

Annual Report 2003



Grand Valley State University

Financial Report with Additional Information June 30, 2003

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Independent Auditor's Report

To the Board of Trustees
Grand Valley State University

We have audited the accompanying basic financial statements of Grand Valley State University as of June 30, 2003 and 2002 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 on 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 the 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, 2003 and 2002 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 3 through 14 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, PLLC

August 27, 2003

**Grand Valley State University
Administrative Officers as of June 30, 2003**

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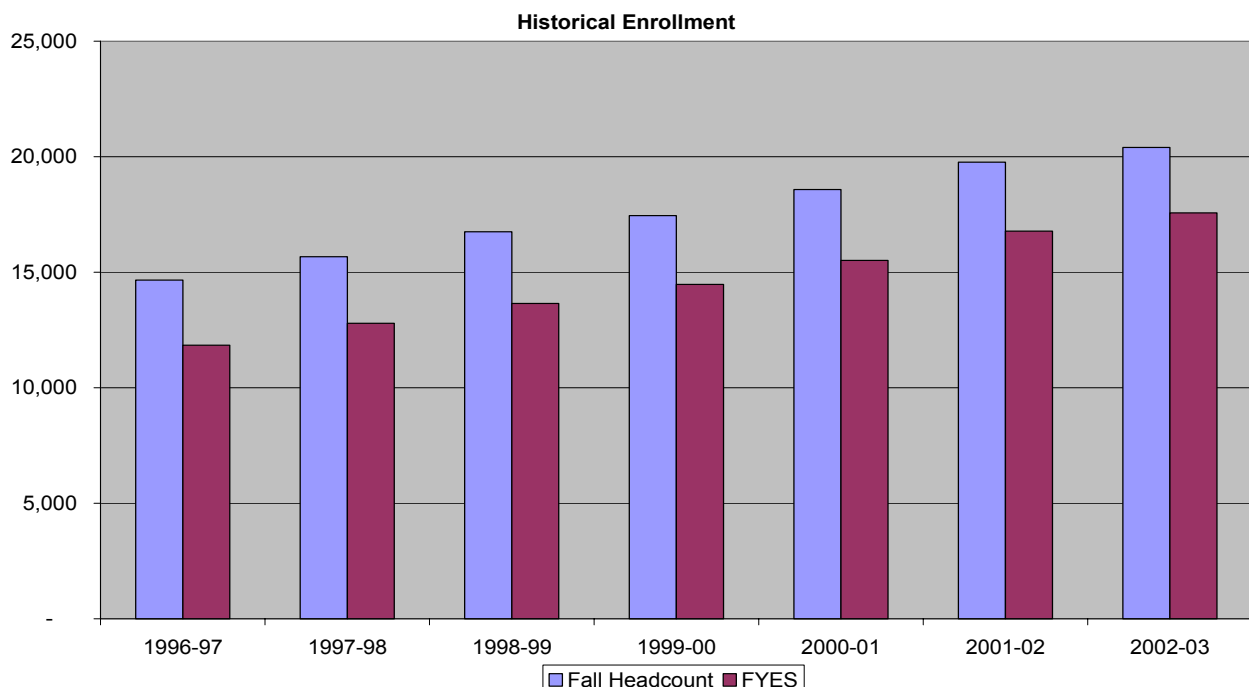
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Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

Financial & Enrollment Highlights

- Enrollment increased by 4.7% based on FYES (fiscal year equated students) and headcount for the fall semester was 20,407 students.
- Operating revenue increased 13% as a result of increased enrollment, higher tuition rates, increased housing occupancy, higher housing rates and increased grant activity.
- State appropriations for operations decreased \$2.1 million from 2002. Because enrollment concurrently increased, state appropriation per FYES dropped from \$3,582 to \$3,301 – a 7.8% decrease.
- Net assets increased 10% due to continuing investment in capital assets.
- Capital campaigns and capital appropriations from the State of Michigan supported several construction projects. Together, capital appropriations, grants and gifts were \$30.1 million.
- In October 2002 the University issued \$16.6 million in variable rate debt to finance additional student housing and the purchase of land in Grand Rapids.
- The investment return on the endowment improved with a gain of 3% for the year ended June 30, 2003 compared to a 8% loss in 2002.



Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

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 15 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.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

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 10% to \$382 million.

	(in thousands)	
	2003	2002
Current assets:		
Cash and short-term investments	\$ 26,635	\$ 26,583
Receivables	51,099	44,713
Inventory, prepaid expenses and other	3,035	3,464
Total current assets	80,769	74,760
Non-current assets		
Long-term investments	72,841	72,530
Long-term receivables	15,018	15,949
Capital assets, net of depreciation	381,846	337,185
Other	1,691	1,557
Total non-current assets	471,396	427,221
Total assets	<u>\$ 552,165</u>	<u>\$ 501,981</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 35,153	\$ 34,459
Deferred revenue	10,110	7,789
Long-term liabilities - current portion	6,359	5,677
Total current liabilities	51,622	47,925
Non-current liabilities:		
Long-term liabilities	118,148	107,641
Total liabilities	<u>\$ 169,770</u>	<u>\$ 155,566</u>
Net assets		
Invested in physical properties	\$ 264,531	\$ 229,441
Restricted	48,200	42,267
Unrestricted	69,664	74,707
Total net assets	<u>\$ 382,395</u>	<u>\$ 346,415</u>

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

The Statement of Net Assets (Continued)

Cash and short-term investments remained at a consistent level with 2002. Further detail about the sources and uses of cash is reflected in the Statement of Cash Flows. Unrestricted cash and short-term investments are used for operating expenditures and are managed within the parameters of the University's investment policy. Restricted cash and short-term investments consist of bond proceeds that are used for capital projects.

Current receivables include grants, state appropriations, pledges, student notes and various operating receivables that we expect to collect within a year. State appropriation receivables include the general operating appropriation, public school academy funds and capital appropriations. Current receivables increased \$6.4 million primarily due to the capital appropriation receivable. At June 30, 2003, the capital appropriation receivable included seven months of construction expenditures that are reimbursable from the State of Michigan.

Long-term investments include both unrestricted and endowment investments. In June of 2003 the University implemented a new investment strategy for the endowment. New money managers were chosen with the assistance of a consultant and an investment advisory committee. Endowment investments represent \$37.6 million of total long-term investments, an increase of \$0.4 million from the prior year.

Long-term receivables include pledges and student notes and decreased by \$0.9 million from 2002. Several pledges from the recent capital campaigns have become current. The capital campaign for digital television is the only current campaign and is much smaller compared to the recent campaign for the Cook-DeVos Center for Health Sciences. Pledges are discounted to net present value for financial statement purposes.

Capital assets have increased by \$44.6 million due to new construction and purchases of land. Completed building projects include student housing in Allendale and additions to Mackinac Hall, Kirkhof Center and the Fieldhouse. Land purchases were at the Pew Campus – south of Fulton Avenue. The University has substantially completed the Cook-DeVos Center for Health Sciences in Grand Rapids and continues to work on the Michigan Alternative and Renewable Energy Center in Muskegon, student housing for both the Allendale and Pew Campuses, campus dining renovations, and transition of public broadcasting to digital transmission. These additions, net of depreciation and some disposals are summarized in Note 3 of the financial statements.

Accounts payable and other current liabilities are consistent as compared to 2002. 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.

The Statement of Net Assets (Continued)

Long-term debt increased in October 2002 when the University issued \$16.6 million in General Revenue Variable Rate Demand Bonds to fund new student housing and land purchases at the Pew Campus. Repayments on debt were \$5.8 million. 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 Note 5 of the financial statements.

The increase in the University's net assets of 10% reflects the investment in physical assets and increased restricted net assets. The University's physical assets have grown with the generous support of the community and the State of Michigan. Restricted net assets were generated by capital gifts and grants. Unrestricted net assets decreased primarily due to funds used for capital projects and debt service.

The University provides certain medical benefits for retirees and spent \$243,700 for these benefits in 2003. Generally accepted accounting principles for governmental entities do not currently require the University to record this liability for future benefits. However, the University has obtained an actuarial study and estimates this liability at \$7.6 million.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

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.

	(in thousands)	
	2003	2002
Operating revenue:		
Net tuition and fees	\$ 103,460	\$ 91,156
Less: Scholarship Allowance	(12,680)	(10,570)
Auxiliary	32,139	28,464
Less: Scholarship Allowance	(2,700)	(2,142)
Grant and contracts	23,424	20,025
Other	9,515	8,826
Total	<u>153,158</u>	<u>135,759</u>
Operating expenses	<u>208,261</u>	<u>187,437</u>
Net operating expenses	<u>(55,103)</u>	<u>(51,678)</u>
Non-operating revenues:		
State appropriations	57,992	60,095
Gifts (including endowment and capital)	8,422	8,911
Capital appropriations and Grants	26,638	4,867
Investment income (loss)	3,224	(107)
Other income and expense	<u>(4,933)</u>	<u>(2,991)</u>
Total	<u>91,343</u>	<u>70,775</u>
Increase in net assets	36,240	19,097
Net assets - Beginning of year	<u>346,415</u>	<u>327,318</u>
Net assets - End of year	<u>\$ 382,655</u>	<u>\$ 346,415</u>

Tuition and fees increased by 13% in 2003. The increase was caused by tuition rate increases of 8.5% and enrollment increases of 4.7% FYES. Scholarship allowances increased 20% primarily due to an additional \$1.3 million of Pell grants and \$1.2 million of internally funded scholarships.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

The Statement of Revenues, Expenses and Changes in Net Assets (Continued)

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. In the fall the University opened 552 beds in Living Center apartments. As a result, occupancy increased 7% while housing rates increased 5%.

Grants and contracts revenue increased by \$3.4 million as a result of increased student financial aid and increased activity in grants. The largest increase was the Pell grant program with an additional \$1.3 million.

Operating expenses increased by \$20.8 million. Further analysis of this increase is provided beginning on page 11. The largest increase in operating expense was for instruction.

State appropriations decreased overall by \$2.1 million, which is a reduction of 3.5% in absolute dollars. The original appropriation for the year was \$60.1 million, but two mid-year budget cuts from the State of Michigan decreased the amount to \$58.0 million. Because enrollment concurrently increased, state appropriation per FYES dropped from \$3,582 to \$3,301 – a 7.8% decrease.

Gift revenue is recorded when the pledge is made. Gifts are down slightly as recent capital campaigns have come to a close. Pledges from previous campaigns continue to be collected as anticipated.

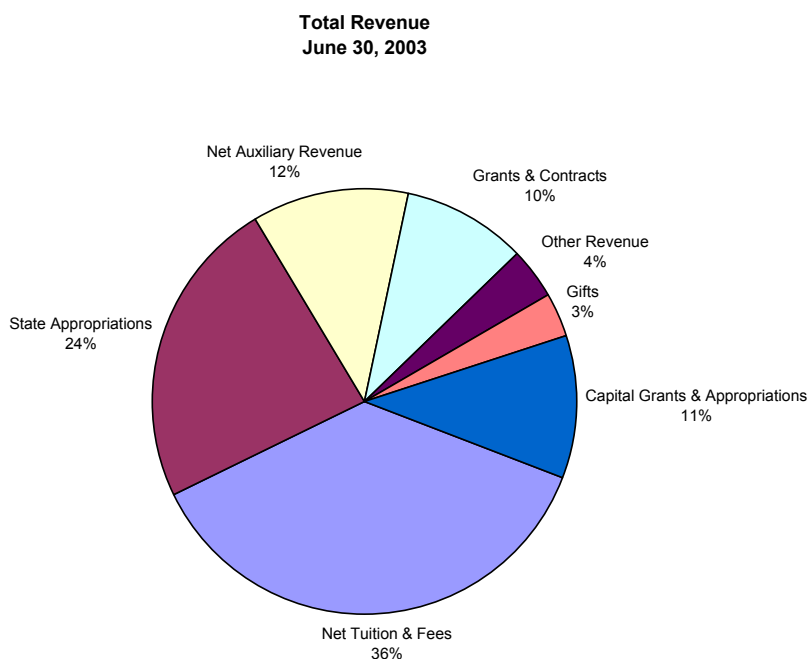
Capital appropriations for 2003 represent the State of Michigan's support for the construction of the Cook-DeVos Center for Health Sciences in downtown Grand Rapids. This building is funded 75% by the State of Michigan and 25% by gifts from the community. Construction is substantially complete and the University expects to celebrate the opening of the building in September 2003. Capital grants include funding for WGVU TV's digital conversion, the Michigan Alternative and Renewable Energy Center in Muskegon and the Grand Rapids Smart Zone at the Cook-DeVos Center for Health Sciences.

Net investment income of \$3.2 million consists of realized income (interest, dividends and realized gains on the sale of investments), unrealized gains/losses and investment expenses (primarily bank fees). The equity market improved in the first six months of 2003 and the endowment income increased by \$4.1 million with a gain of 3% compared to a loss of 8% in 2002. Investment income on operating cash was slightly lower due to falling interest rates.

Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

The Statement of Revenues, Expenses and Changes in Net Assets (Continued)

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 (36%) to the total revenue of the University. State appropriation is the next largest at 24%. 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. Capital grants and appropriations are high this year since it includes \$22.3 million of state appropriation for the Cook-DeVos Center for Health Sciences and \$4.1 million in capital grants for digital television, the Michigan Alternative and Renewable Energy Center in Muskegon and the Grand Rapids Smart Zone at the Cook-DeVos Center for Health Sciences.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

Operating Expenses by Financial Classification

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

	(in thousands)	
	2003	2002
Instruction	\$ 85,579	\$ 76,470
Research	2,607	2,634
Public service	11,540	10,279
Academic support	20,506	18,771
Student services	16,635	15,041
Institutional support	12,740	12,464
Operation and maintenance of facilities	16,992	15,118
Depreciation	12,157	10,639
Scholarships and related expenses	6,609	6,126
Auxiliary activities	22,340	19,303
Other expenditures	556	592
	<u>\$ 208,261</u>	<u>\$ 187,437</u>

Instructional expense grew by \$9.1 million. The number of faculty increased by 47 FTE (full-time equivalents) from Fall 2001 to Fall 2002. This increase allowed the University to offer more sections, new courses and more student advising. Benefit expense for the instructional category also increased since the University is now offering additional benefits to employees classified as affiliate faculty. New degree programs commenced in 2003 were Cell/Molecular Biology, Dance, MS Biology, and MS Accounting.

Research expenditures stayed at a level comparable to 2002. Last year included start-up costs for moving the Annis Water Resources Institute to the Lake Michigan Center, while 2003 included start-up costs for the Michigan Alternative and Renewable Energy Center.

Public service expenditures increased as the Michigan State Headquarters for the U.S. Small Business Administration carried forward funds from the previous year and obtained new sources of funding.

Academic support expenditures increased to keep up with demands from higher enrollment. This category includes library, academic resources, information technology and administration for the academic deans. The largest increase in spending was for the library.

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

Operating Expenses by Financial Classification (Continued)

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

Institutional support expenditures stayed at a level comparable to 2002. These expenditures include administration for the business operations, human resources, executive offices, marketing and communications, public safety, development, and alumni relations.

Operation and maintenance of facilities increased along with inflation and the growth of the University. Additional maintenance, custodial and utilities expenses are incurred with the opening of each new building. 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 operating costs associated with 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.

	(in thousands)	
	2003	2002
Salaries and benefits	\$ 125,730	\$ 114,651
Scholarships and awards	5,991	5,295
Utilities	4,792	4,120
Supplies and other	59,591	52,732
Depreciation	12,157	10,639
	<u>\$ 208,261</u>	<u>\$ 187,437</u>

Grand Valley State University

Management's Discussion and Analysis Fiscal Year Ending June 30, 2003

Operating Expenses by Natural Classification (Continued)

Salaries and benefit expenses, which represent 60.4% 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 increased with the additions to several buildings on the Allendale campus. Supplies and other expenses increased along with the growth of the University. Depreciation on buildings also increased with the completion and opening of new buildings.

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.

	(in thousands)	
	2003	2002
Cash provided by (used in) :		
Operating activities	\$ (39,672)	\$ (40,877)
Non-capital financing activities	60,745	62,571
Capital and related financing activities	(24,532)	(29,721)
Investing activities	9,226	2,643
Net increase (decrease) in cash	5,767	(5,384)
Cash - Beginning of year	8,303	13,687
Cash - End of year	<u>\$ 14,070</u>	<u>\$ 8,303</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.

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 upon it in order to continue the current level of operations. Other non-capital financing activity includes gifts received for endowment and charitable gift annuities.

The Statement of Cash Flows (Continued)

Capital and related financing activities include the October 2002 bond issue of \$16.6 million as well as capital outlay state appropriation received on the Cook-DeVos Center for Health Sciences, capital grants for the Grand Rapids and Muskegon Smart Zones and pledges collected from various capital campaigns. Financing income is offset by capital expenditures of \$55 million and debt service payments of \$11 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 liquidated a net of \$2.6 million of investments into cash and cash equivalents, this year a net \$9.2 million of investments was liquidated into cash and cash equivalents.

Economic Factors That Will Affect the Future

The economic position of Grand Valley State University is closely tied to that of the State of Michigan. State tax revenues have fallen significantly over the past few years and this has adversely impacted the State's ability to support higher education. The State appropriation approved for the 15 State Universities for fiscal year 2004 declined in total by 6.1%. For Grand Valley State University, the state appropriation is \$59.1 million for the next year, an increase of \$1.1 million. However, it will decrease by 3.9% on a per student basis from \$3,301 to an estimated \$3,174 based on FYES (fiscal year equated student). Grand Valley State University receives the smallest state appropriation per student, and it continues to drop based on year to year comparisons. The Legislature has attempted to address Grand Valley's anomaly by establishing a per student state aid level of \$3,950. However, the state does not presently appear to have the resources to provide that level of aid.

Enrollment growth at the University is expected to continue, but at a slower rate. The University is committed to holding the number of incoming new students at a constant number and enrollment will begin to stabilize as smaller classes move through the system and retention statistics improve. At the same time, applications received by the University continue to increase, allowing the University to implement a more selective admissions process. First-year student applications increased by 19%, however, the number of students enrolled increased by only 14%.

Grand Valley State University

Statement of Net Assets

		June 30	
		2003	2002
Assets			
Current Assets			
Cash and cash equivalents (Note 2)	\$	14,037,627	\$ 5,397,998
Restricted cash and cash equivalents (Note 2)		32,218	2,904,862
Short-term investments (Note 2)		7,654,743	11,734,279
Restricted short-term investments (Note 2)		4,909,745	6,546,133
Accounts receivable		6,080,538	6,384,046
State appropriation receivable		39,397,291	29,245,139
Pledges receivable		3,871,608	6,734,054
Inventory		1,495,193	1,702,578
Prepaid expenses and other		1,539,612	1,761,175
Student notes receivable - Current portion		1,750,000	2,350,000
Total current assets		80,768,575	74,760,264
Noncurrent Assets			
Endowment investments (Notes 2 and 4)		37,552,012	37,184,156
Other long-term investments (Note 2)		35,289,041	35,346,096
Pledges receivable		5,899,076	7,510,641
Student notes receivable - Net of allowance of \$368,000 and \$572,000 in 2003 and 2002, respectively		9,118,714	8,438,000
Capital assets - Net (Note 3)		381,846,458	337,184,246
Other assets		1,691,380	1,557,291
Total noncurrent assets		471,396,681	427,220,430
Total assets	\$	552,165,256	\$ 501,980,694
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	\$	35,152,737	\$ 34,458,670
Deferred revenue		10,109,838	7,789,327
Long-term liabilities - Current portion (Note 5)		6,359,159	5,676,809
Total current liabilities		51,621,734	47,924,806
Noncurrent Liabilities - Long-term liabilities (Note 5)		118,148,087	107,641,378
Total liabilities		169,769,821	155,566,184
Net Assets			
Invested in capital assets - Net of related debt		264,530,716	229,440,974
Restricted for:			
Nonexpendable - Scholarships and academic support		17,991,938	17,097,227
Expendable:			
Scholarships and academic support		15,901,188	13,400,666
Capital projects		3,230,831	849,814
Loans		11,077,167	10,918,909
Unrestricted		69,663,595	74,706,920
Total net assets		382,395,435	346,414,510
Total liabilities and net assets	\$	552,165,256	\$ 501,980,694

Grand Valley State University

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2003	2002
Revenues		
Operating revenues:		
Student tuition and fees	\$ 103,459,858	\$ 91,156,493
Scholarship allowances	(12,679,577)	(10,569,651)
Net student tuition and fees	90,780,281	80,586,842
Government grants and contracts	22,435,033	19,211,802
Nongovernmental grants	988,014	813,448
Sales and services of educational activities	5,213,978	4,526,109
Auxiliary activities	32,138,861	28,463,561
Scholarship allowances	(2,699,917)	(2,142,204)
Net auxiliary activities	29,438,944	26,321,357
Other operating revenues	4,302,116	4,299,315
Total operating revenues	153,158,366	135,758,873
Expenses - Operating expenses - Education and general		
Instruction	85,579,151	76,469,603
Research	2,607,244	2,633,608
Public service	11,540,465	10,279,053
Academic support	20,505,845	18,770,986
Student services	16,635,161	15,041,370
Institutional support	12,739,611	12,464,569
Operation and maintenance - Plant	16,991,604	15,118,384
Depreciation expense	12,156,604	10,638,796
Scholarships and related expenses	6,609,306	6,125,825
Auxiliary activities	22,339,717	19,302,652
Loan administrative fees and collection costs	555,926	592,565
Total operating expenses	208,260,634	187,437,411
Operating Loss	(55,102,268)	(51,678,538)
Nonoperating Revenues (Expenses)		
State appropriations	57,992,024	60,095,400
Gifts	3,714,498	4,203,757
Investment income (loss) - Net of investment expense of \$282,000 and \$257,000 in 2003 and 2002, respectively	3,224,008	(106,939)
Interest on capital asset - Related debt	(4,958,662)	(3,179,581)
Net nonoperating revenues	59,971,868	61,012,637
Income - Before other revenues, expenses, gains, or losses	4,869,600	9,334,099
Other Revenues, Expenses, Gains or Losses		
Capital appropriations	22,265,160	4,867,303
Capital grants and gifts	7,920,746	3,574,257
Other capital income	58,963	251,040
Additions to permanent endowments	899,786	1,132,765
Loss on disposal of plant assets	(33,330)	(62,613)
Total other revenues, expenses, gains, or losses	31,111,325	9,762,752
Increase in Net Assets	35,980,925	19,096,851
Net Assets - Beginning of year	346,414,510	327,317,659
Net Assets - End of year	\$ 382,395,435	\$ 346,414,510

Grand Valley State University

Statement of Cash Flows

	Year Ended June 30	
	2003	2002
Cash Flows from Operating Activities		
Tuition and fees	\$ 91,461,559	\$ 81,085,516
Grants and contracts	24,459,807	19,584,517
Payments to suppliers	(58,565,286)	(52,709,860)
Payments for utilities	(4,779,848)	(3,974,304)
Payments to employees	(99,481,028)	(92,716,982)
Payments for benefits	(26,403,097)	(21,200,493)
Payments for scholarships and fellowships	(5,990,572)	(5,294,854)
Loans issued to students	(14,983,172)	(11,851,632)
Collection of loans from students	14,902,458	11,410,162
Auxiliary enterprise charges:		
Residence halls	19,449,406	16,634,101
Bookstore	7,950,684	6,971,411
Other	2,254,182	2,777,368
Sales and service of educational activities	5,156,816	4,594,778
Other receipts	4,895,747	3,813,086
Net cash used in operating activities	(39,672,344)	(40,877,186)
Cash Flows from Noncapital Financing Activities		
State appropriations	56,441,334	57,539,953
Gifts and grants for other than capital purposes	3,702,799	3,803,547
Private gifts for endowment purposes	899,786	1,132,765
Charitable annuities receipts (payments) - Net	(112,394)	772,199
Federal direct loan receipts	51,300,504	46,227,400
Federal direct loan lending disbursements	(51,486,802)	(46,904,463)
Net cash provided by noncapital financing activities	60,745,227	62,571,401
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	16,600,000	31,375,000
Capital appropriations	13,663,698	-
Capital grants and gifts received	11,264,445	5,101,247
Other capital income	(6,325)	-
Proceeds from sale of capital assets	61,254	40,208
Purchases of capital assets and construction	(55,359,925)	(56,274,251)
Principal paid on capital debt	(5,200,409)	(4,387,090)
Interest paid on capital debt	(5,338,171)	(5,207,709)
Bond issue costs paid on new debt issue	(216,486)	(368,945)
Net cash used in capital and related financing activities	(24,531,919)	(29,721,540)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	82,790,501	78,030,009
Interest on investments	3,248,022	4,553,576
Purchase of investments	(76,812,502)	(79,940,405)
Net cash provided by investing activities	9,226,021	2,643,180
Net Increase (Decrease) in Cash and Cash Equivalents	5,766,985	(5,384,145)
Cash and Cash Equivalents - Beginning of year	8,302,860	13,687,005
Cash and Cash Equivalents - End of year	<u>\$ 14,069,845</u>	<u>\$ 8,302,860</u>

Grand Valley State University

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2003	2002
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (55,102,268)	\$ (51,678,538)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	12,156,604	10,638,796
Changes in assets and liabilities:		
Receivables - Net	(176,402)	(122,777)
Inventories	207,385	92,653
Other assets	202,934	(619,602)
Accounts payable and accrued liabilities	676,815	809,466
Deferred revenue	2,320,511	(9,090)
Deposits held for others	42,077	11,906
Net cash used in operating activities	<u>\$ (39,672,344)</u>	<u>\$ (40,877,186)</u>

Grand Valley State University

Statement of Fiduciary Net Assets Employee Benefit Plans

	June 30	
	2003	2002
Assets - Cash and investments	<u><u>\$ 15,079,256</u></u>	<u><u>\$ 14,397,359</u></u>
Net Assets - Held in trust for pension benefits	<u><u>\$ 15,079,256</u></u>	<u><u>\$ 14,397,359</u></u>

Grand Valley State University

Statement of Changes in Fiduciary Net Assets Employee Benefit Plans

	Year Ended June 30	
	2003	2002
Additions		
Investment income (loss):		
Interest and dividends	\$ 156,847	\$ 470,731
Net appreciation (depreciation) in fair value of investments	717,065	(2,316,152)
Gain (loss) on sale of investments	<u>(941,245)</u>	<u>32,206</u>
Total investment loss	(67,333)	(1,813,215)
Employer contributions	<u>1,535,542</u>	<u>935,172</u>
Total additions	1,468,209	(878,043)
Deductions		
Benefit payments	730,348	670,601
Administrative expense	<u>55,964</u>	<u>46,456</u>
Total deductions	<u>786,312</u>	<u>717,057</u>
Net Increase (Decrease)	681,897	(1,595,100)
Net Assets Held in Trust for Pension Benefits		
Beginning of year	<u>14,397,359</u>	<u>15,992,459</u>
End of year	<u>\$ 15,079,256</u>	<u>\$ 14,397,359</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 that 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 insignificant 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). The University follows the "business-type activities" reporting requirements of GASB Statement No. 34, which 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 the 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 \$5,000 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 Revenues - 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 2003 and 2002, the University distributed approximately \$51,487,000 and \$46,905,000, 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 \$13,793,000, which represents the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2003 are completed. Approximately \$10,686,000 of the total is committed for capital projects, including \$2,084,000 for the new Health Professions building, \$5,291,000 for new student housing projects and cafeteria renovations, and \$1,269,000 for digital television conversion.

Encumbrances outstanding do not constitute expenses or liabilities and are not reflected in the financial statements.

Net Assets - 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 at June 30, 2003 includes \$5,979,269 of funds functioning as endowment, \$4,300,363 of capital projects in progress, \$10,366,384 of housing and auxiliary repair and maintenance funds, \$3,548,186 of student loan funds, \$7,806,259 of debt service funds, \$13,863,863 for academic initiatives and technology, \$13,084,675 for future capital projects and debt service, \$10,248,624 for reserves for operations and cash flow, and \$465,972 of uncommitted funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 University's treasurer. The University's treasurer and the appropriate board committee monitor the money managers' performance.

Note 2 - Cash and Investments (Continued)

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

	Cash	Investments
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 market funds, and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Notes to Financial Statements June 30, 2003 and 2002

Note 2 - Cash and Investments (Continued)

Investments are reported at fair value (market) and reported on the statement of net assets at June 30, 2003 as follows:

	Business Type Activities	Fiduciary Activities
Cash and cash equivalents	\$ 14,069,845	\$ -
Short-term investments	12,564,488	-
Endowment investments	37,552,012	-
Other investments	35,289,041	15,079,256
Total	<u>\$ 99,475,386</u>	<u>\$ 15,079,256</u>

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>

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 endowments are included in noncurrent investments.

Notes to Financial Statements June 30, 2003 and 2002

Note 2 - Cash and Investments (Continued)

The following table summarizes the categorization of cash and investments without regard to outstanding checks at June 30, 2003:

	Category 1	Category 2	Category 3	Not Categorized	Total Per Bank
Cash and short-term investments:					
Cash	\$ 300,000	\$ -	\$ 15,096,760	\$ -	\$ 15,396,760
Certificates of deposits	100,000	-	2,150,000	-	2,250,000
Commercial paper	2,520,734	-	-	-	2,520,734
Repurchase agreements	-	-	-	-	-
Money markets	-	-	-	69,939	69,939
Demand notes	-	-	-	5,909,745	5,909,745
Investment management funds	-	-	-	10,083,721	10,083,721
Total cash and short-term investments	2,920,734	-	17,246,760	16,063,405	36,230,899
Investments:					
Government securities	26,739,811	-	-	-	26,739,811
Equity securities	-	41,942	-	-	41,942
Real estate	-	86,126	-	-	86,126
Asset-backed securities	-	-	-	1,312,150	1,312,150
Money market funds	-	-	-	212	212
Mutual funds	-	-	-	3,657,173	3,657,173
Investment management funds	-	-	-	34,908,481	34,908,481
Total investments	26,739,811	128,068	-	39,878,016	66,745,895
Total cash and investments	<u>\$ 29,660,545</u>	<u>\$ 128,068</u>	<u>\$ 17,246,760</u>	<u>\$ 55,941,421</u>	<u>\$ 102,976,794</u>

Notes to Financial Statements June 30, 2003 and 2002

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>

Notes to Financial Statements June 30, 2003 and 2002

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 15,714,570	\$ 6,977,758	\$ -	\$ 22,692,328
Nondepreciable artwork and historical treasures	3,494,761	207,638	-	3,702,399
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress - Net	<u>55,132,825</u>	<u>44,674,654</u>	<u>41,262,054</u>	<u>58,545,425</u>
Total cost of nondepreciable capital assets	76,064,976	51,860,050	41,262,054	86,662,972
Land improvements and infrastructure	26,473,214	5,046,268	-	31,519,482
Buildings	271,137,592	36,215,786	-	307,353,378
Equipment	39,344,441	2,515,374	794,870	41,064,945
Library books	<u>14,572,650</u>	<u>2,537,976</u>	<u>120,195</u>	<u>16,990,431</u>
Total cost of depreciable capital assets	<u>351,527,897</u>	<u>46,315,404</u>	<u>915,065</u>	<u>396,928,236</u>
Total cost of capital assets	427,592,873	<u>\$ 98,175,454</u>	<u>\$ 42,177,119</u>	483,591,208
Less accumulated depreciation for:				
Land improvements and infrastructure	7,028,135	\$ 1,471,304	\$ -	8,499,439
Buildings	48,279,095	5,924,871	-	54,203,966
Equipment	27,872,695	3,300,204	700,286	30,472,613
Library books	<u>7,228,702</u>	<u>1,460,225</u>	<u>120,195</u>	<u>8,568,732</u>
Total accumulated depreciation	<u>90,408,627</u>	<u>\$ 12,156,604</u>	<u>\$ 820,481</u>	<u>101,744,750</u>
Capital assets - Net	<u>\$ 337,184,246</u>			<u>\$ 381,846,458</u>

Notes to Financial Statements June 30, 2003 and 2002

Note 3 - Capital Assets (Continued)

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
Nondepreciable artwork and historical treasures	3,360,891	133,870	-	3,494,761
Nondepreciable land improvements	1,722,820	-	-	1,722,820
Construction in progress - Net	<u>36,499,436</u>	<u>18,633,389</u>	<u>-</u>	<u>55,132,825</u>
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	<u>12,610,222</u>	<u>2,073,128</u>	<u>110,700</u>	<u>14,572,650</u>
Total cost of depreciable capital assets	<u>313,291,875</u>	<u>39,257,387</u>	<u>1,021,365</u>	<u>351,527,897</u>
Total cost of capital assets	369,570,844	<u>\$ 59,043,394</u>	<u>\$ 1,021,365</u>	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	<u>6,066,209</u>	<u>1,273,193</u>	<u>110,700</u>	<u>7,228,702</u>
Total accumulated depreciation	<u>80,688,375</u>	<u>\$ 10,638,796</u>	<u>\$ 918,544</u>	<u>90,408,627</u>
Capital assets - Net	<u>\$ 288,882,469</u>			<u>\$ 337,184,246</u>

The following estimated useful lives are used to compute depreciation:

Land improvements and infrastructure	20 years
Buildings	40-50 years
Equipment	3-10 years
Library books	10 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 percent, which ensures 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 the year ended June 30, 2003 are as shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Revenue and Refunding Bonds, Series 1994	\$ 4,182,910	\$ -	\$ 330,409	\$ 3,852,501	\$ 291,137
General Revenue and Refunding Bonds, Series 1997	17,425,000	-	1,935,000	15,490,000	2,040,000
General Revenue Bonds, Series 1998	14,065,000	-	365,000	13,700,000	380,000
General Revenue Bonds, Series 1999	8,345,000	-	365,000	7,980,000	375,000
General Revenue Bonds, Series 2000	35,010,000	-	1,690,000	33,320,000	1,770,000
General Revenue Bonds, Series 2001A	10,100,000	-	475,000	9,625,000	490,000
General Revenue Variable Rate Demand Bonds, Series 2001B	21,275,000	-	40,000	21,235,000	80,000
General Revenue Variable Rate Demand Bonds, Series 2002A	-	16,600,000	-	16,600,000	340,000
Total bonds payable	110,402,910	16,600,000	5,200,409	121,802,501	5,766,137
Accrued interest - Capital appreciation bonds	1,872,273	324,943	614,590	1,582,626	403,530
Charitable gift annuities payable	1,043,004	266,336	187,221	1,122,119	189,492
Total	\$ 113,318,187	\$ 17,191,279	\$ 6,002,220	124,507,246	\$ 6,359,159
Due within one year				6,359,159	
Total long-term liabilities				\$ 118,148,087	

Notes to Financial Statements June 30, 2003 and 2002

Note 5 - Long-term Liabilities (Continued)

The changes in long-term liabilities for the 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>	

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 percent bank note payable.

Note 5 - Long-term Liabilities (Continued)

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 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, 2003, the bonds bear interest based on a weekly rate determined by the remarketing agent (1.00 percent and 1.25 percent at June 30, 2003 and 2002, respectively). 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, upon seven days' notice and delivery to the remarketing agent.

Note 5 - Long-term Liabilities (Continued)

The General Revenue Variable Rate Demand Bonds, Series 2002A, were issued in October 2002 by the Board of Trustees to fund the purchase of land and construction of student housing in downtown Grand Rapids. The bonds bear interest in one of four different modes. At June 30, 2003, the bonds bear interest based on a weekly rate determined by the remarking agent (1.00 percent at June 30, 2003). 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, upon seven days' notice and delivery to the remarketing agent.

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, 2003 and 2002 totaled \$1,447,879 and \$1,309,876, respectively.

Principal and interest on all of the outstanding bonds are payable from, and secured by, the University's general revenues. The provisions of each of the general revenue bonds contain one covenant, which requires that the University's general revenue be at least two times the amount of principal and interest owing in the fiscal year. The general revenue and refunding bonds, consisting of both serial, term, and capital appreciation serial bonds, bear interest primarily from 1.0 percent to 5.5 percent and mature in varying amounts through 2027. Interest payments on the capital appreciation bonds began 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 annuities payable at June 30, 2003 and 2002 are recorded at their estimated present value.

Grand Valley State University

Notes to Financial Statements June 30, 2003 and 2002

Note 5 - Long-term Liabilities (Continued)

Scheduled maturities of long-term liabilities are as follows:

Fiscal Year	Revenue Bonds and Accrued		Annuities	Total	Interest			
	Interest		Payable					
2004	\$	6,169,667	\$	189,492	\$	6,359,159	\$	4,770,118
2005		6,509,216		189,492		6,698,708		4,458,793
2006		6,844,993		189,492		7,034,485		4,120,718
2007		7,185,000		189,492		7,374,492		3,792,239
2008		7,505,000		189,492		7,694,492		3,479,088
2009-2013		26,621,251		174,659		26,795,910		13,961,043
2014-2018		27,430,000		-		27,430,000		8,854,327
2019-2023		23,265,000		-		23,265,000		3,458,930
2024-2027		11,855,000		-		11,855,000		485,466
Totals	\$	123,385,127	\$	1,122,119	\$	124,507,246	\$	47,380,722

Note 6 - Retirement Benefits

The University has established retirement plans for substantially all permanent employees. Total payroll at June 30, 2003 and 2002 was approximately \$98,500,000 and \$91,200,000, respectively, for the University, of which \$71,640,000 and \$66,418,000, 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 percent of the participants' base salary were made in each year.

The total expense under this discretionary plan was \$7,050,000 and \$6,403,000 for years ended June 30, 2003 and 2002, respectively. Total payroll covered under this plan was \$58,854,000 in 2003 and \$52,814,000 in 2002.

Note 6 - Retirement Benefits (Continued)

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 noncontributory 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 12.0 percent of payroll during the fiscal year ended June 30, 2003 and 6.9 percent of payroll during the fiscal year ended June 30, 2002.

The annual required contribution was determined as part of an actuarial valuation at July 1, 2002, 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, and (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 is as follows:

	Fiscal year ended June 30,		
	2003	2002	2001
Annual pension cost	\$ 1,535,542	\$ 935,172	\$ 690,830
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	-	-	-

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:

	2003	2002	2001
Retirees receiving benefits	197	161	146
Total costs	\$ 243,700	\$ 203,400	\$ 159,200

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 an agreement with the City of Muskegon that will transfer ownership of the Michigan Alternative and Renewable Energy Center facility located in Muskegon to the University. This facility is being constructed by the city to house SmartZone activity.

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 \$11.8 million in 2003 and \$9.6 million in 2002. The workers' compensation stop-loss insurance limits its liability for claims paid per individual to \$500,000 in 2003 and \$300,000 in 2002. Liabilities for estimated claims retained by the University under self-insurance programs have been established.

Note 8 - Contingencies (Continued)

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 30, 2001	\$ 1,924,365	\$ 74,605
Accrual for estimated claims and premiums	7,797,396	83,293
Less: Claims and premiums paid	<u>(8,186,797)</u>	<u>(57,939)</u>
Estimated liability - June 30, 2002	1,534,964	99,959
Accrual for estimated claims and premiums	9,776,588	114,562
Less: Claims and premiums paid	<u>(9,401,348)</u>	<u>(105,624)</u>
Estimated liability - June 30, 2003	<u>\$ 1,910,204</u>	<u>\$ 108,897</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, and 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 of Michigan has approved the 2004 fiscal year appropriation in the amount of \$59,085,800 for the University.

In April 2003, the Board of Trustees authorized the issuance of up to \$31,000,000 of bonds to fund the cost of constructing new student housing on the Allendale campus. The bonds have not been issued as of the report date.

Note 10 - Related Organizations

Pursuant to the State of Michigan Public Act 362 of 1993, the University has authorized 30 public school academies. All 30 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 \$86,430,000 was appropriated by the State in 2003 to be allocated to the public school academies, net of a 3 percent administrative fee retained by the University. At June 30, 2003, \$15,603,000 is an outstanding receivable from the State, of which \$15,171,000 will be subsequently forwarded to the public school academies. This activity is treated as an agency transaction.



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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, 2003 and 2002. Our audits were 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 the purpose 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, PLLC

August 27, 2003

Additional Information

Schedule of Endowment and Similar Funds June 30, 2003

	Balance July 1, 2002	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2003	Retained Investment Income	Principal Balance June 30, 2003
Endowment Funds								
Alumni Heritage Scholarship Fund	\$ 161,436	\$ 31,688	\$ 5,071	\$ 8,802	\$ 4,411	\$ 193,804	\$ -	\$ 193,804
Joseph E. Appelt P.E. Engineering Scholarship Fund	29,396	-	851	1,470	619	29,396	-	29,396
APICS Scholarship Fund	30,613	-	894	1,531	-	29,976	24,876	5,100
Ara Cary Lectureship Fund	35,954	516	1,059	1,815	1,360	37,074	-	37,074
Baker-Hall Physics Fund	38,891	2,995	1,144	1,973	-	41,057	7,890	33,167
Fred A. Bell Business Scholarship Fund	32,328	-	937	1,616	-	31,649	408	31,241
William C. Baum Endowment	45,069	3,751	1,362	2,347	2,472	50,307	(2,662)	52,969
David Alan Bergsma Scholarship Fund	44,992	-	1,308	2,250	-	44,050	33,415	10,635
Nancy H. Baum Endowment in Dance	-	10,163	240	-	10,100	20,503	240	20,263
Hyman H. and Greta M. Berkowitz Scholarship Fund	336,814	129	9,799	16,846	50	329,946	66,167	263,779
Edith I. Blodgett Endowed Music Scholarship	44,385	629	1,297	2,238	208	44,281	13,929	30,352
Biology Field and Laboratory Enhancement Fund	51,464	7,368	1,372	2,365	(25,801)	32,038	8,626	23,412
The Biomedical/Health Science Fund	3,716	1,222	131	-	530	5,599	(97)	5,696
Joan Boand Athletic Scholarship Fund	33,540	2,529	1,002	1,722	670	36,019	1,380	34,639
William J. and Margaret G. Branstrom Fund	92,430	-	2,691	4,622	-	90,499	41,913	48,586
The Donna K. Brooks Presidential Scholarship	223,685	-	6,508	11,184	11,184	230,193	(19,807)	250,000
The Brooks Family Minority Scholarship	223,685	-	6,508	11,184	11,184	230,193	(19,807)	250,000
Johnny C. Burton Memorial Scholarship	60,575	200	1,765	3,035	-	59,505	5,690	53,815
Greg Cadaret Baseball Fund	54,536	283	1,592	2,730	-	53,681	14,919	38,762
Bernard and Camile Cebelak Scholarship Fund	45,000	5,000	1,351	2,333	982	50,000	-	50,000
Robert L. Chamberlain Scholarship Fund	43,891	432	1,286	2,209	302	43,702	13,938	29,764
Hong Chen Memorial Endowment Fund	18,931	75	556	-	50	19,612	(1,004)	20,616
School of Communications Scholarship Fund	26,307	915	784	1,346	1,175	27,835	-	27,835
Computer Science and Information Systems Endowment	59,083	1,368	1,744	2,994	450	59,651	11,024	48,627
The COT Association Scholarship Endowment Fund	53,544	3,805	1,646	2,824	6,531	62,702	(300)	63,002
David Daniels Memorial Scholarship Fund	43,811	1,009	1,286	2,207	26	43,925	12,987	30,938

Schedule of Endowment and Similar Funds (Continued) June 30, 2003

	Balance July 1, 2002	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2003	Retained Investment Income	Principal Balance June 30, 2003
Endowment Funds (Continued)								
Gilbert R. and Patricia K. Davis Endowed Merit Scholarship	\$ 57,683	\$ 2,162	\$ 1,721	\$ 2,954	\$ 582	\$ 59,194	\$ 8,330	\$ 50,864
Greta and Arthur Delong Perpetual Scholarship Fund	51,721	10,035	1,526	2,628	-	60,654	7,896	52,758
Mary Jane Dockeray Scholarship Fund	57,863	6,676	1,721	2,965	50	63,345	8,252	55,093
Scott M. Dykstra Oliver Products Company Engineering Scholarship	-	31,447	567	-	51	32,065	567	31,498
L. V. Eberhard Scholarship Fund	464,496	-	13,505	23,225	-	454,776	190,519	264,257
Eitzen Voice Scholarship Fund	75,881	1,133	2,235	3,835	946	76,360	19,500	56,860
School of Engineering Fund	99,281	6,468	2,998	5,152	3,694	107,289	24,201	83,088
Enrichment Fund	460,246	-	13,387	23,012	-	450,621	180,996	269,625
Faculty Teaching and Learning Center Endowment	1,758,251	681	51,143	87,941	88,691	1,810,825	(96,256)	1,907,081
Film and Video Scholarship	6,529	1,356	218	-	4,605	12,708	(177)	12,885
Finance Department Endowment	-	60,400	142	-	-	60,542	142	60,400
Richard E. Flanders Scholarship Fund	102,416	1,366	2,998	5,156	356	101,980	23,972	78,008
Geology Development Fund	90,392	684	2,638	4,536	75	89,253	29,367	59,886
Geology Student Field Endowment	16,384	1,438	502	-	1,125	19,449	386	19,063
The General Dynamics Land Systems Engineering Scholarship	-	32,000	370	-	-	32,370	370	32,000
Charlotte A. Gierst and Salome C. Egeler Trust Fund	57,174	300	1,668	2,871	300	56,571	13,291	43,280
The Grand Valley Lanthorn Merit Scholarship	-	5,000	99	-	-	5,099	99	5,000
Richard Giles Memorial Scholarship Fund	274,354	1,429	8,001	13,760	404	270,428	116,774	153,654
The Graduate Teacher Certification Scholarship	42,472	772	1,254	2,152	2,632	44,978	(2,450)	47,428
Grand Valley Grand Forum Endowment	98,357	7,490	3,051	-	470	109,368	2,693	106,675
Grand Valley State University Athletic Fund	124,165	5,976	3,629	6,244	494	128,020	13,607	114,413
GVSU Women's Scholarship Endowment	28,987	3,133	916	1,566	4,281	35,751	(1,170)	36,921
Grand Valley State University Fund	3,695,825	165,937	107,912	161,377	(123,842)	3,684,455	1,764,638	1,919,817
Earl Harper Scholarship Fund	50,476	400	1,472	2,535	-	49,813	13,168	36,645
Joyce Hecht Distinguished Scholarship in Philanthropy	97,641	1,291	2,856	4,906	5,177	102,059	(7,733)	109,792
William Hegarty Endowment Fund	22,886	175	666	-	175	23,902	(218)	24,120
Arthur C. Hills Music Scholarship Fund	58,779	695	1,712	2,949	80	58,317	18,775	39,542
Hispanic Scholarship Fund	45,439	1,527	1,351	2,332	1,407	47,392	6,250	41,142
Dr. James D. Hoffman Scholarship	7,501	65,332	620	-	-	73,453	401	73,052
Honors Program Enrichment	2,038	275	65	-	300	2,678	3	2,675
W. G. Jackson Fund	177,758	1,208	5,189	8,921	208	175,442	23,036	152,406

Schedule of Endowment and Similar Funds (Continued) June 30, 2003

	Balance July 1, 2002	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2003	Retained Investment Income	Principal Balance June 30, 2003
Endowment Funds (Continued)								
Dr. Thomas and Mrs. Joann Jackson Scholarship Endowment	\$ 6,195	\$ 406	\$ -	\$ -	\$ (6,601)	\$ -	\$ -	\$ -
Dorothy A. Johnson Library Fund	452,070	1,255	13,168	22,650	22,650	466,493	(37,277)	503,770
Dorothy A. Johnson Philanthropy Operating Fund	18,760	1,228	567	-	850	21,405	567	20,838
Lynne Kraemer Memorial Scholarship Fund	29,612	-	861	-	-	30,473	12,879	17,594
Kirkhof School of Nursing Endowment	72,875	7,749	2,158	3,719	1,046	80,109	6,244	73,865
Don Klein Endowment	65,246	4,058	1,951	3,351	520	68,424	(5,640)	74,064
Walton Boston Koch Memorial Scholarship	26,971	284	784	1,359	226	26,906	7,979	18,927
Koeze Art Scholarship	9,398	175	272	-	125	9,970	(962)	10,932
Loutit Foundation Fund	213,835	50	3,717	-	(3,667)	213,935	-	213,935
GVSU LGBT Scholarship Endowment	10,140	4,476	402	-	4,387	19,405	121	19,284
The Mike Lints Track and Field Equipment Endowment	-	3,103	43	-	290	3,436	43	3,393
Arend D. and Nancy Lubbers Honors College Scholarship	563,326	656	16,448	28,288	29,450	581,592	(8,950)	590,542
Faite R-P. Mack Scholarship Fund	50,775	489	1,667	2,556	7,358	57,733	9,091	48,642
Mathematics Endowment Fund	118,697	2,020	3,489	6,001	1,135	119,340	19,867	99,473
Corky Meinecke Scholarship Endowment Fund	28,651	3,530	926	1,588	1,688	33,207	(1,290)	34,497
Memorial Garden Endowment	-	980	22	-	-	1,002	22	980
The Nancee Miller Scholarship	2,000	(1,594)	94	-	(500)	-	-	-
Paul C. Miller Scholarship Fund	86,928	50,111	3,258	5,598	-	134,699	34,376	100,323
Paul C. and Florence Miller Mineral Collection Endowment	-	39,972	577	-	-	40,549	577	39,972
Helen Claytor Minority Scholarship	945,374	9,132	27,315	46,975	44,838	979,684	-	979,684
Mithilesh and Jitendra Mishra Foreign Student/Faculty Scholarship Fund	24,811	-	719	1,241	-	24,289	1,459	22,830
Jacob B. Mol Family Scholarship Fund	66,627	-	1,939	3,331	-	65,235	17,372	47,863
Dr. Rodney J. Mulder Social Work Scholarship	-	5,250	65	-	250	5,565	65	5,500
Glenn A. and Betty J. Neimeyer History Scholarship Endowment	70,893	2,067	2,103	3,626	1,896	73,333	9,700	63,633
The Judith S. Pratt Non-Traditional Nursing Scholarship	17,550	6,868	709	1,222	8,230	32,135	(1,097)	33,232
The Nedra J. Otis Art Scholarship	24,640	2,162	763	1,320	3,662	29,907	-	29,907
Arnold C. Ott Lectureship in Chemistry	449,325	-	13,070	22,466	22,466	462,395	(37,605)	500,000
Barbara Padnos Scholarship Fund	548,817	100,026	17,168	29,525	29,551	666,037	(34,431)	700,468
Seymour and Esther Padnos Engineering Scholarship	449,915	5	13,080	22,496	22,496	463,000	(37,625)	500,625
Ross W Perry Bachelor of Science Scholarships	202,520	5	5,887	10,126	6,829	205,115	-	205,115
Peace and Justice Award Fund	37,228	240	1,091	1,871	232	36,920	11,133	25,787
Physical Therapy Department Fund	26,684	1,210	795	1,368	556	27,877	5,475	22,402
William F. Pickard Fund	63,713	-	1,854	-	-	65,567	34,802	30,765

Schedule of Endowment and Similar Funds (Continued) June 30, 2003

	Balance July 1, 2002	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2003	Retained Investment Income	Principal Balance June 30, 2003
Endowment Funds (Continued)								
Positive Black Woman Endowment Fund	\$ 26,739	\$ 1,729	\$ 817	\$ 1,409	\$ 2,723	\$ 30,599	\$ -	\$ 30,599
Berthold Price Scholarship Fund	112,368	1,951	3,303	5,676	1,176	113,122	29,555	83,567
Price Heneveld Engineering Scholarship	19,400	347	567	982	1,164	20,496	(88)	20,584
Margaret Proctor School of Communications Scholarship	4,453	861	153	-	999	6,466	29	6,437
Plant Service Personnel Descendants Scholarship Fund	233,852	14,464	7,097	12,210	12,200	255,403	6,263	249,140
Reister Family Scholarship Endowment	52,218	5,794	1,614	2,771	2,896	59,751	(1,557)	61,308
Warren Reynolds Endowment	10,200	2,419	337	-	175	13,131	(805)	13,936
John Salski Memorial Fund	-	3,215	218	-	27,061	30,494	218	30,276
Science Math Development Fund	55,737	833	1,636	2,807	50	55,449	26,968	28,481
The J. Patrick Sandro Education Scholarship	-	31,000	458	-	1,000	32,458	458	32,000
Science Equipment Fund	1,646,163	575	47,874	82,323	50	1,612,339	641,908	970,431
School of Public and Nonprofit Administration Endowment	12,969	488	393	-	480	14,330	1,383	12,947
Mary and Wilhelm Seeger Scholarship Fund	98,295	2,007	2,900	4,988	1,700	99,914	21,543	78,371
Esther L. Seidman Chair in Management Fund	277,451	-	8,066	13,873	-	271,644	96,244	175,400
Seidman Endowment Fund	1,024,685	4,257	29,878	51,371	2,111	1,009,560	377,728	631,832
Marilyn and B. P. Sherwood III Scholarship Fund	21,114	350	620	1,063	-	21,021	4,000	17,021
The Social Work Minority Scholarship	3,843	6,576	228	-	4,306	14,953	(73)	15,026
Ram Singh Social Work Scholarship	4,578	5,152	272	-	850	10,852	85	10,767
Social Work Scholarship Fund	22,476	451	666	1,142	430	22,881	1,878	21,003
Social Work Faculty Development Fund	19,345	-	567	-	-	19,912	(88)	20,000
Joseph Stevens Freedom Fund	87,928	1,387	2,584	4,434	364	87,829	15,066	72,763
Ryan Short Memorial Scholarship Fund	45,932	2,301	1,384	2,387	1,820	49,050	264	48,786
Statistics Endowment Fund	19,632	481	577	1,000	1,440	21,130	(328)	21,458
The Howard and Rose Stein Endowed Biology Scholarship	-	16,069	393	-	6,547	23,009	393	22,616
Esther Rehm Stotz Scholarship Fund	112,417	150	3,271	5,627	150	110,361	41,722	68,639
The Subar Family - Model Coverall Service Scholarship	-	25,000	425	-	-	25,425	425	25,000
Tax Program Fund	98,186	225	2,856	4,915	-	96,352	32,994	63,358
The Telephone Pioneers of America, Great Lakes Chapter #90 Scholarship Fund	54,132	152	1,579	2,712	130	53,281	11,393	41,888
Edward Tremba Geology Scholarship Fund	56,685	940	1,656	2,855	25	56,451	17,943	38,508
A Trust for Science Education Endowment	104,257	1,116	3,063	-	1,808	110,244	(4,301)	114,545
University Library Fund	172,695	4,684	5,112	-	2,558	185,049	56,286	128,763

Schedule of Endowment and Similar Funds (Continued) June 30, 2003

	Balance July 1, 2002	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2003	Retained Investment Income	Principal Balance June 30, 2003
Endowment Funds (Continued)								
VanSteeland Arboretum Fund	\$ 87,417	\$ 1,493	\$ 2,584	\$ -	\$ 1,807	\$ 93,301	\$ 35,576	\$ 57,725
Kenneth Venderbush Endowment Fund	3,162	650	99	-	-	3,911	(139)	4,050
The Donald and Barbara VanderJagt Mathematics and Athletic Scholarship	21,882	2,236	687	1,174	3,174	26,805	(457)	27,262
Florence Cowan Ward Scholarship for Nursing	82,130	8,054	2,507	4,308	4,308	92,691	(3,993)	96,684
WRI Equipment Fund	1,798,249	196	52,299	89,918	-	1,760,826	602,468	1,158,358
Margaret Ward Music Scholarship	22,307	179	654	1,120	1,224	23,244	(2,619)	25,863
WGVU Scholarship Fund	258,732	221	7,532	12,950	338	253,873	60,780	193,093
Margaret F. Ward Art and Design Scholarship	21,758	100	632	1,088	1,088	22,490	(2,610)	25,100
Weldon Memorial Chemistry Fund	104,358	1,844	3,051	-	808	110,061	23,651	86,410
Westerman Nursing Scholarship Fund	117,295	12	3,411	5,865	-	114,853	13,578	101,275
Holliday Willey Psychology Scholarship for the Study of Pervasive Development Disorders	5,431	2,141	251	-	5,900	13,723	64	13,659
William James Fund	26,200	236	763	1,315	50	25,934	10,365	15,569
Shelia Williams Student Leadership Development Fund	94,943	1,450	2,780	4,787	505	94,891	37,215	57,676
Doug and Linda Woods Athletic Training Scholarship Endowment	44,922	911	1,319	2,272	2,022	46,902	-	46,902
Wrestling Endowment	1,510	1,585	65	-	658	3,818	34	3,784
Writing Department Faculty Scholarship	235	473	22	-	913	1,643	22	1,621
William Zimmerman Memorial Scholarship	1,719	6,055	185	-	1,025	8,984	154	8,830
Felix V. and Gladys A. Zukaitis Athletic Trust	164,204	-	4,776	8,206	-	160,774	35,589	125,185
Felix V. and Gladys A. Zukaitis Scholarship Trust	164,019	200	4,776	8,210	-	160,785	35,585	125,200
Subtotal	21,960,870	899,786	646,235	1,029,095	316,760	22,794,556	4,802,618	17,991,938
Funds Functioning as Endowments								
Accounting Scholarship Fund	274,151	4,755	8,044	13,836	1,200	274,314	73,621	200,693
Alumni Scholarship Fund	584,281	6,282	17,091	29,395	620	578,879	144,159	434,720
Angus Fund	1,169,833	8,069	34,128	58,689	449	1,153,790	314,550	839,240
Owen F. Bieber Scholarship Trust	501,115	-	14,573	25,056	-	490,632	177,222	313,410
Business and Engineering Internship Fund	1,095,881	50	31,872	-	-	1,127,803	586,481	541,322
Entrepreneurial Center Endowment	1,220,350	-	35,491	61,018	25,527	1,220,350	-	1,220,350

Grand Valley State University

Schedule of Endowment and Similar Funds (Continued) June 30, 2003

	Balance July 1, 2002	Gifts and Additions	Investment Income and Deductions	Distribution Beneficiary Funds	Intra Fund Distribution	Balance June 30, 2003	Retained Investment Income	Principal Balance June 30, 2003
Funds Functioning as Endowments (Continued)								
Grand Rapids Continuing Education	\$ 747,787	\$ -	\$ 21,746	\$ -	\$ -	\$ 769,533	\$ 395,551	\$ 373,982
Leon W. Hall Trust Fund	567,701	-	16,503	28,385	-	555,819	221,407	334,412
Charles and Florence Irwin Scholarship Endowment Fund	144,141	4,798	4,284	7,357	1,805	147,671	23,597	124,074
Russel H. Kirkhof Fund	1,866,629	-	54,283	93,332	-	1,827,580	820,281	1,007,299
Seymour and Esther Padnos School of Engineering Endowment	1,892,065	568	55,035	94,623	200	1,853,245	350,319	1,502,926
Padnos Fund	1,260,078	-	36,647	63,004	-	1,233,721	233,696	1,000,025
Joe E. Reid Memorial Scholarship Fund	62,459	470	1,821	3,137	204	61,817	15,340	46,477
SPX Corporation Engineering Scholarship Fund	105,399	-	3,063	5,270	-	103,192	53,082	50,110
Robert C. Trotter Scholarship Fund	352,435	-	10,247	17,622	-	345,060	197,193	147,867
Undistributed Income Fund	832,039	-	24,227	-	(347,362)	508,904	508,904	-
VanderMey Endowment	124,902	-	3,629	6,245	-	122,286	7,859	114,427
R.B. Annis WRI Endowment	1,246,591	3,822	36,276	62,381	597	1,224,905	168,050	1,056,855
Subtotal	14,047,837	28,814	408,960	569,350	(316,760)	13,599,501	4,291,312	9,308,189
Life Income and Annuity Funds								
Dr. Gilbert R. and Patricia K. Davis Charitable Gift Annuities	6,711	6,997	(5,104)	-	-	8,604	(4,796)	13,400
Leslie Eitzen Charitable Gift Annuity	6,826	-	(1,242)	-	-	5,584	(1,510)	7,094
Ralph and Grace Hauenstein Charitable Gift Annuities	321,920	-	(91,757)	-	-	230,163	(232,816)	462,979
Harvey E. Lemmen Charitable Gift Annuities	(181,669)	60,000	(98,768)	-	-	(220,437)	(309,299)	88,862
Dr. Dorothy Merrill Charitable Gift Annuity	9,159	-	(4,947)	-	-	4,212	(12,757)	16,969
Nedra J. Otis Charitable Gift Annuities	4,399	4,702	(1,391)	-	-	7,710	(1,612)	9,322
Subtotal	167,346	71,699	(203,209)	-	-	35,836	(562,790)	598,626
Total	<u>\$ 36,176,053</u>	<u>\$ 1,000,299</u>	<u>\$ 851,986</u>	<u>\$ 1,598,445</u>	<u>\$ -</u>	<u>\$ 36,429,893</u>	<u>\$ 8,531,140</u>	<u>\$ 27,898,753</u>

Grand Valley State University

Schedule of Net Assets by Fund June 30, 2003

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Total Current Funds	Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Consolidated Totals	
										2003	2002
Assets											
Current Assets											
Cash and cash equivalents	\$ 4,500,150	\$ 5,681,712	\$ 284,258	\$ (2,335,847)	\$ 8,130,273	\$ 2,433,623	\$ -	\$ 3,910,126	\$ (436,395)	\$ 14,037,627	\$ 5,397,998
Restricted cash and cash equivalents	-	-	-	-	-	-	-	32,218	-	32,218	2,904,862
Short-term investments	2,050,742	2,654,513	111,574	-	4,816,829	1,132,420	-	1,705,494	-	7,654,743	11,734,279
Restricted short-term investments	-	-	-	-	-	-	-	4,909,745	-	4,909,745	6,546,133
Accounts receivable	500,359	278,424	937,189	2,804,417	4,520,389	-	-	316,325	1,243,824	6,080,538	6,384,046
State appropriation receivable	10,325,476	-	-	-	10,325,476	-	-	13,468,765	15,603,050	39,397,291	29,245,139
Pledges receivable	-	10,461	-	4,043,339	4,053,800	-	-	-	-	4,053,800	7,138,069
Less discount to present value	-	-	-	(146,665)	(146,665)	-	-	-	-	(146,665)	(404,015)
Less allowance for uncollectible accounts	-	-	-	(35,527)	(35,527)	-	-	-	-	(35,527)	-
Net pledges receivable	-	10,461	-	3,861,147	3,871,608	-	-	-	-	3,871,608	6,734,054
Inventory	-	17,963	1,469,526	-	1,487,489	-	-	-	7,704	1,495,193	1,702,578
Prepaid expenses and other	728,305	469,770	625	150,316	1,349,016	190,596	-	-	-	1,539,612	1,761,175
Student notes receivable - Current portion	-	-	-	-	-	1,750,000	-	-	-	1,750,000	2,350,000
Total current assets	18,105,032	9,112,843	2,803,172	4,480,033	34,501,080	5,506,639	-	24,342,673	16,418,183	80,768,575	74,760,264
Noncurrent Assets											
Endowment investments	-	-	-	-	-	-	37,552,012	-	-	37,552,012	37,184,156
Other long-term investments	-	21,459,572	-	24,936	21,484,508	-	-	13,787,527	17,006	35,289,041	35,346,096
Pledges receivable	-	18,079	-	7,475,486	7,493,565	-	-	-	-	7,493,565	8,843,869
Less discount to present value	-	-	-	(1,594,489)	(1,594,489)	-	-	-	-	(1,594,489)	(1,333,228)
Net pledges receivable	-	18,079	-	5,880,997	5,899,076	-	-	-	-	5,899,076	7,510,641
Net student notes receivable	-	-	-	-	-	9,118,714	-	-	-	9,118,714	8,438,000
Capital assets - Net	-	-	-	-	-	-	-	381,846,458	-	381,846,458	337,184,246
Other assets	-	243,501	-	-	243,501	-	-	1,447,879	-	1,691,380	1,557,291
Total noncurrent assets	-	21,721,152	-	5,905,933	27,627,085	9,118,714	37,552,012	397,081,864	17,006	471,396,681	427,220,430
Total assets	\$ 18,105,032	\$ 30,833,995	\$ 2,803,172	\$ 10,385,966	\$ 62,128,165	\$ 14,625,353	\$ 37,552,012	\$ 421,424,537	\$ 16,435,189	\$ 552,165,256	\$ 501,980,694

Grand Valley State University

Schedule of Net Assets by Fund (Continued) June 30, 2003

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Total Current Funds	Loan Fund	Endowment Fund	Plant Fund	Agency Fund	Consolidated Totals	
										2003	2002
Liabilities and Net Assets											
Current Liabilities											
Accounts payable	\$ 1,358,819	\$ 216,746	\$ 1,562,072	\$ 210,798	\$ 3,348,435	\$ -	\$ -	\$ 4,859,968	\$ 15,215,778	\$ 23,424,181	\$ 22,312,492
Accrued payroll and other benefits	8,704,799	254,324	321,469	305,061	9,585,653	-	-	-	876,551	10,462,204	10,897,079
Accrued interest expense and other liabilities	-	-	-	-	-	-	-	923,492	342,860	1,266,352	1,249,099
Deferred revenue	6,570,380	49,100	293,584	3,196,774	10,109,838	-	-	-	-	10,109,838	7,789,327
Long-term liabilities - Current portion	-	-	-	-	-	-	189,492	6,169,667	-	6,359,159	5,676,809
Total current liabilities	16,633,998	520,170	2,177,125	3,712,633	23,043,926	-	189,492	11,953,127	16,435,189	51,621,734	47,924,806
Noncurrent Liabilities - Long-term liabilities											
	-	-	-	-	-	-	932,627	117,215,460	-	118,148,087	107,641,378
Total liabilities	16,633,998	520,170	2,177,125	3,712,633	23,043,926	-	1,122,119	129,168,587	16,435,189	169,769,821	155,566,184
Net Assets											
Invested in capital assets - Net of related debt	-	-	-	-	-	-	-	264,530,716	-	264,530,716	229,440,974
Restricted:											
Nonexpendable - Scholarships and academic support	-	-	-	-	-	-	17,991,938	-	-	17,991,938	17,097,227
Expendable:											
Scholarships and academic support	-	-	-	3,442,502	3,442,502	-	12,458,686	-	-	15,901,188	13,400,666
Capital projects	-	-	-	3,230,831	3,230,831	-	-	-	-	3,230,831	849,814
Loans	-	-	-	-	-	11,077,167	-	-	-	11,077,167	10,918,909
Unrestricted	1,471,034	30,313,825	626,047	-	32,410,906	3,548,186	5,979,269	27,725,234	-	69,663,595	74,706,920
Total net assets	1,471,034	30,313,825	626,047	6,673,333	39,084,239	14,625,353	36,429,893	292,255,950	-	382,395,435	346,414,510
Total liabilities and net assets	<u>\$ 18,105,032</u>	<u>\$ 30,833,995</u>	<u>\$ 2,803,172</u>	<u>\$ 10,385,966</u>	<u>\$ 62,128,165</u>	<u>\$ 14,625,353</u>	<u>\$ 37,552,012</u>	<u>\$ 421,424,537</u>	<u>\$ 16,435,189</u>	<u>\$ 552,165,256</u>	<u>\$ 501,980,694</u>

Grand Valley State University

Schedule of Revenues, Expenses, and Changes in Net Assets by Fund Year Ended June 30, 2003

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Total Current Funds	Student Loan Fund	Endowment Fund	Plant Fund	Eliminations	Consolidated Totals	
										2003	2002
Operating Revenues											
Student tuition and fees	\$ 102,858,550	\$ 582,172	\$ -	\$ 19,136	\$ 103,459,858	\$ -	\$ -	\$ -	\$ -	\$ 103,459,858	\$ 91,156,493
Less scholarship allowances	-	-	-	-	-	-	-	-	(12,679,577)	(12,679,577)	(10,569,651)
Net student tuition and fees	102,858,550	582,172	-	19,136	103,459,858	-	-	-	(12,679,577)	90,780,281	80,586,842
Government grants and contracts					-						
Federal	-	5,000	-	20,602,491	20,607,491	121,226	-	-	-	20,728,717	16,475,710
State	-	-	-	1,702,608	1,702,608	-	-	-	-	1,702,608	2,695,717
Local	-	2,000	-	1,708	3,708	-	-	-	-	3,708	40,375
Nongovernmental grants	-	105,925	-	882,089	988,014	-	-	-	-	988,014	813,448
Sales and services of educational activities	2,253,867	2,958,431	-	1,680	5,213,978	-	-	-	-	5,213,978	4,526,109
Auxiliary activities	-	-	32,138,861	-	32,138,861	-	-	-	-	32,138,861	28,463,561
Less scholarship allowances	-	-	-	-	-	-	-	-	(2,699,917)	(2,699,917)	(2,142,204)
Net auxiliary activities	-	-	32,138,861	-	32,138,861	-	-	-	(2,699,917)	29,438,944	26,321,357
Indirect cost recoveries	910,938	-	-	(590,643)	320,295	-	-	-	-	320,295	281,096
Other sources	747,345	2,277,855	-	112,198	3,137,398	844,423	-	-	-	3,981,821	4,018,219
Endowment income	-	562,076	-	1,036,368	1,598,444	-	(1,598,444)	-	-	-	-
Total operating revenues	106,770,700	6,493,459	32,138,861	23,767,635	169,170,655	965,649	(1,598,444)	-	(15,379,494)	153,158,366	135,758,873
Operating Expenses											
Instruction	82,379,245	247	-	3,338,220	85,717,712	-	-	(138,561)	-	85,579,151	76,469,603
Research	1,538,894	(392,283)	-	1,547,758	2,694,369	-	-	(87,125)	-	2,607,244	2,633,608
Public service	3,240,358	3,956,519	-	4,364,989	11,561,866	-	-	(21,401)	-	11,540,465	10,279,053
Academic support	18,435,105	473,448	-	1,841,477	20,750,030	-	-	(244,185)	-	20,505,845	18,770,986
Student services	16,057,923	227,436	-	411,109	16,696,468	-	-	(61,307)	-	16,635,161	15,041,370
Institutional support	13,267,036	(735,927)	-	287,335	12,818,444	-	-	(78,833)	-	12,739,611	12,464,569
Operation and maintenance of plant	19,838,989	132,450	-	2,530,555	22,501,994	-	-	(5,510,390)	-	16,991,604	15,118,384
Depreciation expense	-	-	-	-	-	-	-	12,156,604	-	12,156,604	10,638,796
Scholarships and related expenses	8,704,377	50,077	-	13,234,346	21,988,800	-	-	-	(15,379,494)	6,609,306	6,125,825
Auxiliary activities	-	-	22,358,725	-	22,358,725	-	-	(19,008)	-	22,339,717	19,302,652
Loan administrative fees and collection costs	-	-	-	-	-	555,926	-	-	-	555,926	592,565
Total operating expenses	163,461,927	3,711,967	22,358,725	27,555,789	217,088,408	555,926	-	5,995,794	(15,379,494)	208,260,634	187,437,411
Operating Income (Loss)	(56,691,227)	2,781,492	9,780,136	(3,788,154)	(47,917,753)	409,723	(1,598,444)	(5,995,794)	-	(55,102,268)	(51,678,538)

Grand Valley State University

Schedule of Revenues, Expenses, and Changes in Net Assets by Fund (Continued) Year Ended June 30, 2003

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Total Current Funds	Student Loan Fund	Endowment Fund	Plant Fund	Eliminations	Consolidated Totals	
										2003	2002
Nonoperating Revenues (Expenses)											
State appropriations	\$ 57,992,024	\$ -	\$ -	\$ -	\$ 57,992,024	\$ -	\$ -	\$ -	\$ -	\$ 57,992,024	\$ 60,095,400
Gifts	-	2,704,591	-	969,395	3,673,986	-	40,512	-	-	3,714,498	4,203,757
Investment income	772,374	1,392,819	-	50,395	2,215,588	10,937	851,986	145,497	-	3,224,008	(106,939)
Interest on capital asset - Related debt	-	-	-	-	-	-	-	(4,958,662)	-	(4,958,662)	(3,179,581)
Net nonoperating revenues (expenses)	58,764,398	4,097,410	-	1,019,790	63,881,598	10,937	892,498	(4,813,165)	-	59,971,868	61,012,637
Income (Loss) - Before other revenues, expenses, gains, or losses	2,073,171	6,878,902	9,780,136	(2,768,364)	15,963,845	420,660	(705,946)	(10,808,959)	-	4,869,600	9,334,099
Capital appropriations	-	-	-	-	-	-	-	22,265,160	-	22,265,160	4,867,303
Capital gifts	-	-	-	2,658,511	2,658,511	-	-	1,153,195	-	3,811,706	2,890,821
Add discount adjustment	-	-	-	(3,912)	(3,912)	-	-	-	-	(3,912)	683,436
Net capital gifts	-	-	-	2,654,599	2,654,599	-	-	1,153,195	-	3,807,794	3,574,257
Capital grants	-	-	-	3,846,483	3,846,483	-	-	266,469	-	4,112,952	-
Other capital income	-	-	-	(9,993)	(9,993)	-	-	68,956	-	58,963	251,040
Additions to permanent endowments	-	-	-	-	-	-	899,786	-	-	899,786	1,132,765
Gain (loss) on disposal of plant assets	481	107	-	-	588	-	-	(33,918)	-	(33,330)	(62,613)
Total other revenue	481	107	-	6,491,089	6,491,677	-	899,786	23,719,862	-	31,111,325	9,762,752
Transfers Out (In)											
Mandatory transfers	2,822,310	132,548	7,256,957	(362,088)	9,849,727	(40,410)	-	(9,809,317)	-	-	-
Non-mandatory transfers	(345,708)	139,914	2,637,187	(96,810)	2,334,583	(16,600)	(60,000)	(2,257,983)	-	-	-
Total transfers	2,476,602	272,462	9,894,144	(458,898)	12,184,310	(57,010)	(60,000)	(12,067,300)	-	-	-
Increase (Decrease) in Net Assets	(402,950)	6,606,547	(114,008)	4,181,623	10,271,212	477,670	253,840	24,978,203	-	35,980,925	19,096,851
Net Assets - Beginning of year	1,873,984	23,707,278	740,055	2,491,710	28,813,027	14,147,683	36,176,053	267,277,747	-	346,414,510	327,317,659
Net Assets - End of year	<u>\$ 1,471,034</u>	<u>\$ 30,313,825</u>	<u>\$ 626,047</u>	<u>\$ 6,673,333</u>	<u>\$ 39,084,239</u>	<u>\$ 14,625,353</u>	<u>\$ 36,429,893</u>	<u>\$ 292,255,950</u>	<u>\$ -</u>	<u>\$ 382,395,435</u>	<u>\$ 346,414,510</u>