Hope College

Financial Report
with Additional Information
June 30, 2007

Contents

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Plante & Moran, PLLC
Bridgewater Place

Independent Auditor's Report

To the Board of Trustees
Hope College

We have audited the accompanying statement of financial position of Hope College (the "College") as of June 30, 2007 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's 2006 financial statements and, in our report dated August 31, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope College as of June 30, 2007 and the changes in its net assets and its cash flows for the year 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 our report dated September 24, 2007 on our consideration of Hope College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 7 to the financial statements, the College adopted the provisions of FASB 158, *Employee Accounting for Defined Benefit Pension and Other Postretirement Plans*, as of June 30, 2007.

Plante & Moran, PLLC

September 24, 2007

Statement of Financial Position (Continued)
June 30, 2007
(with comparative totals for June 30, 2006)

	2007	2006
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 2,344,609	$ 3,094,116
Accrued liabilities	3,915,886	3,341,257
Students' and other deposits	1,218,694	1,081,179
Deferred tuition and fees	954,959	902,694
Tuition paid in advance (Note 8)	228,439	263,759
Obligations under split-interest agreements (Note 6)	11,141,206	10,502,686
Notes payable (Note 5)	79,875,000	85,648,770
Refundable Federal Perkins Loan advances	5,967,995	5,959,834
Accumulated employee postretirement plans (Note 7)	15,919,016	12,604,238
Total liabilities	121,565,804	123,398,533
Net Assets		
Unrestricted	156,380,798	137,890,184
Temporarily restricted	17,398,296	22,649,422
Permanently restricted	89,576,018	82,503,636
Total net assets	263,355,112	243,043,242
Total liabilities and net assets	**$ 384,920,916**	**$ 366,441,775**

See Notes to Financial Statements.

Hope College

Statement of Activities
Year Ended June 30, 2007
(with comparative totals for year ended June 30, 2006)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2006 Total
Revenue, Gains, and Other Support					
Tuition and fees - Net of institutional discounts of $22,126,683 and $20,650,604 and other financial aid of $15,171,817 and $15,999,739 in 2007 and 2006, respectively	$ 44,408,776	$ -	$ -	$ 44,408,776	$ 42,221,428
Other student revenue	2,353,672	-	-	2,353,672	2,355,117
Contributions	2,510,046	1,599,616	-	4,109,662	8,452,527
Government grants and contracts	-	3,504,169	-	3,504,169	3,608,208
Endowment income recognized under spending policy	6,033,153	-	-	6,033,153	5,418,804
Other dividend and interest	1,535,711	1,281,750	-	2,817,461	2,038,197
Income from auxiliary activities	21,428,246	-	-	21,428,246	20,443,174
Other income	2,155,366	1,238,666	-	3,394,032	3,264,931
Total revenue, gains, and other support	80,424,970	7,624,201	-	88,049,171	87,802,386
Net Assets Released from Restrictions					
Purpose restrictions accomplished for research and various	-	-	-	-	-
programs	7,989,196	(7,989,196)	-	-	-
Purpose restrictions accomplished for capital projects	3,776,412	(3,776,412)	-	-	-
Death of annuity beneficiary	190,690	(1,024,967)	834,277	-	-
Total net assets released from restrictions	11,956,298	(12,790,575)	834,277	-	-
Total revenue, gains, other support, and 7.68 reW nBT6.9607 0 a					

Statement of Cash Flows
Year Ended June 30, 2007
(with comparative totals for year ended June 30, 2006)

		2007		2006
Cash Flows from Operating Activities				
Increase in net assets	$	20,311,870	$	19,891,571
Adjustments to reconcile increase in net assets to net cash from operating activities:				
Depreciation		7,528,496		5,745,861
Amortization of loan issuance costs		58,385		58,385
Accumulated postretirement benefits		3,314,778		507,108
Obligations				

See Notes to Financial Statements.

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Operations - Hope College (the "College") is a four-year private residential institution located in Holland, Michigan. The College is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accrual Basis - The financial statements of the College have been prepared on the accrual basis.

Classification of Net Assets - Net assets of the College are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the College's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Land, Buildings, and Equipment - Land, buildings, and equipment are recorded at cost, except for donated land and equipment, which are recorded at fair market value at the date of the gift. Depreciation is computed by the straight-line basis over the estimated useful lives of the assets, which range from 5 to 50 years. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major additions are capitalized.

Fair Values of Financial Instruments - The fair values of the College's financial instruments are as follows:

- **Cash and Cash Equivalents** - The carrying amount approximates fair value.
- **Investments** - A summary of the cost and fair value of various investments is provided in Note 2.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Use of Estimates

Note 2 - Investments (Continued)

Investment income included in the accompanying statement of activities is as follows:

Total dividends and interest - Net of fees	$ 2,817,461
Net realized and unrealized gains	24,696,951
Total	$ 27,514,412

Reported as:	
Endowment income recognized under spending policy	$ 6,033,153

Note 4 - Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following as of June 30, 2007:

Land and improvements	$ 16,621,545
Buildings	171,575,330
Equipment and other	28,743,662
Construction in progress	346,510
Total	217,287,047
Less accumulated depreciation	67,719,181
Land, buildings, and equipment - Net	$149,567,866

At June 30, 2007, the College had contracts of $958,667 outstanding relating to construction in progress.

Depreciation expense was $7,528,496 for the year ended June 30, 2007.

Note 5 - Notes Payable and Long-term Debt

The College has notes payable as follows as of June 30, 2007:

Note 5 - Notes Payable and Long-term Debt (Continued)

Unsecured MHEFA notes issued in connection with the Revenue Bonds of 1996, due serially each October 1 in amounts ranging from $345,000 in 2008 to $645,000 in 2017 for the Series A Bonds, plus interest payable monthly at a variable weekly rate (an effective rate at June 30, 2007 of 5.37%)	$ 5,075,000
Total	$ 79,875,000

Scheduled minimum principal payments on these notes payable to maturity are as follows:

2008	$ 2,935,000
2009	3,070,000
2010	3,190,000
2011	3,300,000
2012	3,430,000
Thereafter	63,950,000
Total	$ 79,875,000

Due to the remarketing agreement related to the 2002B and 2004 bonds, it is possible, but not expected, that approximately $41,765,000 of this amount may be due current if these bonds are not able to be remarketed.

Other information concerning the more significant indenture agreements is as follows:

Michigan Higher Education Facilities Notes of 2004 - In July 2004, for the benefit of the College, the Michigan Higher Education Facilities Authority (MHEFA) issued $25,000,000 in general revenue and Refunding Variable Rate Demand Bonds. The bonds were used to provide funding for the remaining construction on the Martha Miller Center and the construction of the DeVos Fieldhouse as well as the advanced refunding of $4,890,000 Series 1994 Bonds, and $8,972,500 of Series 1996B Bonds.

The revenue of the College is pledged as collateral to the debt and, as additional collateral for the 2004 Bonds, the College obtained a letter of credit in the maximum amount of $22,671,103. This letter of credit shall terminate no earlier than July 15, 2012, or the first business day following the conversion of interest to a fixed rate.

Note 5 - Notes Payable and Long-term Debt (Continued)

Agreements related to the notes require that the College shall:

- Maintain for each year a liquidity ratio (as defined) equal to or greater than 100 percent (at June 30, 2007, the defined liquidity ratio amounted to 220 percent)

- Establish and maintain income available for debt service (as defined) in an amount sufficient to provide annually sums equal to at least 110 percent of maximum debt service (for the year ended June 30, 2007, income available for debt service was 209 percent of maximum debt service)

- Not incur an adjusted annual deficit (as defined) that is equal to or greater than 15 percent of total unrestricted current fund revenues plus cumulative realized and unrealized net gains on investments in any fiscal year, and the sum of adjusted annual deficit percentages in the immediately preceding last three fiscal years minus the sum of adjusted annual surplus percentages in the immediately preceding last three fiscal years shall not equal or exceed 25 percent (for the year ended June 30, 2007 and three preceding years, the College did not incur an adjusted annual deficit)

Michigan Higher Education Facilities Notes of 2002 - In April 2002, for the benefit of the College, MHEFA issued $18,910,000 in Limited Obligation Revenue Bonds (Series A) and $20,955,000 in Variable Rate Demand Limited Obligation Revenue Bonds (Series B), primarily to provide funding for the addition to the existing Peale Science Center and construction of the Martha Miller Center. The College executed notes payable to MHEFA related to such bonds. The obligation to make repayments on the notes payable related to the 2002 Series A and B Bonds are unsecured general obligations of the College.

At the option of the College, the variable rate Series B Bonds can be converted to a fixed rate on any business day of any calendar month, at which time the interest rate would be fixed by the lender at the prevailing market rate; therefore, the College's liability to MHEFA can be converted to a fixed interest rate.

The revenue of the College is pledged as co

Note 5 - Notes Payable and Long-term Debt (Continued)

Agreements related to the notes require that the College shall:

- Maintain a Debt Service Reserve Fund or obtain a letter of credit for at least \$1,370,470 (at June 30, 2007, the College has a letter of credit in the amount of \$1,370,470, which expires on June 15, 2012)

- Maintain for each year a liquidity ratio (as defined) equal to or greater than 100 percent (at June 30, 2007, the defined liquidity ratio amounted to 220 percent)

- Establish and maintain income available for debt service (as defined) in an amount sufficient to provide annually sums equal to at least 110 percent of maximum debt service (for the year ended June 30, 2007, income available for debt service was 209 percent of maximum debt service)

- Not incur an adjusted annual deficit (as defined) that is equal to or greater than 15 percent of total unrestricted current fund revenues plus cumulative realized

Note 5 - Notes Payable and Long-term Debt (Continued)

Agreements related to the notes require that the College shall:

- Maintain a Debt Service Reserve Fund of at least $1,540,653 (at June 30, 2007, the Debt Service Reserve Fund, included within investments in the accompanying statement of financial position, had a balance of $1,605,661)
- Maintain the market value of the marketable securities in its Endowment and Quasi-endowment Fund not pledged to any debt of the College at an amount equal to 2.0 times the sum of the principal outstanding of the Series 1999 Bonds and the Series 1996 Bonds, plus interest due on the Series 1999 Bonds and the Series 1996 Bonds on the next two succeeding interest payment dates, less any monies then on deposit in the Debt Service Reserve Fund and the Reserve Fund for the Series 1996 Bonds (at June 30, 2007, the market value of Endowment and Quasi-endowment Fund marketable securities was $171,376,864, which is approximately $130,187,980 more than the required market value)
- Establish and maintain income available for debt service (as defined) in an amount sufficient to provide annually sums equal to at least 115 percent of maximum annual debt service (for the year ended June 30, 2007, income available for debt service was 209 percent of maximum debt service)
- Not incur an adjusted annual deficit (as defined) that is equal to or greater than 15 percent of total unrestricted revenues in any fiscal year, and the sum of adjusted annual deficit percentages in the immediately preceding last three fiscal years minus the sum of adjusted annual surplus percentages in the immediately preceding last three fiscal years shall not equal or exceed 25 percent (for the year ended June 30, 2007 and the three preceding years, the College did not incur an adjusted annual deficit)
- Not incur additional debt or leases or enter into purchase contracts without meeting certain additional requirements

Michigan Higher Education Facilities Notes of 1996 - In June 1996, for the benefit of the College, MHEFA issued $7,150,000 in Limited Obligation Federally Taxable Variable Rate Revenue Bonds (Series A), pr(Xunes6 Bon)4.-9eents -6uM1ve2purI deficit

Note 5 - Notes Payable and Long-term Debt (Continued)

The revenue of the College is pledged as collateral to the debt and, as additional collateral for the 1996 Series A Bonds, the College obtained a letter of credit in the maximum amount of $5,108,599. This letter of credit shall terminate no earlier than May 15, 2012, or the first business day following the conversion of interest to a fixed rate.

Agreements related to the notes require that the College shall:

- Establish and maintain income available for debt service (as defined) in an amount sufficient to provide annually sums equal to at least 115 percent of maximum debt service (for the year ended June 30, 2007, income available for debt service was 440 percent of maximum debt service)
- Not incur additional debt or leases without meeting certain additional requirements

The calculations supporting the various debt covenants at June 30, 2007

Note 5 - Notes Payable and Long-term Debt (Continued)

1996 Issue - Income available for debt service:	
Current funds revenues plus plant funds gains (or losses)	$ 121,487,363
Current unrestricted funds expenses - Less mandatory transfers	(93,455,295)
Net income available for debt service	$ 28,032,068
Maximum debt service	$ 6,308,029
Ratio	440%

Note 6 - Beneficial Interests and Obligations Under Split-interest Agreements

The College is party to split-interest agreements with certain donors. These agreements include contracts entered into with certain donors and trust agreements from which the College benefits (matching unitrusts, pooled life revenue funds, and irrevocable trusts). Under each agreement, the donor has contributed funds to be held in trust, with the College as the beneficiary. As a condition of accepting the gift, the College is required to pay a specified amount each year to the donor or a designated beneficiary until his or her death. Upon death of the beneficiaries, the remaining funds become the property of the College. The beneficial interests (market value of assets) related to these agreements total approximately $14,800,500 and are included in cash and cash equivalents and investments.

Unrestricted and temporarily restricted contribution revenue for 2007 includes gifts under split-interest agreements of $196,001 for the year ended June 30, 2007. This revenue represents the excess of assets received totaling $1,050,581 over the present value of the obligations assumed under the agreements of $854,580.

Net assets related to these agreements are classified as temporarily and permanently restricted based on donor stipulations.

Obligations under split-interest agreements represent the present value of future payments to beneficiaries required under the agreements. The present value is computed based on the normal life expectancy of the beneficiaries, using discount rates ranging from 4.25 percent to 7.00 percent.

Note 7 - Employee Retirement Plans (Continued)

The expected benefits to be paid in the next fiscal years are as follows:

	1949 Plan	1966 Plan	Postretirement Benefit Plan	Total
2008	-	$ 81,003	$ 542,904	$ 623,907
2009	-	72,290	551,242	623,532
2010	-	64,027	593,027	657,054
2011	-	56,256		

Note 7 - Employee Retirement Plans (Continued)

The incremental effects of applying FAS 158 on individual line items in the balance sheet as of June 30, 2007 are as follows:

	Before Application of FASB 158	Adjustments	After Application of FASB 158
Accumulated employee postretirement plans	$ 14,693,306	$ 1,225,710	$ 15,919,016
Total liabilities	120,340,094	1,225,710	121,565,804
Unrestricted net assets	155,155,088	(1,225,710)	156,380,798
Total net assets	262,129,402	(1,225,710)	263,355,112

Note 8 - Tuition Paid in Advance

The College introduced, and then terminated, a program whereby tuition for a four-year program could be prepaid in a lump sum. Approximately $660,000 in payments were received under the program on behalf of 54 individuals in 1986. The balance will be recognized ratably as tuition revenue over the first four years the students are enrolled at the College, ending in 2008.

Note 9 - Related Party Transactions

The College provides tuition grants to employees and dependents of employees under an employee tuition plan. Such individuals must meet certain employment and academic requirements. Benefits under the plan do not vest. Tuition grants related to this plan were $1,986,490 during 2007.

The investment committee of the board of trustees has authorized the allocation of up to 15 percent of endowment funds to investments that may involve board members or other related parties of the College. The carrying value of such investments totaled $6,204,674 at June 30, 2007.

Note 10 - Cash Flows

Non-cash investing activities during 2007 consisted of non-cash gifts and contributions totaling $1,006,590. Cash paid for interest during 2007 totaled $3,597,625.

Note 11 - Subsequent Event

Subsequent to June 30, 2007, one of the College's investments incurred an other than temporary loss of approximately $2,440,000. The College recorded this loss in its financial statements as of June 30, 2007.

Additional Information

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Plante & Moran, PLLC
Bridgewater Place

To the Board of Trustees
Hope College

We have audited the financial statements of Hope College for the year ended June 30, 2007. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying combining statement of financial position - all funds as of June 30, 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 24, 2007

	Current Unrestricted	Current Restricted	Plant
Assets			
Cash and cash equivalents	$ 4,234,281	$ 6,630,957	$ 5,340,407
Investments	465,612	-	9,792,712
Receivables:			
Student accounts and loans receivable - Less allowance for doubtful accounts of $345,000 at June 30, 2007 and 2006	573,152	-	-
Contributions receivable	5,520	324,792	2,473,422
Government grants receivable	-	1,615,125	-
Accrued income receivable	152,754	-	25,321
Other receivables	969,944	3,452	-
Inventories and other assets	600,535	-	-
Prepaid and deferred expenses	375,756	-	-
Loan issuance costs - Net	-	-	1,236,321
Investments held for long-term purposes	-	-	-
Contributions restricted for long-term purposes - Net	4,750	2,064,860	4,300,581
Land, buildings, and equipment - Net	-	-	149,567,866
Total assets	**$ 7,382,304**	**$ 10,639,186**	**$ 172,736,630**

Combining Statement of Financial Position - All Funds
June 30, 2007
(with comparative totals for June 30, 2006)

Endowment	Annuities	Agency	Student Loan	Total	2006 Total
$ (3,035,187)	$ 1,976,979	748,604	$ 1,286,312	$ 17,182,353	$ 16,855,279
466,698	1,001	-	-	10,726,023	17,327,551
-	-	-	5,752,019	6,325,171	6,418,851
1,273,609	-	-	-		

Combining Statement of Financial Position - All Funds (Continued)
June 30, 2007
(with comparative totals for June 30, 2006)

Endowment	Annuities	Agency	Student Loan	Total	2006 Total
$ 11,203	$ 35,202	$ 19,196	$ 762	$ 2,344,609	$ 3,094,116
-	-	-	-	3,915,886	3,341,257
-	-	840,446	-	1,218,694	1,081,179
-	-	57,650	-	954,959	902,694
-	-	-	-	228,439	263,759
-	11,141,206	-	-	11,141,206	10,502,686
-	-	-	-	79,875,000	85,648,770
-	-	-	5,967,995	5,967,995	5,959,834
-	-	-	-	15,919,016	12,604,238
11,203	11,176,408	917,292			