Grand View University

Financial Report
June 30, 2012

Contents

McGladrey

Independent Auditor's Report

To the Board of Trustees
Grand View University
Des Moines, Iowa

We have audited the accompanying statements of financial position of Grand View University as of June 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 financial statements referred to above present fairly, in all material respects, the financial position of Grand View University as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey LLP

Des Moines, Iowa
October 10, 2012

Grand View University

Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	**$ 3,993,181**	$ 2,259,728
Student and other receivables, net	**950,344**	1,011,342
Prepaid expenses	**429,077**	433,390
Inventories	**290,637**	285,579
Contributions receivable, net	**1,421,527**	1,073,529
Investments	**18,798,068**	18,338,221
Student loans receivable, net	**1,378,643**	1,401,288
Other assets	**996,811**	997,110
Unexpended bond proceeds	**7,812,031**	2,972,982
Debt service reserve fund	**2,010,080**	2,010,080
Land, buildings and equipment, net	**62,226,275**	60,909,428
Total assets	**$ 100,306,674**	$ 91,692,677
LIABILITIES AND NET ASSETS		
LIABILITIES		
Lines of credit	**$ -**	$ 232,761
Accounts payable	**1,176,848**	2,954,030
Student deposits	**525,178**	513,272
Accrued expenses	**1,791,093**	1,632,698
Notes and bonds payable	**51,490,697**	44,460,187
Interest rate swap liability	**1,545,612**	428,983
Advances from federal government for student loans and grants	**1,029,392**	1,088,787
Total liabilities	**57,558,820**	51,310,718
NET ASSETS		
Unrestricted:		
Operations	**10,932,539**	9,568,489
Board designated:		
United States government loan program	**303,062**	306,921
Long-term investment	**1,091,756**	1,171,559
Total unrestricted net assets	**12,327,357**	11,046,969
Temporarily restricted	**20,654,458**	21,109,328
Permanently restricted	**9,766,039**	8,225,662
Total net assets	**42,747,854**	40,381,959
Total liabilities and net assets	**$ 100,306,674**	$ 91,692,677

See Notes to Financial Statements.

Grand View University

Statement of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Student tuition and fees	$ 38,080,536	$ -	$ -	$ 38,080,536
Scholarships and fellowships	(12,357,627)	-	-	(12,357,627)
Net tuition and fees	25,722,909	-	-	25,722,909
Gifts	301,983	562,833	-	864,816
Grants	208,019	111,716	-	319,735
Investment income	154,651	429,922	-	584,573
Sales and services of auxiliary enterprises	7,098,321	-	-	7,098,321
Other income, net	387,583	291,075	-	678,658
Net assets released from restrictions	1,588,133	(1,588,133)	-	-
Total operating revenues	35,461,599	(192,587)	-	35,269,012
Operating expenses:				
Instruction and research	11,553,739	-	-	11,553,739
Academic support	2,626,856	-	-	2,626,856
Student services	6,499,968	-	-	6,499,968
Institutional support	6,531,708	-	-	6,531,708
Auxiliary enterprises	5,821,893	-	-	5,821,893
Total operating expenses	33,034,164	-	-	33,034,164
Change in net assets from operating activities	2,427,435	(192,587)	-	2,234,848
Nonoperating activities:				
Contributions restricted for building and equipment	-	186,843	-	186,843
Investment income restricted for building and equipment	-	257,351	-	257,351
Gifts for nonoperating purposes	-	-	1,540,377	1,540,377
Net assets released from restrictions	50,000	(50,000)	-	-
Change in fair value of interest rate swap	(1,116,629)	-	-	(1,116,629)
Investment return reduced by the portion of cumulative investment return designated for current operations, net of expenses	(80,418)	(656,477)	-	(736,895)
Change in net assets from nonoperating activities	(1,147,047)	(262,283)	1,540,377	131,047
Change in net assets	1,280,388	(454,870)	1,540,377	2,365,895
Net assets at beginning of year	11,046,969	21,109,328	8,225,662	40,381,959
Net assets at end of year	$ 12,327,357	$ 20,654,458	$ 9,766,039	$ 42,747,854

See Notes to Financial Statements.

Grand View University

Statement of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Student tuition and fees	$ 34,175,259	$ -	$ -	$ 34,175,259
Scholarships and fellowships	(10,377,219)	-	-	(10,377,219)
Net tuition and fees	23,798,040	-	-	23,798,040
Gifts	265,403	508,405	-	773,808
Grants	254,397	60,973	-	315,370
Investment income	163,495	435,661	-	599,156
Sales and services of auxiliary enterprises	5,588,437	-	-	5,588,437
Other income, net	319,919	242,872	-	562,791
Net assets released from restrictions	1,419,632	(1,419,632)	-	-
Total operating revenues	31,809,323	(171,721)	-	31,637,602
Operating expenses:				
Instruction and research	10,707,855	-	-	10,707,855
Academic support	2,524,653	-	-	2,524,653
Student services	5,708,079	-	-	5,708,079
Institutional support	5,950,192	-	-	5,950,192
Auxiliary enterprises	4,747,303	-	-	4,747,303
Total operating expenses	29,638,082	-	-	29,638,082
Change in net assets from operating activities	2,171,241	(171,721)	-	1,999,520
Nonoperating activities:				
Contributions restricted for building and equipment	-	421,695	-	421,695
Investment income restricted for building and equipment	-	99,429	-	99,429
Gifts for nonoperating purposes	45,464	-	10,191	55,655
Net assets released from restrictions	112,214	(112,214)	-	-
Change in fair value of interest rate swap	(428,983)	-	-	(428,983)
Investment return reduced by the portion of cumulative investment return designated for current operations, net of expenses	216,306	1,982,135	-	2,198,441
Change in net assets from nonoperating activities	(54,999)	2,391,045	10,191	2,346,237
Change in net assets	2,116,242	2,219,324	10,191	4,345,757
Net assets at beginning of year	8,930,727	18,890,004	8,215,471	36,036,202
Net assets at end of year	$ 11,046,969	$ 21,109,328	$ 8,225,662	$ 40,381,959

See Notes to Financial Statements.

Grand View University

Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,365,895	$ 4,345,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,503,216	2,279,525
Amortization	42,025	39,794
Realized and unrealized (gains) losses on investments, net	469,162	(2,300,188)
Noncash contributions	(155,994)	(122,680)
Contributions and income restricted for long-term investment	(1,984,571)	(576,779)
Change in fair value of interest rate swap	1,116,629	428,983
Loss on asset disposal of property and equipment	-	550
Changes in assets and liabilities:		
Student and other receivables	60,998	5,602
Student loans written off or cancelled	19,450	33,280
Prepaid expenses	4,313	(253,584)
Inventories	(5,058)	6,210
Other assets	73,000	(122,774)
Contributions receivable	(347,998)	620,149
Accounts payable	92,120	4,373
Student deposits	11,906	20
Accrued expenses	158,395	47,753
Net cash provided by operating activities	4,423,488	4,435,991
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,123,935)	(1,245,135)
Proceeds from sales and maturities of investments	4,350,920	491,658
Purchase of property and equipment	(5,689,365)	(12,587,375)
(Increase) decrease in unexpended bond proceeds	(4,839,049)	10,478,789
Issuance of student loans receivable	(231,117)	(220,288)
Payments from student loans receivable	234,312	236,184
Net cash (used in) investing activities	(11,298,234)	(2,846,167)

(Continued)

Grand View University

Statements of Cash Flows (Continued)
Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes and bonds payable	**$ (978,984)**	$ (778,374)
Proceeds from issuance of bonds	**8,000,000**	-
Payment of deferred financing costs	**(105,232)**	(18,232)
Proceeds from lines of credit	**-**	1,100,750
Payments on lines of credit	**(232,761)**	(2,432,213)
Advances from federal government for student loans and grants	**(59,395)**	(59,157)
Contributions and income restricted for long-term investments	**1,984,571**	576,779
Net cash provided by (used in) financing activities	**8,608,199**	(1,610,447)
Net increase (decrease) in cash and cash equivalents	**1,733,453**	(20,623)
CASH AND CASH EQUIVALENTS		
Beginning	**2,259,728**	2,280,351
Ending	**$ 3,993,181**	$ 2,259,728
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION, cash payments for interest, net of capitalized interest 2012 $78,241; 2011 $638,893	**$ 1,940,388**	$ 1,424,922
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment on account	**$ 146,484**	$ 2,015,786
Refund and reissuance of bonds payable	**2,924,672**	-

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies and Related Matters

Nature of operations: Grand View University (the University) is a private, liberal arts institution located in Des Moines, Iowa, serving primarily students from Iowa. It is affiliated with the Evangelical Lutheran Church in America and is accredited by the Higher Learning Commission for baccalaureate degrees as well as a Master of Science in Innovative Leadership.

Basis of presentation: The financial statements of the University have been prepared on the accrual basis of accounting. The University has adopted authoritative accounting guidance for not-for-profit organizations, which requires that resources be classified for reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions.

Descriptions of the three net asset categories and types of transactions affecting each category follow:

Unrestricted net assets: Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that may or will be met either by actions of the University or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed restrictions to be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Accounting estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include interest-bearing money market accounts and other investments with a maturity of less than three months at the date of purchase other than money market mutual funds included in the investment portfolio. Cash at June 30, 2012 and 2011 included $72,854 and $74,013, respectively, restricted to use in the Federal Perkins Loan Program and included none and $827, respectively, restricted to use in the Federal Nursing Loan Program.

Accounts and loans receivable: Accounts receivable are carried at the unpaid balance of the original amount billed to students net of allowance for doubtful accounts of $262,868 and $320,361 at June 30, 2012 and 2011, respectively. Student loans receivable are carried at the amount of unpaid principal net of allowance for doubtful accounts of $256,487 and $244,312 at June 30, 2012 and 2011, respectively. Management determines the allowance for doubtful accounts by calculating a specific percent reserve on the aging of the accounts based on historical experience and by identifying specific past due amounts. Student accounts and loans receivable are written off when deemed uncollectible and when student loans receivable may be assigned to the U.S. Department of Education. Recoveries of student accounts and loans receivable previously written off are recorded when received. Recoveries totaled approximately $10,250 and $7,000 for the years ended June 30, 2012 and 2011, respectively. The provisions for bad debts (recovered) charged to expense totaled approximately $(57,600) and $28,800 for the years ended June 30, 2012 and 2011, respectively.

Interest is charged on student accounts receivable that is past due and is recognized as it is charged. A student account receivable is considered to be past due if any portion of the receivable balance is outstanding at the beginning of the term following the term to which the charges relate or if payments are not received as agreed upon. Once a receivable is sent to a collection agency, accrual of interest is suspended and recorded only if collected.

Interest is charged and recognized on student loans receivable after a student is no longer enrolled in an institution of higher education and after a grace period. Interest is recognized as charged. Late fees are charged if payments are not paid by the payment due date and are recognized as they are received. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education or, in the case of loan funds of the University, based on the respective program.

Inventories: Bookstore inventories are stated at the lower of cost or market.

Investments: Investments in equity and debt securities are recorded at fair value with gains and losses included in the statements of activities. Investments in certificates of deposits and money market funds are recorded at cost which approximates fair value.

Deferred financing costs: Deferred financing costs are amortized by the effective interest method over the term of the related debt and are included in other assets.

Unexpended bond proceeds: Unexpended bond proceeds are held in interest-bearing accounts and are carried at cost. The unexpended bond proceeds are restricted for the use of investment in buildings and equipment.

Debt service reserve fund: Debt service reserve fund is held in an interest-bearing account and carried at cost.

Land, buildings and equipment: Land, buildings and equipment are stated at cost or, if received by gift, at the market or appraised value at the date of gift. Depreciation is provided on the straight-line basis over the estimated useful lives of depreciable property and equipment. Interest is capitalized on construction projects with construction periods of greater than one year.

	Years
Buildings and rental properties	20 - 60
Equipment and vehicles	3 - 10

Advances from federal government for student loans and grants: Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the United States government and are included as a liability in the statements of financial position.

Revenue recognition: Revenues are reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date received. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as temporarily restricted revenues, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of exhaustible long-lived assets, or of cash or other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets, are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released over the estimated useful lives of the long-lived assets using the University's depreciation policy.

Income and net gains on investments are reported as follows:

- Increases in permanently restricted net assets if the terms of the gift or the interpretation of relevant State law require that they be added to the principal of a permanent endowment fund.

- Increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income.

- Increases in unrestricted net assets in all other cases.

Tuition and fees are recognized as revenue in the applicable enrollment period that the University provides services to its students. Revenue from auxiliary enterprises is recognized when goods or services are provided.

Scholarships and fellowships: Scholarships and fellowships are offered by the University to attract and retain students. The University offers institutional support to students in the form of merit-based scholarships and need-based fellowships at the University's discretion.

Income taxes: The University is recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University may be subject to federal and state income taxes on any net income from unrelated business activities. The University files a Form 990 (Return of Organization Exempt from Income Tax) annually and unrelated business income (UBI) is reported on Form 990-T, as appropriate. Management has evaluated their material tax positions, which include such matters as the tax exempt status of each entity and various positions relative to potential sources of UBI. As of June 30, 2012 and 2011, there were no uncertain tax benefits identified and recorded as a liability. Forms 990 and 990-T filed by the University are no longer subject to examination by the Internal Revenue Service for the fiscal years ended June 30, 2008 and prior.

Functional expenses: Fund-raising expenses for the University consist of development, alumni, grant services and capital campaign costs. Total fund-raising expenses for the years ended June 30, 2012 and 2011 were approximately $1,026,000 and $933,000, respectively. The following schedule incorporates fund-raising expenses into a schedule of functional expenses:

	2012	2011
Program services	**$ 26,502,456**	$ 23,687,890
Supporting activities:		
Management and general	**5,505,688**	5,017,061
Fund-raising	**1,026,020**	933,131
	$ 33,034,164	$ 29,638,082

Operating and nonoperating activities: The University has reported its activities as operating or nonoperating. Operating activities are an integral part of the programs, services and mission of the University. Nonoperating activities do not directly affect the programs and services of the University, such as contributions for land, buildings and equipment or permanently restricted contributions. The difference between investment return and the spending rate is reported as a nonoperating activity.

Conditional asset retirement obligations: The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, in accordance with authoritative accounting guidance regarding asset retirement obligations. The University has a liability recorded of approximately $212,466 and $167,475 for the years ended June 30, 2012 and 2011, respectively, which is included with accrued expenses on the statements of financial position.

Concentration of credit risk: The University had cash balances and certificates of deposit with financial institutions in excess of FDIC-insured limits during the year ended June 30, 2012. The University has not experienced any losses due to these concentrations.

Subsequent events: Subsequent events have been evaluated for potential recognition and disclosure through October 10, 2012, the date the financial statements were issued. Through that date there were no events requiring recognition or disclosure.

Fair value measurements: In general, fair value measurements are based upon quoted market prices, where available. If quoted market prices are not available, fair value measurements are estimated using relevant market information and other assumptions as described in Note 11.

Derivate financial instruments: Changes in the fair value of derivatives during the year are reported in the statement of activities. The University's participation in interest rate swap agreements as described in Note 6 are considered derivative financial instruments and have been reported in the statements of financial position at June 30, 2012 and 2011 at fair value. Changes in the fair value of the University's participation in the agreements during the year are reported in the statements of activities as change in fair value of interest rate swap agreements. The net cash received or paid under the terms of the University's participation is reported as a component of interest expense.

Note 2. Contributions Receivable

Unconditional promises to give at June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Restricted for time	$ 206,140	$ 208,967
Restricted for instruction and operational support	404,000	11,000
Restricted for student scholarships and services	84,449	92,866
Restricted for purchase or renovation of property and equipment	1,256,717	1,035,428
Gross unconditional promises to give	1,951,306	1,348,261
Less allowance for uncollectible unconditional promises	(264,639)	-
Less unamortized discount at rates from 0.72% to 5.1%	(265,140)	(274,732)
Net unconditional promises to give	$ 1,421,527	$ 1,073,529

	2012	2011
Amount due in:		
Less than one year	$ 741,850	$ 463,950
One year to five years	577,184	261,832
Over five years	632,272	622,479
Gross unconditional promises to give	$ 1,951,306	$ 1,348,261

Included in gross unconditional promises to give are approximately $1,039,500 and $720,500 from members of the Board of Trustees, affiliates of the Board, and officers and employees of the University as of June 30, 2012 and 2011, respectively.

The University has reviewed the collectability of contributions receivable as of June 30, 2012 and 2011 and determined that an allowance of $264,639 and none at June 30, 2012 and 2011, respectively, is necessary.

Note 3. Investments

The University's long-term investment portfolio at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Endowment investments:		
Equity mutual funds:		
US - large cap	$ 3,805,825	$ 3,978,626
Non-US - large cap	3,331,973	3,356,826
Emerging markets	1,325,113	1,115,358
Fixed income mutual funds:		
US - total return	3,442,155	3,700,494
Non-US - total return	1,105,085	707,433
Absolute return mutual fund	1,617,939	1,564,413
Global real assets mutual fund	1,002,063	735,809
Money market funds	364,745	348,339
	15,994,898	15,507,298
Other investments:		
US - large cap equity mutual funds	97,415	84,976
Non-US - large cap equity mutual funds	28,203	25,435
US - total return fixed income mutual funds	104,916	94,077
Global real assets mutual fund	13,809	16,173
Municipal bonds	818,160	1,135,513
Certificates of deposit	1,690,092	1,295,710
Money market funds	50,575	68,496
Partial interest in real estate	-	109,482
Other investments	-	1,061
	2,803,170	2,830,923
	$ 18,798,068	$ 18,338,221

Investment income (loss) for the years ended June 30, 2012 and 2011 consisted of the following:

	2012	2011
Interest and dividends	$ 636,519	$ 643,131
Realized gains and losses, net	166,478	182,038
Unrealized gains and losses, net	(635,640)	2,118,150
Investment management fees	(62,328)	(46,293)
	$ 105,029	$ 2,897,026

The investments of the University are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Note 4. Student Loans Receivable

The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Student loans represented 1.37% and 1.52% of total assets at June 30, 2012 and 2011, respectively.

At June 30, student loans consisted of the following:

	2012	2011
Federal government programs	**$ 1,512,007**	$ 1,567,400
Institutional programs	**123,123**	78,200
	1,635,130	1,645,600
Less allowance for doubtful accounts:		
Beginning of the year	**(244,312)**	(229,470)
(Increases)	**(12,175)**	(14,842)
End of year	**(256,487)**	(244,312)
Student loans receivable, net	**$ 1,378,643**	$ 1,401,288

The University participates in the Perkins Loan federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The University terminated the Nursing Student Loan federal revolving loan program during the year ended June 30, 2012. Outstanding loans of approximately $37,600 were paid to the Federal government and are classified as institutional programs at June 30, 2012.

At June 30, 2012 and 2011, the following amounts were past due under student loan programs:

	2012	2011
Past due 1 - 60 days	**$ -**	$ -
Past due 60 - 90 days	**10,846**	18,741
Past due more than 90 days	**304,742**	288,397
Total past due	**$ 315,588**	$ 307,138

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Federal student loans receivable are written off when deemed uncollectible and when student loans receivable may be assigned to the U.S. Department of Education. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30, 2012:

	Federal Loans	Institutional Loans	Total
Performing	$ 1,260,850	$ 69,538	$ 1,330,388
Nonperforming	251,157	53,585	304,742
	$ 1,512,007	$ 123,123	$ 1,635,130

For each class of financing receivable, the following presents the recorded investment by credit quality indicator as of June 30, 2011:

	Federal Loans	Institutional Loans	Total
Performing	$ 1,260,262	$ 78,200	$ 1,338,462
Nonperforming	307,138	-	307,138
	$ 1,567,400	$ 78,200	$ 1,645,600

For student loans, the credit quality indicator is performance determined by delinquency status and, for Federal Perkins Loans, origination and servicing of the loan. Delinquency status is updated monthly by the University's loan servicer. Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

Note 5. Land, Buildings and Equipment

Land, buildings and equipment were comprised of the following at June 30, 2012 and 2011:

	2012	2011
Land	**$ 9,171,656**	$ 8,280,657
Buildings	**62,087,887**	48,407,480
Rental properties	**421,632**	347,457
Vehicles	**100,145**	67,822
Equipment	**12,798,310**	11,150,944
Construction in progress	**611,686**	13,177,554
	85,191,316	81,431,914
Less accumulated depreciation	**22,965,041**	20,522,486
	$ 62,226,275	$ 60,909,428

Note 6. Notes and Bonds Payable and Lines of Credit

Notes and bonds payable at June 30, 2012 and 2011 were comprised of the following:

	2012	2011
Iowa Higher Education Loan Authority (IHELA):		
Loan agreement maturing 2036 (A)	**$ 25,665,000**	$ 25,800,000
Loan agreement maturing 2035 (B)	**15,025,000**	15,395,000
City of Altoona, loan agreement maturing 2022 (C)	**2,863,639**	3,050,846
City of Bondurant, loan agreement maturing 2035 (D)	**8,000,000**	-
Promissory note (E)	**89,423**	91,200
Promissory notes (F)	**-**	285,000
	51,643,062	44,622,046
Unamortized bond discount and premium	**(152,365)**	(161,859)
	$ 51,490,697	$ 44,460,187

(A) The loan agreement maturing October 1, 2036 was issued September 26, 2006 and relates to the construction, improvement, and equipping of various campus student housing, classroom, office and athletic facilities. In addition, $6,515,000 of the proceeds were used to pay off a loan agreement maturing October 1, 2025. Interest is payable semiannually on April 1 and October 1, and principal is payable annually beginning October 1, 2009. The bond bears interest at rates ranging from 4.50% to 5.10%. In accordance with the bond agreement, the University is required to maintain a debt service reserve fund which shall be used solely for the payment of principal and interest on the bonds, and the agreement provides for certain covenants including financial ratios.

(B) The loan agreement dated June 15, 2010 and maturing March 1, 2035 relates to the acquisition, construction, equipping and furnishing of a new student housing facility and related housing facility improvements, including parking. Interest is payable monthly, and principal is payable annually beginning March 1, 2012. The loan agreement has a variable interest rate indexed to 70% of one month LIBOR plus 2.10% which is reset monthly (2.27% as of June 30, 2012). The variable rate formula may be adjusted beginning June 15, 2017. The loan agreement is collateralized by a real estate mortgage on the project and other specified campus property. The loan agreement provides for certain covenants including financial ratios.

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the University entered into an interest rate swap agreement for the full amount of the loan. The agreement provides for the University to receive interest from the counterparty at 70% of one-month LIBOR plus 2.10% and to pay interest to the counterparty at a fixed rate of 4.15% on the outstanding loan balance. Under the agreement, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap terminates July 1, 2017. At June 30, 2012 and 2011, the fair value of the swap agreement was a liability of approximately $1,053,000 and $429,000, respectively.

(C) The loan agreement dated October 31, 2002 was amended on March 1, 2012 with the refunding and reissuance of outstanding bonds totaling $2,924,672. The bond relates to the acquisition, construction, equipping and furnishing of a new student housing facility and related housing facility improvements including, but not limited to, parking and general improvements to the facilities and campus of the University. Interest and principal are payable monthly, the loan agreement has a variable interest rate indexed to 70% of one month LIBOR plus 2.10% which is reset monthly (2.27% as of June 30, 2012) and matures on October 15, 2022. The loan agreement is collateralized by a real estate mortgage on the project and other specified campus property. The loan agreement provides for certain covenants, including financial ratios, as specified in the continuing covenant agreement dated March 15, 2012.

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, on March 14, 2012 the University entered into an interest rate swap agreement for the full amount of the loan. The agreement was effective March 15, 2012 and provides for the University to receive interest from the counterparty at 70% of one-month LIBOR plus 2.10% and to pay interest to the counterparty at a fixed rate of 3.66% on the outstanding loan balance. Under the agreement, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap terminates October 1, 2022. At June 30, 2012, the fair value of the swap agreement was a liability of approximately $111,000.

(D) The loan agreement dated May 1, 2012 and maturing October 1, 2035 relates to the construction, improving and equipping of an addition to an existing student residence hall and related campus improvements including, but not limited to, parking and general improvements to the facilities and campus of the University. Interest is payable monthly, and principal is payable annually beginning October 1, 2013. The loan agreement has a variable interest rate indexed to 70% of one-month LIBOR plus 2.10% which is reset monthly (2.27% as of June 30, 2012). The variable rate formula may be adjusted beginning October 1, 2022. The loan agreement is collateralized by a real estate mortgage and security agreement dated May 9, 2012. The loan agreement provides for certain covenants, including financial ratios, as specified in the continuing covenant agreement dated March 15, 2012.

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, on April 30, 2012 the University entered into an interest rate swap agreement for the full amount of the loan. The agreement was effective May 9, 2012 and provides for the University to receive interest from the counterparty at 70% of one-month LIBOR plus 2.10% and to pay interest to the counterparty at a fixed rate of 3.75% on the outstanding loan balance. Under the agreement, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap terminates October 1, 2022. At June 30, 2012, the fair value of the swap agreement was a liability of approximately $382,000.

(E) On August 9, 2007, the University purchased a house on contract for $100,000. The note is for 5 years at 6%, with the final payment due on September 1, 2012. Subsequent to year end the note was paid in full.

(F) The promissory notes relate to the acquisition of property adjacent to campus. The promissory notes were paid in full during the year ended June 30, 2012.

Interest expense totaled approximately $2,000,000 and $1,500,000, respectively, for each of the years ended June 30, 2012 and 2011 under these obligations. The University capitalizes interest as a component of the cost of construction in progress. Interest of approximately $78,000 and $639,000 was capitalized during the years ended June 30, 2012 and 2011, respectively.

Maturities of notes and bonds payable for the years ending June 30 are approximately: 2013 $858,000; 2014 $887,000; 2015 $1,031,000; 2016 $1,175,000; 2017 $1,325,000 and thereafter, $46,215,000.

The University has a $5,000,000 line of credit with a bank with an expiration date of May 9, 2013. No borrowings were outstanding at June 30, 2012 and 2011. The interest rate on this line of credit is 0.5% below the prime rate with a 4.0% floor (4.0% at June 30, 2012). Interest expense incurred for the years ended June 30, 2012 and 2011 under the line of credit totaled approximately none and $11,000, respectively.

The University had a $300,000 line of credit with $232,761 outstanding at June 30, 2011. The line of credit was reduced to $232,761 in August 2011 and was paid in full and terminated in September 2011.

Note 7. Retirement Plans

The University has a defined contribution plan covering academic and nonacademic personnel. The University also participates in the defined contribution plans of the Evangelical Lutheran Church in America for its clergy personnel. Retirement plan expense for the years ended June 30, 2012 and 2011 totaled approximately $862,000 and $777,000, respectively.

The University also provides employees the opportunity to defer current compensation under both a 403(b) and a 457(b) plan. Although the University makes no contributions to these plans, the 457(b) plan assets and related liability to employees totaled approximately $244,000 and $221,000 at June 30, 2012 and 2011, respectively, are included on the University's statement of financial position.

Note 8. Endowment Fund and Net Asset Classifications

The University's Endowment Fund consists of various donor restricted endowment funds and funds designated as endowment, quasi-endowment, by the Board of Trustees. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the 2008 Iowa legislature as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Grand View University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the State of Iowa in its enacted version of UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the Endowment Fund; (2) the purposes of the University and the donor-restricted Endowment Fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the University; and (7) the investment policies of the University.

The University has adopted investment and spending policies for its Endowment Fund. The objective of these policies is to provide the University a predictable funding stream for its programs while protecting the purchasing power of the Endowment Fund. To satisfy its long-term rate-of-return objective, the University expects to maintain appropriate diversification among equity, fixed income, and alternative investment allocations as stipulated by its investment policy. The purpose is to moderate the overall investment risk of the Endowment Fund.

The Board of Trustees of Grand View University may appropriate for expenditure or accumulate so much of the Endowment Fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the Endowment Fund is established. The amount appropriated, the spending policy, is a Board approved percentage applied to the average fair value of the endowment fund assets during the prior three year period. In cases where the fair value of endowment fund assets fall below the original value of the gifts donated to the permanent endowment, the Board has determined that no funds shall be appropriated. The Board approved spending percentage was 4.5% of a three year moving average of endowment assets for the fiscal years ended June 30, 2012 and 2011.

Endowment net assets as of June 30, 2012 were as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds:				
Instruction and operational support	**$ -**	**$ 1,947,102**	**$ 4,300,458**	**$ 6,247,560**
Student scholarships and services	**(2,503)**	**1,083,788**	**5,000,445**	**6,081,730**
Institutional support	**-**	**168,076**	**42,637**	**210,713**
Academic support	**-**	**98,588**	**100,000**	**198,588**
General endowment	**-**	**2,278,859**	**322,499**	**2,601,358**
Board-designated (quasi) endowment funds:				
Instruction and operational support	**1,094,259**	**-**	**-**	**1,094,259**
Total endowment funds	**$ 1,091,756**	**$ 5,576,413**	**$ 9,766,039**	**$ 16,434,208**

Endowment net assets as of June 30, 2011 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Instruction and operational support	$ -	$ 2,069,682	$ 3,807,556	$ 5,877,238
Student scholarships and services	(1,030)	1,366,523	3,964,436	5,329,929
Institutional support	-	169,763	37,312	207,075
Academic support	-	103,688	100,000	203,688
General endowment	-	2,407,335	316,358	2,723,693
Board-designated (quasi) endowment funds:				
Instruction and operational support	1,172,589	-	-	1,172,589
Total endowment funds	$ 1,171,559	$ 6,116,991	$ 8,225,662	$ 15,514,212

The changes in endowment net assets for the year ended June 30, 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 1,171,559**	**$ 6,116,991**	**$ 8,225,662**	**$ 15,514,212**
Investment return:				
Investment income	**34,752**	**429,922**	**-**	**464,674**
Net appreciation/(depreciation) (realized and unrealized)	**(70,492)**	**(549,383)**	**-**	**(619,875)**
Total investment return	**(35,740)**	**(119,461)**	**-**	**(155,201)**
Contributions	**-**	**-**	**1,540,377**	**1,540,377**
Appropriation of endowment funds for expenditure	**(44,063)**	**(421,117)**	**-**	**(465,180)**
Endowment net assets, end of year	**$ 1,091,756**	**$ 5,576,413**	**$ 9,766,039**	**$ 16,434,208**

The changes in endowment net assets for the year ended June 30, 2011 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 923,539	$ 3,888,421	$ 8,215,471	$ 13,027,431
Investment return:				
Investment income	36,707	435,661	-	472,368
Net appreciation/(depreciation) (realized and unrealized)	222,835	2,096,655	-	2,319,490
Total investment return	259,542	2,532,316	-	2,791,858
Contributions	30,464	-	10,191	40,655
Appropriation of endowment funds for expenditure	(41,986)	(303,746)	-	(345,732)
Endowment net assets, end of year	$ 1,171,559	$ 6,116,991	$ 8,225,662	$ 15,514,212

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration, underwater endowments. As of June 30, 2012 and 2011, $2,503 and $1,030, respectively, or 0.02% and 0.01%, respectively, of the University's donor restricted endowment funds were underwater. This amount is reported in unrestricted net assets. These deficiencies, which the University believes are temporary, resulted from unfavorable market fluctuations. The Board determined that continued appropriation during fiscal years ended June 30, 2012 and 2011 for certain programs was prudent.

Note 9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2012 and 2011:

	2012	2011
Gifts and other unexpended amounts available for:		
Instruction and operational support	**$ 2,060,356**	$ 2,148,185
Student scholarships and services	**1,777,189**	2,042,504
Purchase or renovation of property and equipment	**1,627,583**	1,426,528
Institutional support	**2,701,550**	2,866,662
	8,166,678	8,483,879
Time restrictions	**12,487,780**	12,625,449
	$ 20,654,458	$ 21,109,328

Permanently restricted net assets consist of endowment funds for which the income is restricted for the following at June 30, 2012 and 2011:

	2012	2011
Instruction and operational support	**$ 4,300,458**	$ 3,807,556
Student scholarships and services	**5,000,445**	3,964,435
Institutional support	**42,637**	37,312
Academic support	**100,000**	100,000
General endowment	**322,499**	316,359
	$ 9,766,039	$ 8,225,662

Note 10. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors and appropriated by the University for the years ended June 30, 2012 and 2011 as follows:

	2012	2011
Instruction and operational support	$ 148,141	$ 184,882
Student scholarships and services	838,460	673,045
Purchase or renovation of property and equipment	73,895	177,499
Institutional support	151,383	49,946
	1,211,879	1,085,372
Time restrictions, primarily depreciation	426,254	446,474
	$ 1,638,133	$ 1,531,846

Note 11. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Authoritative accounting guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative accounting guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

There have been no changes in valuation techniques used for any assets or liabilities measured at fair value during the year ended June 30, 2012.

Financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2012 and 2011 are as follows:

	June 30, 2012			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments:				
Equity mutual funds:				
US - large cap	**$ 3,903,240**	**$ 3,903,240**	**$ -**	**$ -**
Non-US - large cap	**3,360,176**	**3,360,176**	**-**	**-**
Emerging markets	**1,325,113**	**1,325,113**	**-**	**-**
Fixed income mutual funds:				
US - total return	**3,547,071**	**3,547,071**	**-**	**-**
Non-US - total return	**1,105,085**	**1,105,085**	**-**	**-**
Absolute return mutual fund	**1,617,939**	**1,617,939**	**-**	**-**
Global real assets mutual fund	**1,015,872**	**1,015,872**	**-**	**-**
Municipal bonds	**818,160**	**-**	**818,160**	**-**
	$ 16,692,656	**$ 15,874,496**	**$ 818,160**	**$ -**
Liability, interest rate swaps	**$ 1,545,612**	**$ -**	**$ 1,545,612**	$ -

	June 30, 2011			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Equity mutual funds:				
US - large cap	$ 4,063,602	$ 4,063,602	$ -	$ -
Non-US - large cap	3,382,261	3,382,261	-	-
Emerging markets	1,115,358	1,115,358	-	-
Fixed income mutual funds:				
US - total return	3,794,571	3,794,571	-	-
Non-US - total return	707,433	707,433	-	-
Absolute return mutual fund	1,564,413	1,564,413	-	-
Global real assets mutual fund	751,982	751,982	-	-
Municipal bonds	1,135,513	-	1,135,513	-
Other	1,061	1,061	-	-
	$ 16,516,194	$ 15,380,681	$ 1,135,513	$ -
Liability, interest rate swap	$ 428,983	$ -	$ 428,983	$ -

During the year ended June 30, 2012, the University did not make significant transfers between Level 1, 2 or 3 assets and liabilities.

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available in an active market (Level 1). If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow (Level 2).

The interest rate swaps are valued using a discounted cash flow model that uses verifiable yield curve inputs to calculate the fair value and is classified within Level 2 of the valuation hierarchy. This method is not dependent on the input of any significant judgments or assumptions by management.

Authoritative accounting guidance also requires disclosures of the fair value of financial instruments whether or not recognized in the statement of financial position. Fair value is determined under the framework established above. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements.

Cash and cash equivalents, money market funds, student and other receivables, unexpended bond proceeds, debt service reserve fund and accounts payable: The carrying amount approximates fair value because of the short maturity of those instruments.

Contributions receivable: The carrying amount approximates fair value as they are discounted to present value based on rates commensurate with the risks involved.

Loans to students and advances from federal government for student loans and grants: Determining the fair value of loans to students and advances from federal government for student loans and grants is not practicable due to the unique nature of these instruments.

Notes and bonds payable: The carrying amount of notes and bonds payable approximates fair value as borrowing rates currently available to the University for similar instruments are consistent with existing terms.

Line of credit: The carrying amount of line of credit approximates fair value because of the short-term nature and variable rates of those instruments.

Note 12. Commitments

The University has entered into various leases for automobiles and equipment, accounted for as operating leases. Rental expense for the years ended June 30, 2012 and 2011 totaled approximately $67,000 and $115,000, respectively. Future minimum rental payments are as follows: 2013 $27,000; 2014 $15,000; 2015 $11,000 and 2016 $11,000.

The University has entered into four construction contracts with two general contractors totaling approximately $4,918,000 for construction of a new student housing facility and additional parking lots. As of June 30, 2012, approximately $205,000 of construction costs has been incurred on the contracts.