



Annual Report 2002



Grand Valley State University

**Financial Report
with Additional Information
June 30, 2002**

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, 2002 and 2001 and for the years 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 audits.

We conducted our audits 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 audits 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 audits provide 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, 2002 and 2001, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated August 27, 2002, on our consideration of the University's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are 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 audits.

The Management's Discussion and Analysis presented on pages 2 through 12 June 30, 2002 and 2001 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 & Moran, LLP

August 27, 2002

Grand Valley State University
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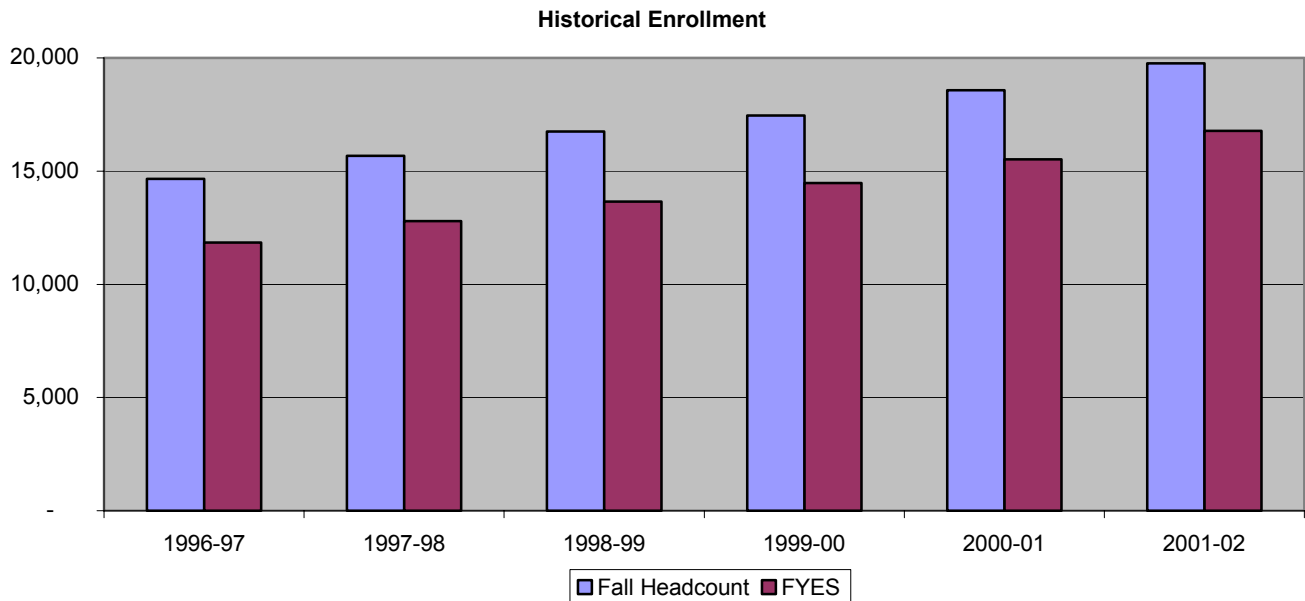
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Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

Financial & Enrollment Highlights

- Enrollment increased by 8.15% based on FYES (fiscal year equated students) and headcount for the fall semester increased by 6.37% to 19,762.
- Operating revenue increased as a result of increased enrollment (8%), tuition rates (9%), housing capacity (12%) and grant activity (36%).
- State appropriations for operations decreased 1.0%. While the base appropriation increased 1.7%, no supplemental appropriation was received in FY02. The supplemental appropriation was \$1.6 million in FY01. Since enrollment concurrently increased, state appropriation per FYES dropped from \$3,912 to \$3,582 – a 9% decrease.
- Operating expenses increased 2.3% per FYES.
- Net assets increased 6% due to continuing investment in capital assets and reserves for repairs, maintenance, and future capital projects.
- Capital campaigns and capital appropriations from the State of Michigan supported several construction projects. Together capital appropriations and new gifts received exceeded \$8 million.
- In July 2001 the University issued \$31 million in debt to finance additional student housing in Allendale and additions to an academic building and the student recreation center.
- The down turn in the equity market affected the market value of endowment investments by generating an unrealized loss of \$3.7 million.



Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of the University. The 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. These reports begin on page 13 and should be read in conjunction with the notes to the financial statements. The following summary and management discussion of the results is intended to provide the readers with an overview of the financial statement.

The 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. Net assets increased by 6% to \$346 million.

	June 30,	
	2002	2001
	(in 000's)	(in 000's)
Current Assets:		
Cash and short-term investments	\$ 26,583	\$ 50,674
Receivables	44,713	35,646
Inventory, prepaid expenses & other	3,464	2,933
Total current liabilities	74,760	89,253
Non-Current Assets		
Long-term investments	72,530	56,547
Long-term receivables	15,949	18,923
Capital assets, net of depreciation	337,185	288,882
Other	1,557	1,253
Total assets	\$ 501,981	\$ 454,858
Current Liabilities:		
Accounts payable & accrued liabilities	\$ 34,459	\$ 33,616
Deferred revenue	7,789	7,798
Long-term liabilities - current portion	5,677	4,670
Total current liabilities	47,925	46,084
Noncurrent Liabilities:		
Long-term liabilities	107,641	81,457
Total liabilities	\$ 155,566	\$ 127,541
Net Assets:		
Invested in Physical Properties	\$ 229,441	\$ 208,352
Restricted	42,267	58,581
Unrestricted	74,707	60,385
Total net assets	\$ 346,415	\$ 327,318

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

Cash and short-term investments decreased by \$24 million. This was primarily due to a decision to expand the maturities on investments. Short-term investments decreased by \$18.7 million while long-term investments increased by \$16 million. Since long-term investments are defined as those with maturities greater than one year, this fluctuation reflects purchases of fixed securities that generate a better return. Cash and cash equivalents decreased by \$5.4 million as reflected in the Statement of Cash Flows.

Receivables include grants, state appropriations, pledges, student notes, and various operating receivables. State appropriation receivables include the general operating appropriation, public school academy funds, and capital appropriations. Overall current receivables increased \$9.1 million. The public school academy receivable increased \$2.4 million with increases in funding as well as the net addition of one more school. A capital appropriation receivable of \$4.9 million was recorded for the Center for Health Professions. Current pledges receivable are those that we expect to collect within a year. Pledge increases of \$1.4 million are the result of previous long-term pledges becoming current as well as new pledges.

Long-term investments, which include both unrestricted cash and endowment, increased by \$16 million. The endowment investments decreased by \$2.6 million – unrealized market losses and spending distributions exceeded new gifts. As mentioned above, the increase in unrestricted long-term investments reflects a shift from short-term strategies. Long-term pledges receivable decreased as several pledges became current. Pledges are discounted to net present value for financial statement purposes.

Capital assets have increased by \$59 million due to new construction. Buildings that were completed included student housing on the Allendale campus and additions to Seidman House and the Performing Arts Center. The University continues to work on the Center for Health Professions, student housing for both the Allendale and Pew Campuses, and additions to Mackinac Hall, the Kirkhof Center, and the Fieldhouse. These additions, net of depreciation and some disposals are summarized in Note 3 of the footnotes to the financial statements.

Accounts payable and other current liabilities are consistent compared to 2001. Accounts payable in both years is high due to the amount of construction occurring during the summer months. Current maturities in long-term debt have increased according to the debt service schedules.

Long-term debt increased in July 2001 when the University issued \$31,375,000 in General Revenue bonds to fund capital additions for academics, 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, 2002

The increase in the University's net assets of 6% reflects the growth that occurred in this past year. The University's physical assets have grown with the generous support of the community and the State of Michigan. Restricted net assets generated by capital campaigns were used for construction expenses. Unrestricted net assets primarily increased due to funds set aside for academic initiatives, repairs and maintenance, capital projects and future debt service.

The 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.

	Year Ended June 30,	
	2002	2001
	(in 000's)	(in 000's)
Operating Revenue		
Student tuition and fees	\$ 91,156	\$ 77,602
Less: Scholarship Allowance	(10,570)	(8,146)
Auxiliary	28,464	25,388
Less: Scholarship Allowance	(2,142)	(1,658)
Grant & Contracts	20,025	14,692
Other	8,826	8,871
Total operating revenue	135,759	116,749
Operating Expenses	187,437	169,411
Net Operating Expenses	(51,678)	(52,662)
Non-operating Revenues		
State appropriations	60,095	60,688
Gifts (including endowment & capital)	8,911	26,183
Capital appropriations	4,867	5,298
Investment Income/(Loss)	(107)	2,152
Other income & expense	(2,991)	(3,052)
Total non-operating revenues - Net	70,775	91,269
Increase in Net Assets	19,097	38,607
Net Assets, Beginning of Year	327,318	288,711
Net Assets, End of Year	\$ 346,415	\$ 327,318

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

Tuition and fees increased by 17% in 2002. The increase was caused by tuition rate increases of 9% and enrollment increases of 8% FYES (fiscal year equated students). Scholarship allowances increased 30% primarily due to an additional \$1.8 million of Pell grants and \$1.6 million of internally funded scholarships.

Auxiliary revenue consists of housing, bookstores, vending, golf course, health center, and conference fees for external customers. The increase is primarily related to additional housing capacity as well as housing rate increases of 4%. In the fall, the University opened 482 beds in Living Center apartments.

Grants and contracts revenue increased by \$5.3 million as a result of increased student financial aid and increased activity in grants. Pell grants increased by \$1.8 million and two of our larger grants - the Michigan Small Business Development Center and the Autism Center - operated a full twelve months of this fiscal year.

Operating expenses increased by \$18 million, which is a change of 11%. Operating expenses per FYES (fiscal year equated student) increased from \$10,921 to \$11,171 – an increase of 2.3%. Each category is discussed in detail below.

State appropriations decreased overall by \$593,022, which is a change of 1%. While the base appropriation increased from \$59,076,955 to \$60,095,400 (an increase of \$1,018,445 or 1.7%), we received a supplemental appropriation in 2001 of \$1,611,470. Since there was no supplemental appropriation in 2002, this results in overall decrease to the University. Because enrollment concurrently increased, state appropriation per FYES (fiscal year equated student) dropped from \$3,912 to \$3,582 – a 9% decrease.

Gift revenue is recorded when the pledge is made. During recent capital campaigns, pledges have been at record highs. The change from 2001 to 2002 reflects the completion of the campaign for the Center for Health Professions earlier in the year. Pledges from the previous campaigns continue to be collected.

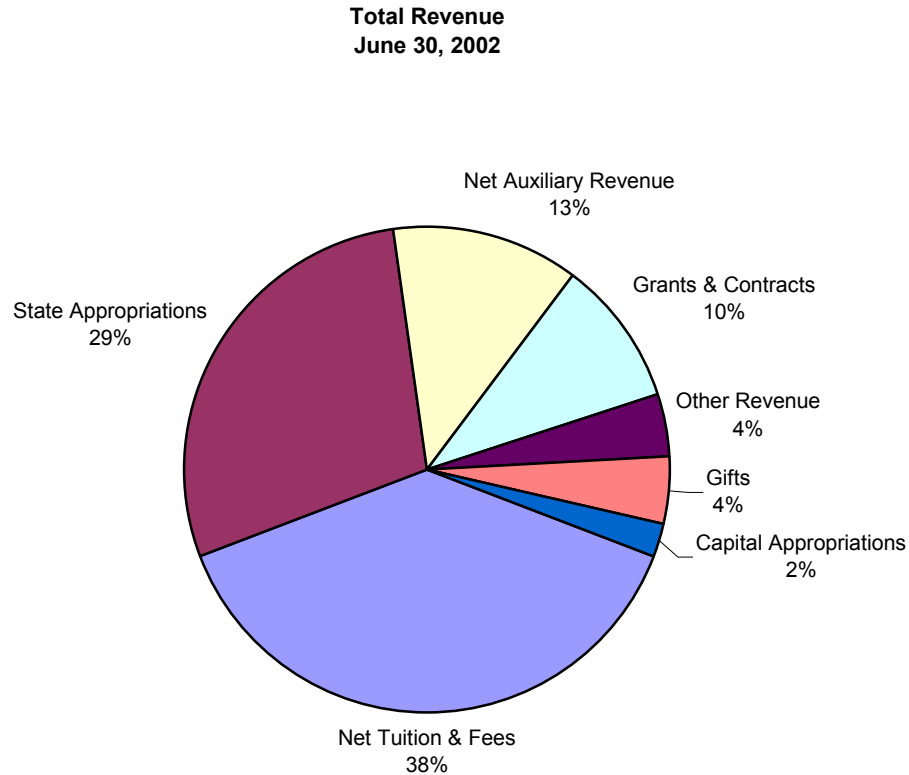
Capital appropriations for 2002 represent the State of Michigan's support for the construction of the Center for Health Professions in downtown Grand Rapids. In 2001 capital appropriations were allocated to the Richard M. DeVos Center. Both of these buildings were funded, 75% by the State of Michigan and 25% by gifts from the community. Construction continues on the Center for Health Professions, while the University celebrated the opening of the Richard M. DeVos Center in August 2000.

The net investment loss of \$107,000 consists of realized income (interest, dividends and realized gains on the sale of investments), unrealized losses, and investment expenses (primarily bank fees). Realized income of \$4.5 million was primarily generated by operating cash. The unrealized loss of \$4.35 million was primarily generated by the endowment. Investment expenses totaled \$257,000.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

Revenue for the University consists of four main categories: tuition, state appropriation, auxiliary activities, and grants. The following table shows the breakdown of total revenue for the University:



Tuition and fees, net of scholarship allowances, makes the largest contribution (38%) 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.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

Operating Expenses by Financial Classification

Functional classifications are the traditional categories that universities have used. They represent the type of programs and services that the University provides.

	2002	2001
	(in 000's)	(in 000's)
Instruction	\$ 76,470	\$ 69,767
Research	2,634	1,795
Public service	10,279	9,063
Academic support	18,771	17,054
Student services	15,041	13,549
Institutional support	12,464	10,772
Operation & maintenance of facilities	15,118	14,123
Depreciation	10,639	9,340
Scholarships and related expenses	6,126	5,183
Auxiliary activities	19,303	18,475
Other expenditures	592	290
Total	<u>\$ 187,437</u>	<u>\$ 169,411</u>

Instructional expense grew by \$6.7 million. The number of faculty increased by 50 full-time equivalents from fall 2000 to fall 2001. These increases allowed the University to offer more classes, especially in writing, communications, history, science, mathematics, and education.

Research expenditures increased with the opening of the Lake Michigan Center in Muskegon. The Robert B. Annis Water Resources Institute has increased operations and grant activity in conjunction with the opening of these new facilities.

Public service expenditures increased as the Michigan state headquarters for the Small Business Administration was open and operating a full twelve months. The increase also reflects the University's investment in the public school academy operations.

Academic support salaries increased as staffing was added in several schools and the library. In addition, salaries for telephone operations were moved to the general fund from auxiliaries as interdepartmental phone charges to the general fund were eliminated. Further, support from donors increased art acquisitions and grants for the TRIO programs increased.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

Student services expenditures represent the increased staffing and expense for admissions, records, registration, financial aid, and intercollegiate athletics. This reflects the needs associated with the growth of the student body.

Institutional support grew along with other expenditures. In addition, an institutional marketing program was implemented to promote the image of Grand Valley State University. This new initiative included new publications and promotional materials.

Operation and maintenance of facilities increased along with inflation and the growth of the University. Depreciation increased as the University completed several construction projects and placed those buildings into use. Depreciation includes both academic and auxiliary buildings.

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 both federal and university-funded awards occurred in this fiscal year.

The increase in expense for auxiliary activities reflects the additional housing in Allendale. Debt service, depreciation, and repairs related to housing are included in the other categories.

Operating Expenses by Natural Classification

Operating expenses are summarized here by natural classification. Natural classifications show the type of expense regardless of program.

	2002	2001
	(in 000's)	(in 000's)
Salaries and benefits	\$ 114,651	\$ 103,567
Scholarships and awards	5,295	4,419
Utilities	4,120	4,607
Supplies and other	52,732	47,478
Depreciation	10,639	9,340
	<u>187,437</u>	<u>169,411</u>
Total	<u>\$ 187,437</u>	<u>\$ 169,411</u>

Salaries & benefit expenses, which represent 61% of total operating expense, increased due to additional positions and annual pay increases throughout every functional category. Scholarships and awards represent financial aid expense less scholarship allowances and work-study wages. The increase reflects Pell grants and University-funded scholarships. Utilities expense decreased after a spike in market prices in fiscal year 2001. Depreciation on buildings increased with the completion and opening of several new buildings.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

The 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.

	2002	2001
	(in 000's)	(in 000's)
Cash Provided (Used) By:		
Operating activities	\$ (40,877)	\$ (35,609)
Non-capital financing activities	62,571	64,961
Capital and related financing activities	(29,721)	(7,498)
Investing activities	<u>2,643</u>	<u>(11,388)</u>
Net Increase (Decrease) in Cash	(5,384)	10,466
Cash, Beginning of Year	<u>13,687</u>	<u>3,221</u>
Cash, End of Year	<u>\$ 8,303</u>	<u>\$ 13,687</u>

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. This source of revenue is categorized as non-operating even though the University's budget depends on this to continue the current level of operations. Other non-capital financing activity includes gifts received for endowment and charitable gift annuities.

The main capital and related financing activities include the July 2001 bond issue of \$31.4 million and \$5.1 million of pledges collected from various capital campaigns. Financing income is offset by capital expenditures of \$56.3 million and debt service payments of \$9.6 million.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flow statement include both short and long-term investments. While last year the University set aside a net of \$11.4 million in investment purchases, this year a net \$2.6 million of investments was liquidated into cash and cash equivalents.

Economic Factors That Will Affect the Future

The economic position of Grand Valley is closely tied to that of the State of Michigan. State revenues have fallen in excess of \$1 billion over the past two years. This has adversely impacted the University's state appropriation – both in absolute dollar amounts and on a per student basis. State appropriation is \$60 million and, after tuition revenue, is the second largest source of funding. While the amount of the University's appropriation for the coming year has been held constant, it will decrease by over 4% on a per student basis. In FY02 state appropriation per FYES (fiscal year equated student) was \$3,582. This will drop to an estimated \$3,433 in FY03. Grand Valley receives the smallest state appropriation per student and continues to fall.

Enrollment growth at the University continues, but at a slower rate. In Fall 2002, admission requirements were raised and freshman admissions were held at a lower level. The enrollment will begin to stabilize as these smaller classes move through the system and retention statistics improve. An enrollment growth of between 4% and 5% is anticipated for 2002/03.

Statement of Net Assets

	June 30,	
	2002	2001
Assets		
Current assets:		
Cash & cash equivalents (Note 2)	\$ 5,397,998	\$ 12,670,760
Restricted cash & cash equivalents (Note 2)	2,904,862	1,016,245
Short-term investments (Note 2)	11,734,279	23,707,181
Restricted short-term investments (Note 2)	6,546,133	13,279,961
Accounts receivable	6,384,046	6,202,298
State appropriation receivable	29,245,139	21,822,389
Pledges receivable	6,734,054	5,319,067
Inventory	1,702,578	1,795,231
Prepaid expenses & other	1,761,175	1,138,157
Student notes receivable - Current portion	2,350,000	2,303,000
Total current assets	74,760,264	89,254,289
Noncurrent assets:		
Endowment investments (Notes 2 and 4)	37,184,156	39,735,741
Other long-term investments (Note 2)	35,346,096	16,811,243
Pledges receivable	7,510,641	10,878,556
Student notes receivable, net of allowance of \$572,000 and \$570,000, respectively	8,438,000	8,043,530
Capital assets, net (Note 3)	337,184,246	288,882,469
Other assets	1,557,291	1,252,509
Total noncurrent assets	427,220,430	365,604,048
Total assets	\$ 501,980,694	\$ 454,858,337
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 34,458,670	\$ 33,615,927
Deferred revenue	7,789,327	7,798,417
Long-term liabilities - Current portion (Note 5)	5,676,809	4,669,830
Total current liabilities	47,924,806	46,084,174
Noncurrent liabilities:		
Long-term liabilities (Note 5)	107,641,378	81,456,504
Total noncurrent liabilities	107,641,378	81,456,504
Total liabilities	155,566,184	127,540,678
Net assets:		
Invested in capital assets, net of related debt	229,440,974	208,351,923
Restricted for:		
Nonexpendable -		
Scholarships & academic support	17,097,227	15,342,683
Expendable -		
Scholarships & academic support	13,400,666	16,034,683
Capital projects	849,814	16,405,221
Loans	10,918,909	10,797,539
Unrestricted	74,706,920	60,385,610
Total net assets	346,414,510	327,317,659
Total liabilities and net assets	\$ 501,980,694	\$ 454,858,337

Grand Valley State University

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30,	
	2002	2001
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 91,156,493	\$ 77,602,187
Scholarship allowances	(10,569,651)	(8,146,147)
Net student tuition and fees	80,586,842	69,456,040
Government grants and contracts	19,211,802	14,414,080
Nongovernmental grants	813,448	277,682
Sales and services of educational activities	3,073,109	3,737,481
Auxiliary activities	28,463,561	25,388,370
Scholarship allowances	(2,142,204)	(1,658,733)
Net auxiliary activities	26,321,357	23,729,637
Other operating revenues	5,752,315	5,133,584
Total operating revenue	135,758,873	116,748,504
Expenses:		
Operating expenses:		
Education and general:		
Instruction	76,469,603	69,767,112
Research	2,633,608	1,794,503
Public service	10,279,053	9,063,014
Academic support	18,770,986	17,054,226
Student services	15,041,370	13,548,591
Institutional support	12,464,569	10,772,705
Operation and maintenance - Plant	15,118,384	14,123,470
Depreciation expense	10,638,796	9,340,062
Scholarships and related expenses	6,125,825	5,182,992
Auxiliary activities	19,302,652	18,475,126
Loan administrative fees and collection costs	592,565	289,669
Total operating expenses	187,437,411	169,411,470
Operating loss	(51,678,538)	(52,662,966)
Nonoperating revenues (expenses):		
State appropriations	60,095,400	60,688,422
Gifts	4,203,757	4,666,959
Investment income (loss) (net of investment expense of \$257,000 and \$239,000, respectively)	(106,939)	2,152,407
Interest on capital asset - Related debt	(3,179,581)	(3,923,062)
Net non-operating revenues	61,012,637	63,584,726
Income before other revenues, expenses, gains or losses	9,334,099	10,921,760
Capital appropriations	4,867,303	5,298,182
Capital grants and gifts	3,574,257	19,079,213
Other capital income	251,040	-
Additions to permanent endowments	1,132,765	2,436,702
Gain (loss) on disposal of plant assets	(62,613)	871,026
Total other revenue	9,762,752	27,685,123
Increase in net assets	19,096,851	38,606,883
Net Assets - Beginning of year	327,317,659	288,710,776
Net Assets - End of year	\$ 346,414,510	\$ 327,317,659

Statement of Cash Flows

	Year Ended June 30,	
	2002	2001
Cash Flows from Operating Activities		
Tuition and fees	\$ 81,085,516	\$ 70,252,353
Grants and contracts	19,584,517	13,014,446
Payments to suppliers	(52,709,860)	(43,567,666)
Payments for utilities	(3,974,304)	(4,651,539)
Payments to employees	(92,716,982)	(81,353,053)
Payments for benefits	(21,200,493)	(20,519,694)
Payments for scholarships and fellowships	(5,294,854)	(4,418,546)
Loans issued to students	(11,851,632)	(10,901,362)
Collection of loans from students	11,410,162	11,022,203
Auxiliary enterprise charges:		
Residence halls	16,634,101	14,892,974
Bookstore	6,971,411	6,491,733
Other	2,777,368	2,050,525
Sales and service of educational activities	3,141,778	4,293,735
Other receipts	5,266,086	7,785,394
Net cash used in operating activities	(40,877,186)	(35,608,497)
Cash Flows from Noncapital Financing Activities		
State appropriations	57,539,953	57,141,710
Gifts and grants for other than capital purposes	3,803,547	3,802,250
Private gifts for endowment purposes	1,132,765	2,436,702
Charitable annuities receipts, net of payments	772,199	1,535,724
Federal direct loan receipts	46,227,400	42,680,945
Federal direct loan lending disbursements	(46,904,463)	(42,636,345)
Net cash provided by noncapital financing activities	62,571,401	64,960,986
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	31,375,000	36,475,000
Capital appropriations	-	10,959,667
Capital grants and gifts received	5,101,247	10,083,302
Proceeds from sale of capital assets	40,208	955,806
Purchases of capital assets and construction	(56,274,251)	(58,698,119)
Principal paid on capital debt	(4,387,090)	(3,355,000)
Interest paid on capital debt	(5,207,709)	(3,365,408)
Bond issue costs paid on new debt issue	(368,945)	(553,675)
Net cash used in capital and related financing activities	(29,721,540)	(7,498,427)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	78,030,009	66,378,832
Interest on investments	4,553,576	4,666,585
Purchase of investments	(79,940,405)	(82,433,705)
Net cash provided by (used in) investing activities	2,643,180	(11,388,288)
Net increase (decrease) in cash	(5,384,145)	10,465,774
Cash and Cash Equivalents - Beginning of the year	<u>13,687,005</u>	<u>3,221,231</u>
Cash and Cash Equivalents - End of the year	<u><u>\$ 8,302,860</u></u>	<u><u>\$ 13,687,005</u></u>

Grand Valley State University

Statement of Cash Flows (Continued)

	Year Ended June 30,	
	2002	2001
Reconciliation of Net Operating Loss To Net Cash Used in Operating Activities		
Operating loss	\$ (51,678,538)	\$ (52,662,996)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	10,638,796	9,340,062
Change in assets and liabilities:		
Receivables (net)	(122,777)	(2,464,643)
Inventories	92,653	(64,718)
Other assets	(619,602)	(455,971)
Accounts payable	809,466	8,911,325
Deferred revenue	(9,090)	2,070,461
Deposits held for others	11,906	(282,017)
Net cash used in operating activities	<u>\$ (40,877,186)</u>	<u>\$ (35,608,497)</u>

Grand Valley State University

Statement of Fiduciary Net Assets Employee Benefit Plans

	June 30,	
	2002	2001
Assets:		
Cash and investments	\$ 14,397,359	\$ 15,991,810
Accrued interest receivable	-	649
Total assets	<u>\$ 14,397,359</u>	<u>\$ 15,992,459</u>
Net Assets - Held in trust for pension benefits	<u>\$ 14,397,359</u>	<u>\$ 15,992,459</u>

Grand Valley State University

Statement of Changes in Fiduciary Net Assets Employee Benefit Plans

	Year Ended June 30,	
	2002	2001
Additions		
Investment income:		
Interest and dividends	\$ 470,731	\$ 528,636
Net depreciation in fair value of investments	(2,316,152)	(2,667,166)
Gain on sale of investments	32,206	-
Total investment income	(1,813,215)	(2,138,530)
Employer contributions	935,172	690,831
Total additions	(878,043)	(1,447,699)
Deductions		
Benefit payments	670,601	596,929
Administrative expense	46,456	67,103
Total deductions	717,057	664,032
Net Decrease	(1,595,100)	(2,111,731)
Net Assets Held in Trust for Pension Benefits		
Beginning of year	15,992,459	18,104,190
End of year	<u>\$ 14,397,359</u>	<u>\$ 15,992,459</u>

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 Research Corporation, 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. The University 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 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 2002 and 2001, the University distributed approximately \$46,905,000 and \$42,636,000, respectively, 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. Encumbrances totaled approximately \$27,973,000, which represents the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2002 are completed. Approximately \$25,715,000 of the total is committed for capital projects, including \$17,944,000 for the new Health Professions building, \$1,483,000 for new student housing projects, and \$2,379,000 for the addition to the student activities building, expansion of the indoor athletic facility and new classroom additions.

Encumbrances outstanding 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

The unrestricted net asset balance at June 30, 2002 includes \$7,872,149 of funds functioning as endowment, \$13,726,482 of capital projects in progress, \$11,226,400 of housing and auxiliary repair and maintenance funds, \$3,228,774 of student loan funds, \$8,408,133 of debt service funds, \$10,795,950 for academic initiatives and technology, \$10,939,756 for future capital projects and debt service, \$7,761,910 for reserves for operations and cash flow, and \$747,366 of uncommitted funds.

Reclassifications – Certain prior year balances have been reclassified to conform to current year presentation.

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.

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.

Note 2 – Cash and Investments (Continued)

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 counter party'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 counter party'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.

Note 2 – Cash and Investments (Continued)

Investments are reported at fair value (market) and reported on the Statement of Net Assets at June 30, 2002 as follows:

	Business Type Activities	Fiduciary Activities
Cash and cash equivalents	\$ 8,302,860	\$ -
Short-term investments	18,280,412	-
Endowment investments	37,184,156	-
Other investments	35,346,096	14,397,359
Total	<u>\$ 99,113,524</u>	<u>\$ 14,397,359</u>

Investments are reported at fair value (market) and reported on the Statement of Net Assets at June 30, 2001 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.

Note 2 – Cash and Investments (Continued)

The following table summarizes the categorization of cash and investments without regard to outstanding checks at June 30, 2002:

	Category 1	Category 2	Category 3	Not Categorized	Total Per Bank
Cash and short-term investments:					
Cash	\$ 350,152	\$ -	\$ 5,586,882	\$ -	\$ 5,937,034
Certificates of deposits	200,000	-	4,050,000	-	4,250,000
Repurchase agreements	-	3,930,205	-	-	3,930,205
Money markets	-	-	-	2,917,038	2,917,038
Demand notes	-	-	-	1,500,000	1,500,000
Investment management funds	-	-	-	12,513,585	12,513,585
Total cash and short-term investments	550,152	3,930,205	9,636,882	16,930,623	31,047,862
Investments:					
Government securities	31,574,864	-	-	-	31,574,864
Equity securities	-	136,597	-	-	136,597
Real estate	-	86,126	-	-	86,126
Money market funds	-	-	-	112,903	112,903
Mutual funds	-	-	-	3,634,633	3,634,633
Investment management funds	-	-	-	36,985,127	36,985,127
Total investments	31,574,864	222,723	-	40,732,663	72,530,250
Total cash and investments	<u>\$ 32,125,016</u>	<u>\$ 4,152,928</u>	<u>\$ 9,636,882</u>	<u>\$ 57,663,286</u>	<u>\$ 103,578,112</u>

Note 2 – Cash and Investments (Continued)

The following table summarizes the categorization of cash and investments without regard to outstanding checks 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	12,699,304	2,633,234	6,555,452	24,247,709	46,135,699
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	20,426,576	247,765	-	45,050,428	65,724,769
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, 2002 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 14,695,822	\$ 1,018,748	\$ -	\$ 15,714,570
Non-depreciable artwork and historical treasures	3,360,891	133,870	-	3,494,761
Non-depreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress (net)	36,499,436	18,633,389	-	55,132,825
Total cost of nondepreciable capital assets	56,278,969	19,786,007	-	76,064,976
Land improvements and infrastructure	23,099,450	3,373,764	-	26,473,214
Buildings	240,721,817	30,495,444	79,669	271,137,592
Equipment	36,860,386	3,315,051	830,996	39,344,441
Library books	12,610,222	2,073,128	110,700	14,572,650
Total cost of depreciable capital assets	313,291,875	39,257,387	1,021,365	351,527,897
Total cost of capital assets	369,570,844	\$ 59,043,394	\$ 1,021,365	427,592,873
Less accumulated depreciation for:				
Land improvements and infrastructure	5,784,167	\$ 1,243,968	\$ -	7,028,135
Buildings	42,867,117	5,439,211	27,233	48,279,095
Equipment	25,970,882	2,682,424	780,611	27,872,695
Library books	6,066,209	1,273,193	110,700	7,228,702
Total accumulated depreciation	80,688,375	\$ 10,638,796	\$ 918,544	90,408,627
Capital assets - Net	\$ 288,882,469			\$ 337,184,246

Note 3 – Capital Assets (Continued)

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 for year ended June 30, 2002 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue Bonds, Series 1989	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -
General Revenue and Refunding Bonds, Series 1994	4,550,000	-	367,090	4,182,910	330,409
General Revenue and Refunding Bonds, Series 1997	19,280,000	-	1,855,000	17,425,000	1,935,000
General Revenue Bonds, Series 1998	14,410,000	-	345,000	14,065,000	365,000
General Revenue Bonds, Series 1999	8,695,000	-	350,000	8,345,000	365,000
General Revenue Bonds, Series 2000	36,475,000	-	1,465,000	35,010,000	1,690,000
General Revenue Bonds, Series 2001A	-	10,100,000	-	10,100,000	475,000
General Revenue Variable Rate Demand Bonds, Series 2001B	-	21,275,000	-	21,275,000	40,000
Total bonds payable	83,415,000	31,375,000	4,387,090	110,402,910	5,200,409
Accrued interest –					
Capital appreciation bonds	2,040,319	394,864	562,910	1,872,273	289,648
Charitable gift annuities payable	671,015	535,711	163,722	1,043,004	186,752
Total	<u>\$ 86,126,334</u>	<u>\$ 32,305,575</u>	<u>\$ 5,113,722</u>	113,318,187	<u>\$ 5,676,809</u>
Due within one year				5,676,809	
Total long-term liabilities				<u>\$ 107,641,378</u>	

Note 5 – Long-term Liabilities (Continued)

The changes in long-term liabilities for year ended June 30, 2001 are as shown 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	<u>\$ 51,934,060</u>	<u>\$ 37,574,499</u>	<u>\$ 3,382,225</u>	86,126,334	<u>\$ 4,669,830</u>
Due within one year				4,669,830	
Total long-term liabilities				<u>\$ 81,456,504</u>	

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 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.

Note 5 – Long-term Liabilities (Continued)

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 of Series 1988 bonds 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.

The General Revenue Bonds, Series 2001A, were issued in July 2001 by the Board of Trustees to provide funds for classroom additions and an athletic facility addition on the Allendale campus.

The General Revenue Variable Rate Demand Bonds, Series 2001B, were issued in July 2001 by the Board of Trustees to fund the cost of constructing new student housing and an athletic facility addition on the Allendale Campus. The bonds bear interest in one of four different modes. At June 30, 2002, the bonds bear interest based on a weekly rate determined by the remarketing agent (1.25% at June 30, 2002). The bonds may be converted and be subject to a different interest rate mode, provided certain conditions are met. The interest rate modes that the bonds could potentially be converted to include an adjustable rate mode, a long-term rate mode, or a fixed rate mode. The bonds are subject to purchase on the demand of the holder at a price equal to the principal amount plus accrued and unpaid interest, without premium, on seven days' notice and delivery to the remarketing agent.

As of June 30, 2002, the aggregate amount of outstanding principal on all bonds which have been refinanced is \$405,000.

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, 2002 and 2001 totaled \$1,309,876 and \$1,010,012, respectively.

Principal and interest on all of the outstanding bonds are payable from, and secured by, the University's general revenues. The general revenue and refunding 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 2027. Interest payments on the capital appreciation bonds began in 2002.

Note 5 – Long-term Liabilities (Continued)

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, 2002 and 2001 was \$1,043,004 and \$671,015, respectively.

Scheduled maturities of long-term liabilities are as follows:

Fiscal Year	Revenue Bonds and Accrued		Total	Interest
	Interest	Annuities Payable		
2003	\$ 5,490,057	\$ 186,752	\$ 5,676,809	\$ 4,950,633
2004	5,829,667	186,752	6,016,419	4,629,273
2005	6,154,216	186,752	6,340,968	4,321,765
2006	6,479,992	186,752	6,666,744	3,987,642
2007	6,810,000	186,752	6,996,752	3,663,209
2008-2012	23,121,251	109,244	23,230,495	14,575,778
2013-2017	23,680,000	-	23,680,000	9,722,349
2018-2022	22,065,000	-	22,065,000	4,238,737
2023-2027	12,645,000	-	12,645,000	799,389
Totals	<u>\$ 112,275,183</u>	<u>\$ 1,043,004</u>	<u>\$ 113,318,187</u>	<u>\$ 50,888,775</u>

Note 6 – Retirement Benefits

The University has established retirement plans for substantially all permanent employees. Total payroll at June 30, 2002 and 2001 was approximately \$91,200,000 and \$82,690,000, respectively for the University, of which \$66,418,000 and \$60,225,000, respectively 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. Discretionary University contributions equal to 12% of the participants' base salary were made in each year.

Note 6 – Retirement Benefits (Continued)

The total expense under this discretionary plan was \$6,403,000 and \$5,765,500 for years ended June 30, 2002 and 2001, respectively. Total payroll covered under this plan was \$52,814,000 in 2002 and \$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's policy is to fund the current annual required contribution. The University contributed 6.9% of payroll during the fiscal year ended June 30, 2002 and 5.5% of payroll during the fiscal year ended June 30, 2001.

The annual required contribution was determined as part of an actuarial valuation at July 1, 2001, 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.

The University maintains an unaudited stand-alone financial report of its pension plans that is available at its Human Resources Office.

Three-year trend information:

	2002	2001	2000
Annual pension cost	\$ 935,172	\$ 690,830	\$ 652,456
Percentage of annual pension cost contributed	100%	100%	100%
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:

	2002	2001	2000
Retirees receiving benefits	161	146	150
Total costs	\$ 203,400	\$ 159,200	\$ 156,900

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 Center for Health Professions located in downtown Grand Rapids, 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 unemployment compensation and 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 2002 and 2001. The workers' compensation stop loss insurance limits its liability for claims paid to \$300,000 per individual in 2002 and 2001. Liabilities for estimated claims retained by the University under self-insurance programs have been established. Changes in the estimated liability for self-insured plans during the past two fiscal years are as follows:

	Health Benefits	Unemployment Compensation
Estimated liability - June 20, 2000	\$ 2,140,517	\$ 41,073
Accrual for estimated claims	6,558,381	96,885
Less: Claims paid	<u>(6,774,533)</u>	<u>(63,353)</u>
Estimated liability - June 20, 2001	1,924,365	74,605
Accrual for estimated claims	6,804,991	83,293
Less: Claims paid	<u>(7,194,392)</u>	<u>(57,939)</u>
Estimated liability - June 20, 2002	<u>\$ 1,534,964</u>	<u>\$ 99,959</u>

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, including workers compensation, 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

The State government has approved the fiscal year 2003 appropriation in the amount of \$60,095,400 for the University. The appropriation can be reduced if a University adopts a tuition and fee rate increase in excess of 8.5% or total increase of \$425, whichever is greater. The University has adopted a tuition rate increase for fiscal year 2003 that is within the State guidelines.

In July 2002, the University purchased land adjacent to its Pew Campus for approximately \$3,600,000. Funding for this purchase will be provided by the bonds mentioned below.

In June 2002, the Board of Trustees authorized the issuance of up to \$18,000,000 of bonds to fund new capital projects, including the construction of new housing and the purchase of land mentioned above.

Note 10 – Related Organizations

Pursuant to the State of Michigan Public Act 362 of 1993, the University has authorized thirty public school academies. Twenty-nine 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 \$76,122,000 was appropriated by the State in 2002 to be allocated to the public school academies, net of a 3% administrative fee retained by the University. At June 30, 2002, \$13,451,000 is outstanding from the State, of which \$13,056,000 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 years ended June 30, 2002 and 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 audits 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 27, 2002

Additional Information

Schedule of Endowment and Similar Funds June 30, 2002

Endowment Funds	Balance	Gifts and	Investment	Distribution	Intra Fund	Balance	Retained	Principal
	July 1, 2001	Additions	Income and Deductions	Beneficiary Funds	Distribution	June 30, 2002	Investment Income	Balance June 30, 2002
Alumni Heritage Scholarship Fund	\$ 156,199	\$ 25,114	\$ (12,761)	\$ 8,246	\$ 1,130	\$ 161,436	\$ -	\$ 161,436
Joseph E. Appelt P.E. Engineering Scholarship Fund	32,993	-	(2,558)	1,650	611	29,396	-	29,396
APICS Scholarship Fund	33,071	50	(2,558)	-	50	30,613	25,513	5,100
Ara Cary Lectureship Fund	13,808	25,655	(2,714)	1,655	860	35,954	-	35,954
Art & Design Endowment	14,992	1,827	-	-	(16,819)	-	-	-
Baker-Hall Physics Fund	42,664	1,035	(3,339)	2,164	695	38,891	8,719	30,172
Fred A. Bell Business Scholarship Fund	35,904	1,000	(2,777)	1,799	-	32,328	1,087	31,241
William C. Baum Endowment	42,372	5,060	(3,463)	2,246	3,346	45,069	(4,024)	49,093
David Alan Bergsma Scholarship Fund	51,565	-	(3,995)	2,578	-	44,992	34,357	10,635
Hyman H. & Greta M. Berkowitz Scholarship Fund	385,505	160	(29,829)	19,282	260	336,814	73,214	263,600
Blodgett Music Scholarship	50,262	550	(3,901)	2,526	-	44,385	14,870	29,515
Biology Department Science Equipment Fund	55,270	2,764	(4,400)	2,841	671	51,464	9,619	41,845
The Biomedical/Health Science Fund	2,359	756	(219)	-	820	3,716	(228)	3,944
Joan Boand Athletic Scholarship Fund	33,875	3,825	(2,714)	1,746	300	33,540	2,100	31,440
William J. & Margaret G. Branstrom Fund	105,933	-	(8,206)	5,297	-	92,430	43,844	48,586
The Donna K. Brooks Presidential Scholarship	242,437	-	(18,752)	12,122	12,122	223,685	(26,315)	250,000
The Brooks Family Minority Scholarship	242,437	-	(18,752)	12,122	12,122	223,685	(26,315)	250,000
Johnny C. Burton Memorial Scholarship	69,413	-	(5,367)	3,471	-	60,575	6,960	53,615
Greg Cadaret Baseball Fund	62,243	138	(4,805)	3,116	76	54,536	16,057	38,479
Bernard & Camile Cebelak Scholarship Fund	49,989	-	(3,869)	2,499	1,379	45,000	-	45,000
Robert L. Chamberlain Scholarship Fund	49,630	407	(3,869)	2,497	220	43,891	14,861	29,030
Hong Chen Memorial Endowment Fund	19,936	355	(1,560)	1,008	1,208	18,931	(1,560)	20,491
School of Communications Scholarship Fund	26,950	1,600	(2,216)	1,437	1,410	26,307	-	26,307
Computer Science and Information Systems Endowment	65,286	1,552	(5,118)	3,315	678	59,083	12,274	46,809
The COT Association Scholarship Endowment Fund	52,338	3,876	(4,213)	2,729	4,272	53,544	(1,946)	55,490
David Daniels Memorial Scholarship Fund	48,751	832	(3,806)	2,466	500	43,811	13,908	29,903

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2002

Endowments Funds (Continued)	Balance	Gifts and	Investment	Distribution	Intra Fund	Balance	Retained	Principal
	July 1, 2001	Additions	Income and Deductions	Beneficiary Funds	Distribution	June 30, 2002	Investment Income	Balance June 30, 2002
Gilbert R. and Patricia K. Davis Endowed Merit Scholarship	64,442	1,318	(5,024)	3,253	200	57,683	9,563	48,120
Greta & Arthur Delong Perpetual Scholarship Fund	59,272	-	(4,587)	2,964	-	51,721	8,998	42,723
Mary Jane Dockeray Scholarship Fund	44,567	19,985	(4,151)	2,688	150	57,863	9,496	48,367
L. V. Eberhard Scholarship Fund	531,648	602	(41,156)	26,598	-	464,496	200,239	264,257
Eitzen Voice Scholarship Fund	85,571	1,035	(6,678)	4,307	260	75,881	21,100	54,781
School of Engineering Fund	107,945	4,210	(8,456)	5,474	1,056	99,281	26,355	72,926
Enrichment Fund	527,429	-	(40,812)	26,371	-	460,246	190,621	269,625
Faculty Teaching and Learning Center Endowment	1,905,320	165	(147,399)	95,272	95,437	1,758,251	(147,399)	1,905,650
Film and Video Scholarship	2,606	3,767	(344)	-	500	6,529	(395)	6,924
Richard E. Flanders Scholarship Fund	115,664	1,167	(8,986)	5,809	380	102,416	26,130	76,286
Geology Development Fund	102,734	700	(7,987)	5,155	100	90,392	31,265	59,127
Geology Student Field Endowment	15,468	1,120	(1,279)	-	1,075	16,384	(116)	16,500
Charlotte A. Gierst & Salome C. Egeler Trust Fund	64,888	300	(5,055)	3,259	300	57,174	14,494	42,680
Richard Giles Memorial Scholarship Fund	312,723	1,270	(24,244)	15,670	275	274,354	122,533	151,821
The Graduate Teacher Certification Scholarship	29,036	642	(2,558)	1,652	17,004	42,472	(3,704)	46,176
Grand Valley Grand Forum Endowment	95,740	10,224	(7,707)	-	100	98,357	(358)	98,715
Grand Valley State University Athletic Fund	135,045	6,135	(10,516)	6,799	300	124,165	16,222	107,943
GVSU Women's Scholarship Endowment	23,465	4,753	(2,060)	1,329	4,158	28,987	(2,086)	31,073
Grand Valley State University Fund	4,087,625	166,014	(317,263)	140,685	(99,866)	3,695,825	1,818,103	1,877,722
Earl Harper Scholarship Fund	57,379	439	(4,462)	2,880	-	50,476	14,231	36,245
Joyce Hecht Distinguished Scholarship in Philanthropy	98,307	6,966	(7,864)	5,088	5,320	97,641	(10,589)	108,230
William Hegarty Endowment Fund	24,789	-	(1,903)	1,239	1,239	22,886	(884)	23,770
Arthur C. Hills Music Scholarship Fund	64,840	2,261	(5,086)	3,296	60	58,779	20,012	38,767
Hispanic Scholarship Fund	49,758	1,581	(3,931)	2,534	565	45,439	7,231	38,208
Dr. James D. Hoffman Scholarship	-	7,720	(219)	-	-	7,501	(219)	7,720
Honors Program Enrichment	-	1,100	(62)	-	1,000	2,038	(62)	2,100
W. G. Jackson Fund	200,120	3,195	(15,600)	10,087	130	177,758	26,768	150,990
Dr. Thomas & Mrs. Joann Jackson Scholarship Endowment	5,833	593	(469)	-	238	6,195	(485)	6,680

Schedule of Endowment and Similar Funds (Continued) June 30, 2002

Endowment Funds (Continued)	Balance	Gifts and	Investment	Distribution	Intra Fund	Balance	Retained	Principal
	July 1, 2001	Additions	Income and Deductions	Beneficiary Funds	Distribution	June 30, 2002	Investment Income	Balance June 30, 2002
Dorothy A. Johnson Library Fund	504,032	(13,480)	(39,252)	25,371	26,141	452,070	(50,445)	502,515
Dorothy A. Johnson Philanthropy Operating Fund	-	18,760	-	-	-	18,760	-	18,760
Lynne Kraemer Memorial Scholarship Fund	33,929	-	(2,621)	1,696	-	29,612	12,018	17,594
Kirkhof School of Nursing Endowment	78,030	4,921	(6,146)	3,980	50	72,875	7,805	65,070
Don Klein Endowment	57,402	11,774	(4,930)	-	1,000	65,246	(4,240)	69,486
Walton Boston Koch Memorial Scholarship	29,697	780	(2,309)	1,497	300	26,971	8,554	18,417
Koeze Art Scholarship	9,697	350	(749)	-	100	9,398	(1,234)	10,632
Loutit Foundation Fund	213,785	50	(9,891)	-	9,891	213,835	-	213,835
GVSU LGBT Scholarship Endowment	-	4,809	(281)	-	5,612	10,140	(281)	10,421
Arend D. and Nancy Lubbers Honors College Scholarship	131,960	446,138	(24,838)	16,877	26,943	563,326	(25,398)	588,724
Faite R-P. Mack Scholarship Fund	55,665	1,451	(4,368)	2,826	853	50,775	10,465	40,310
Mathematics Endowment Fund	150,913	2,327	(10,920)	7,066	(16,557)	118,697	22,379	96,318
Corky Meinecke Scholarship Endowment Fund	25,483	5,384	(2,216)	1,426	1,426	28,651	(2,216)	30,867
The Nancee Miller Scholarship	-	1,594	(94)	-	500	2,000	(94)	2,094
Paul C. Miller Scholarship Fund	99,616	-	(7,707)	4,981	-	86,928	36,716	50,212
Helen Claytor Minority Scholarship	680,209	328,011	(63,559)	41,087	41,800	945,374	(24,340)	969,714
Mithilesh & Jitendra Mishra Foreign Student/Faculty Scholarship Fund	28,416	-	(2,184)	1,421	-	24,811	1,981	22,830
Jacob B. Mol Family Scholarship Fund	76,341	-	(5,897)	3,817	-	66,627	18,764	47,863
Niemeyer Endowment Fund	72,539	3,204	(5,742)	-	892	70,893	11,223	59,670
Nursing Nontraditional Student Scholarship	10,974	2,886	(1,093)	-	4,783	17,550	(1,806)	19,356
Nedra J. Otis Art Scholarship	-	8,170	(1,249)	-	17,719	24,640	(447)	25,087
Arnold C. Ott Lectureship in Chemistry	486,987	-	(37,662)	24,349	24,349	449,325	(50,675)	500,000
Barbara Padnos Scholarship Fund	386,306	200,115	(37,630)	24,318	24,344	548,817	(51,599)	600,416
Seymour and Esther Padnos Engineering Scholarship	486,987	-	(37,692)	24,360	24,980	449,915	(50,705)	500,620
Ross W Perry Bachelor of Science Scholarships	-	-	(2,590)	1,669	206,779	202,520	(2,590)	205,110
Peace & Justice Award Fund	41,519	643	(3,246)	2,098	410	37,228	11,913	25,315
Physical Therapy Department Fund	29,283	950	(2,309)	1,490	250	26,684	6,048	20,636
William F. Pickard Fund	69,019	29	(5,335)	-	-	63,713	32,948	30,765

Schedule of Endowment and Similar Funds (Continued) June 30, 2002

Endowment Funds (Continued)	Balance	Gifts and	Investment	Distribution	Intra Fund	Balance	Retained	Principal
	July 1, 2001	Additions	Income and Deductions	Beneficiary Funds	Distribution	June 30, 2002	Investment Income	Balance June 30, 2002
Positive Black Woman Endowment Fund	27,961	1,632	(2,216)	1,442	804	26,739	0	26,739
Berthold Price Scholarship Fund	126,310	1,902	(9,859)	6,365	380	112,368	31,928	80,440
Price Heneveld Engineering Scholarship	-	20,055	(655)	-	-	19,400	(655)	20,055
Margaret Proctor School of Communications Scholarship	-	4,310	(124)	-	267	4,453	(124)	4,577
Plant Service Personnel Descendants Scholarship Fund	251,704	12,203	(19,969)	12,901	2,815	233,852	11,376	222,476
Reister Family Scholarship	9,979	45,334	(3,120)	2,011	2,036	52,218	(3,171)	55,389
Warren Reynolds Endowment	9,183	1,721	(779)	-	75	10,200	(1,142)	11,342
Science Math Development Fund	63,019	701	(4,898)	3,160	75	55,737	28,139	27,598
Science Equipment Fund	1,885,782	625	(145,932)	94,312	-	1,646,163	676,357	969,806
School of Public and Nonprofit Administration Endowment	12,636	752	(1,029)	-	610	12,969	990	11,979
Mary & Wilhelm Seeger Scholarship Fund	110,334	2,140	(8,613)	5,566	-	98,295	23,631	74,664
Esther L. Seidman Chair in Management Fund	317,936	-	(24,588)	15,897	-	277,451	102,051	175,400
Seidman Endowment Fund	1,160,404	8,631	(90,175)	58,276	4,101	1,024,685	399,221	625,464
Marilyn and B. P. Sherwood III Scholarship Fund	22,822	1,220	(1,778)	1,150	-	21,114	4,443	16,671
The Social Work Minority Scholarship	2,678	485	(250)	-	930	3,843	(301)	4,144
Ram Singh Social Work Scholarship	-	2,857	(187)	-	1,908	4,578	(187)	4,765
Social Work Scholarship Fund	24,083	979	(1,903)	1,238	555	22,476	2,354	20,122
Social Work Faculty Development Fund	-	20,000	(655)	-	-	19,345	(655)	20,000
Joseph Stevens Freedom Fund	94,220	6,102	(7,614)	4,930	150	87,928	16,916	71,012
Ryan Short Memorial Scholarship Fund	49,238	2,212	(3,901)	2,527	910	45,932	1,267	44,665
Statistics Endowment Fund	-	212	(905)	-	20,325	19,632	(905)	20,537
Esther Rehm Stotz Scholarship Fund	128,769	40	(9,953)	6,439	-	112,417	44,078	68,339
Tax Program Fund	112,260	250	(8,705)	5,619	-	98,186	35,053	63,133
The Telephone Pioneers of America, Great Lakes Chapter #90 Scholarship Fund	61,841	110	(4,774)	3,095	50	54,132	12,526	41,606
Edward Tremba Geology Scholarship Fund	63,592	1,104	(4,961)	3,200	150	56,685	19,142	37,543
A Trust for Science Education Endowment	111,126	1,167	(8,643)	-	607	104,257	(7,364)	111,621
University Library Fund	181,199	3,570	(14,166)	-	2,092	172,695	51,174	121,521
VanSteeleand Arboretum Fund	93,486	718	(7,270)	-	483	87,417	32,992	54,425

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2002

	Balance July 1, 2001	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2002	Retained Investment Income	Principal Balance June 30, 2002
Endowment Funds (Continued)								
Kenneth Venderbush Endowment Fund	3,443	-	(281)	-	-	3,162	(238)	3,400
The Donald and Barbara Vanderjagt Mathematics and Athletic Scholarship	10,049	924	(1,093)	-	12,002	21,882	(1,144)	23,026
Florence Cowan Ward Scholarship for Nursing	78,979	9,615	(6,490)	4,190	4,216	82,130	(6,500)	88,630
WRI Equipment Fund	2,059,003	1,391	(159,349)	102,983	187	1,798,249	640,087	1,158,162
Margaret Ward Music Scholarship	23,810	369	(1,872)	1,200	1,200	22,307	(3,273)	25,580
WGVU-TV Scholarship Fund	274,711	19,778	(21,748)	14,059	50	258,732	66,198	192,534
Margaret F. Ward Art and Design Scholarship	23,599	-	(1,841)	1,180	1,180	21,758	(3,242)	25,000
Weldon Memorial Chemistry Fund	110,277	2,444	(8,613)	-	250	104,358	20,600	83,758
Westerman Nursing Scholarship Fund	134,380	25	(10,391)	6,719	-	117,295	16,032	101,263
Holliday Willey Psychology Scholarship for the Study of Pervasive Development Disorders	-	5,618	(187)	-	-	5,431	(187)	5,618
William James Fund	29,720	130	(2,309)	1,491	150	26,200	10,917	15,283
Shelia Williams Student Leadership Development Fund	107,853	840	(8,363)	5,413	26	94,943	39,222	55,721
Doug and Linda Woods Athletic Training Scholarship Endowment	30,975	15,362	(2,496)	1,608	2,689	44,922	(742)	45,664
Wrestling Endowment	-	1,283	(31)	-	258	1,510	(31)	1,541
Writing Department Faculty Scholarship	-	235	-	-	-	235	-	235
William Zimmerman Memorial Scholarship	-	1,000	(31)	-	750	1,719	(31)	1,750
Felix V. & Gladys A. Zukaitis Athletic Trust	188,140	35	(14,571)	9,400	-	164,204	39,019	125,185
Felix V. & Gladys A. Zukaitis Scholarship Trust	187,965	-	(14,540)	9,406	-	164,019	39,019	125,000
Subtotal	22,740,651	1,552,765	(1,805,957)	1,047,327	520,738	21,960,870	4,863,643	17,097,227
Funds Functioning as Endowments								
Accounting Scholarship Fund	305,225	7,439	(23,870)	15,420	777	274,151	79,413	194,738
Alumni Scholarship Fund	658,466	9,571	(51,234)	33,112	590	584,281	156,463	427,818
Angus Fund	1,335,425	4,529	(103,404)	66,841	124	1,169,833	339,111	830,722
Owen F. Bieber Scholarship Trust	574,260	-	(44,432)	28,713	-	501,115	187,705	313,410
Business & Engineering Internship Fund	1,187,731	40	(91,890)	-	-	1,095,881	554,609	541,272
Entrepreneurial Center Endowment	1,326,749	-	(102,655)	66,337	62,593	1,220,350	-	1,220,350

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2002

	Balance July 1, 2001	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2002	Retained Investment Income	Principal Balance June 30, 2002
Funds Functioning as Endowments (Continued)								
Grand Rapids Continuing Education	810,503	-	(62,716)	-	-	747,787	373,805	373,982
Leon W. Hall Trust Fund	650,558	-	(50,329)	32,528	-	567,701	233,289	334,412
Charles & Florence Irwin Scholarship Endowment Fund	158,840	4,273	(12,450)	8,048	1,526	144,141	26,670	117,471
Russel H. Kirkhof Fund	2,139,079	-	(165,496)	106,954	-	1,866,629	859,330	1,007,299
Seymour & Esther Padnos School of Engineering Endowment	2,167,398	762	(167,711)	108,384	-	1,892,065	389,907	1,502,158
Padnos Fund	1,443,985	-	(111,708)	72,199	-	1,260,078	260,053	1,000,025
Joe E. Reid Memorial Scholarship Fund	71,042	475	(5,523)	3,560	25	62,459	16,656	45,803
SPX Corporation Engineering Scholarship Fund	120,800	-	(9,361)	6,040	-	105,399	55,289	50,110
Robert C. Trotter Scholarship Fund	403,862	-	(31,234)	20,193	-	352,435	204,568	147,867
Undistributed Income Fund	1,315,300	-	(101,709)	-	(381,552)	832,039	832,039	-
VanderMey Endowment	143,135	-	(11,076)	7,157	-	124,902	10,475	114,427
R.B. Annis WRI Endowment	819,384	490,383	(63,465)	-	289	1,246,591	194,155	1,052,436
Subtotal	15,631,742	517,472	(1,210,263)	575,486	(315,628)	14,047,837	4,773,537	9,274,300
Life Income and Annuity Funds								
Ross W. Perry Charitable Remainder Unitrust	234,611	-	(5,360)	24,141	(205,110)	-	-	-
Dr. Gilbert R. and Patricia K. Davis Charitable Gift Annuity	-	6,403	308	-	-	6,711	308	6,403
Leslie Eitzen Charitable Gift Annuity	-	7,094	(268)	-	-	6,826	(268)	7,094
Ralph and Grace Hauenstein Charitable Gift Annuities	228,611	233,231	(139,922)	-	-	321,920	(141,059)	462,979
Harvey E. Lemmen Charitable Gift Annuities	594,267	148,862	(83,338)	841,460	-	(181,669)	(270,531)	88,862
Dr. Dorothy Merrill Charitable Gift Annuity	15,066	-	(5,907)	-	-	9,159	(7,810)	16,969
Nedra J. Otis Charitable Gift Annuity	-	4,620	(221)	-	-	4,399	(221)	4,620
Subtotal	1,072,555	400,210	(234,708)	865,601	(205,110)	167,346	(419,581)	586,927
Total	<u>\$ 39,444,948</u>	<u>\$ 2,470,447</u>	<u>\$ (3,250,928)</u>	<u>\$ 2,488,414</u>	<u>\$ -</u>	<u>\$ 36,176,053</u>	<u>\$ 9,217,599</u>	<u>\$ 26,958,454</u>