278	(1,502)	-	1,190	24,083	5,495	18,588
Joseph Stevens Freedom Fund	104,050	1,632	(6,571)	5,255	364	94,220	29,460	64,760
Ryan Short Memorial Scholarship Fund	51,453	1,912	(3,285)	2,640	1,798	49,238	7,695	41,543
Esther Rehm Stotz Scholarship Fund	145,090	-	(9,066)	7,255	-	128,769	60,470	68,299
Tax Program Fund	125,913	525	(7,869)	6,309	-	112,260	49,377	62,883
The Telephone Pioneers of America, Great Lakes Chapter #90 Scholarship Fund	69,513	113	(4,355)	3,480	50	61,841	20,395	41,446
Edward Tremba Geology Scholarship Fund	70,856	385	(4,431)	3,556	338	63,592	27,303	36,289
A Trust for Science Education Endowment	113,937	2,107	(7,208)	-	2,290	111,126	1,279	109,847
University Library Fund	187,491	3,969	(11,867)	-	1,606	181,199	65,340	115,859
VanSteeland Arboretum Fund	96,792	1,950	(6,087)	-	831	93,486	40,262	53,224
Kenneth Venderbush Endowment Fund	1,646	1,800	(103)	-	100	3,443	43	3,400
The Donald and Barbara VanderJagt Mathematics and Athletic Scholarship	-	10,100	(51)	-	-	10,049	(51)	10,100

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2001

	<u>Balance July 1, 2000</u>	<u>Gifts and Additions</u>	<u>Investment Income and Deductions</u>	<u>Distribution Beneficiary Funds</u>	<u>Intra Fund Distribution</u>	<u>Balance June 30, 2001</u>	<u>Retained Investment Income</u>	<u>Principal Balance 06/30/01</u>
Endowment Funds (Continued)								
Florence Cowan Ward Scholarship for Nursing	68,389	15,096	(4,558)	3,654	3,706	78,979	(10)	78,989
WRI Equipment Fund	2,318,848	1,000	(144,878)	115,967	-	2,059,003	902,419	1,156,584
Margaret Ward Music Scholarship	20,000	5,161	(1,401)	1,127	1,177	23,810	(1,401)	25,211
WGVU-TV Scholarship Fund	304,209	4,669	(19,150)	15,329	312	274,711	102,005	172,706
Margaret F. Ward Art and Design Scholarship	20,000	5,000	(1,401)	1,125	1,125	23,599	(1,401)	25,000
Weldon Memorial Chemistry Fund	92,278	18,658	(6,444)	-	5,785	110,277	29,213	81,064
Westerman Nursing Scholarship Fund	151,375	22	(9,447)	7,570	-	134,380	33,142	101,238
William James Fund	32,998	295	(2,064)	1,659	150	29,720	14,717	15,003
Shelia Williams Student Leadership Development Fund	119,700	1,331	(7,511)	6,021	354	107,853	52,998	54,855
Doug and Linda Woods Athletic Training Scholarship	31,807	1,440	(2,064)	1,644	1,436	30,975	1,754	29,221
Felix V. & Gladys A. Zukaitis Athletic Trust	211,981	-	(13,243)	10,598	-	188,140	62,990	125,150
Felix V. & Gladys A. Zukaitis Scholarship Trust	211,799	-	(13,243)	10,591	-	187,965	62,965	125,000
Subtotal	22,547,163	2,436,702	(1,468,036)	924,195	149,017	22,740,651	7,397,968	15,342,683

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2001

	Balance July 1, 2000	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2001	Retained Investment Income	Principal Balance 06/30/01
Funds Functioning as Endowments								
Accounting Scholarship Fund	331,771	10,060	(21,035)	16,843	1,272	305,225	118,703	186,522
Alumni Scholarship Fund	732,784	7,939	(45,992)	36,807	542	658,466	240,809	417,657
Angus Fund	1,499,300	4,644	(93,767)	75,046	294	1,335,425	509,356	826,069
Owen F. Bieber Scholarship Trust	647,026	-	(40,415)	32,351	-	574,260	260,850	313,410
Business & Engineering Internship Fund	1,266,706	150	(79,125)	-	-	1,187,731	646,499	541,232
Entrepreneurial Center Endowment	1,290,630	200,000	(91,016)	72,865	-	1,326,749	106,399	1,220,350
Grand Rapids Continuing Education	864,518	-	(54,015)	-	-	810,503	436,521	373,982
Leon W. Hall Trust Fund	732,996	-	(45,788)	36,650	-	650,558	316,146	334,412
Charles & Florence Irwin Scholarship Endowment Fund	159,531	17,195	(10,492)	8,406	1,012	158,840	47,168	111,672
Russel H. Kirkhof Fund	2,398,830	-	(139,995)	119,756	-	2,139,079	1,131,780	1,007,299
Seymour & Esther Padnos								
School of Engineering Endowment	2,441,555	344	(152,517)	122,088	104	2,167,398	666,002	1,501,396
Padnos Fund	1,626,969	-	(101,636)	81,348	-	1,443,985	443,960	1,000,025
Joe E. Reid Memorial Scholarship Fund	78,975	765	(4,941)	3,957	200	71,042	25,739	45,303
SPX Corporation Engineering Scholarship Fund	136,112	-	(8,506)	6,806	-	120,800	70,690	50,110
Robert C. Trotter Scholarship Fund	455,035	-	(28,421)	22,752	-	403,862	255,995	147,867
Undistributed Income Fund	1,549,826	-	(81,837)	-	(152,689)	1,315,300	1,315,300	-
VanderMey Endowment	161,283	-	(10,084)	8,064	-	143,135	28,708	114,427
R.B. Annis WRI Endowment	869,806	3,726	(54,396)	-	248	819,384	257,620	561,764
Subtotal	17,243,653	244,823	(1,063,978)	643,739	(149,017)	15,631,742	6,878,245	8,753,497
Life Income and Annuity Funds								
Ross W. Perry Charitable Remainder Unitrust	278,907	-	(16,553)	27,743	-	234,611	27,772	206,839
Ralph and Grace Hauenstein Charitable Gift Annuity	-	229,748	(1,137)	-	-	228,611	(1,137)	229,748
Harvey E. Lemmen Charitable Gift Annuities	-	617,992	(23,725)	-	-	594,267	(23,725)	617,992
Dr. Dorothy Merrill Charitable Gift Annuity	-	16,969	(1,903)	-	-	15,066	(1,903)	16,969
Subtotal	278,907	864,709	(43,318)	27,743	-	1,072,555	1,007	1,071,548
Total	<u>\$40,069,723</u>	<u>\$ 3,546,234</u>	<u>\$ (2,575,332)</u>	<u>\$ 1,595,677</u>	<u>\$ -</u>	<u>\$39,444,948</u>	<u>\$14,277,220</u>	<u>\$ 25,167,728</u>