

**ST. OLAF COLLEGE EMERITI RETIREE
HEALTH PLAN**

Northfield, Minnesota

December 31, 2008 and 2007

FINANCIAL STATEMENTS

Including Independent Auditors' Report

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

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INDEPENDENT AUDITORS' REPORT

To the Plan Administrator
St. Olaf College Emeriti Retiree Health Plan
Northfield, Minnesota

We were engaged to audit the accompanying statements of net assets available for benefits of St. Olaf College Emeriti Retiree Health Plan (the Plan) as of December 31, 2008 and 2007 and the related statement of changes in net assets available for benefits for the year ended December 31, 2008, and the supplemental schedules, as listed in the table of contents, as of and for the year ended December 31, 2008. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 5, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained certifications from the trustee as of December 31, 2008 and 2007, and for the year ended December 31, 2008, that the information provided to the Plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
July 14, 2009

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Investments, at fair value:		
Money market	\$ 216,282	\$ 161,053
Mutual funds	<u>1,454,548</u>	<u>1,181,745</u>
Total investments	<u>1,670,830</u>	<u>1,342,798</u>
Receivables:		
Employer contributions	-	38,808
Participant contributions	<u>-</u>	<u>3,746</u>
Total receivables	<u>-</u>	<u>42,554</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 1,670,830</u>	<u>\$ 1,385,352</u>

See accompanying notes to financial statements.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS Year Ended December 31, 2008

ADDITIONS

Additions to net assets attributed to:

Investment income

Interest and dividends

\$ 91,113

Total investment income

91,113

Contributions

Employer

1,058,656

Participant

269,935

Total contributions

1,328,591

Total additions

1,419,704

DEDUCTIONS

Deductions from net assets attributed to:

Benefits paid on behalf of participants

69,952

Insurance premiums

438,249

Net depreciation in fair value

561,283

Administrative expenses

64,742

Total deductions

1,134,226

NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS

285,478

NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR

1,385,352

NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR

\$ 1,670,830

See accompanying notes to financial statements.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

NOTE 1 - Description of the Plan

The following description of the St. Olaf College Emeriti Retiree Health Plan Plan (the "Plan") provides only general information. Participants should refer to the St. Olaf College Emeriti Retiree Health Plan summary plan description for a more complete description of the Plan's provisions.

General

The Plan, as effective January 1, 2006, provides post-retirement health benefits, covering the employees of St. Olaf College (the Plan Sponsor) and their covered dependents. The Plan is a defined contribution health model plan that is funded through a Voluntary Employees' Beneficiary Association (VEBA) designed in part by Emeriti Retirement Health Solutions, a not-for-profit company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Certain retired participants receive contributions into their accounts based on their age at retirement, length of service, and year of retirement from the Plan Sponsor. Participants, including those no longer employed by the Plan Sponsor may make after-tax contributions into an account, provided the account maintains a positive balance. Once an eligible participant attains the age of 39, the Plan Sponsor will begin to make a contribution for each payroll period during which the participant is credited with at least one hour of service.

Participant Accounts

Participant accounts are credited with contributions, plus earnings and interest, less administrative expenses not paid by the Plan Sponsor.

Vesting and Forfeiture

Participants are immediately vested in Plan Sponsor contributions.

All assets in the Emeriti Retiree Health Account are forfeitable upon the last to die (or reach majority) of the participant, spouse (or dependent domestic partner), dependent children and dependent relatives. This only refers to forfeitures at termination of employment. Fidelity will transfer the forfeitable balance to the forfeiture account at the direction of the Plan Sponsor. The employee after-tax source is 100% non-forfeitable immediately.

Benefits

The Plan provides certain health benefits to retired participants of the Plan. Retirees age 65 or older may elect an Emeriti Health Insurance option. Residents of Minnesota may choose a HealthPartners plan, residents outside of Minnesota may choose an AETNA plan. Both plans have the option for prescription coverage. Participants must enroll within 90 days of attaining age 65. The spouse of a retiree may also enroll in health coverage if age 65 or older. Monthly insurance premiums are incurred by the selection of a health insurance option and are deducted from the participants' VEBA account. If the participants' account is exhausted, participants may retain coverage under the Emeriti Health Insurance option by paying insurance premiums directly from a personal checking or savings account. COBRA is available for dependents of retirees who lose eligibility.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

NOTE 1 - Description of the Plan (continued)

A participant is eligible for reimbursement benefits payable from the non-forfeitable balance in their VEBA account upon the date the participant ceases to be employed and attains age 55. Retirees who have a balance in their VEBA account are immediately eligible for reimbursement. Participants may submit qualified medical expenses claim forms along with the required documentation for reimbursement. In the event of the death of a participant, the dependent named on the account may submit qualified medical expenses for reimbursement until the account is exhausted.

Special Benefit Circumstances

If the participant ceases to be employed by the Plan Sponsor prior to attaining age 55 and the aggregate balance of the VEBA Account is less than \$5,000 then the participant is immediately eligible to use the VEBA accounts for qualified medical expenses.

If the participant has a terminal illness or injury expense, the participant is immediately eligible to use the VEBA account for qualified medical expenses.

If the participant and/or eligible dependents have incurred medical expenses during a single 12-month period which exceeds \$15,000, the participant is immediately eligible to use the VEBA accounts for qualified medical expenses for any amount greater than \$15,000.

Termination of Plan

Although it has not expressed any intent to do so, the Plan Sponsor has the right under the Plan to terminate the Plan at any time subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

Participant Loans

There are no participant loans allowed under the Plan.

Administrative Expenses

The Plan Sponsor pays a portion of the Plan's administrative expenses.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of the financial statements in conformity with accounting principals generally accepted in the United States of America requires the plan's management to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 2 - Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

The Plan's investments are valued at fair value using quoted market prices.

Net depreciation of investments included in the accompanying statement of changes in net assets available for benefits includes realized gains or losses from the sale of investments and unrealized appreciation or depreciation in fair value of investments. Net unrealized appreciation or depreciation in the fair value of investments represents the net change in the fair value of the investments held during the year. The net realized gains or losses on the sale of investments represents the difference between the sale proceeds and the fair value of the investment as of the beginning of the year or the cost of the investment if purchased during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Payment of Benefits

Benefits are recorded when paid.

NOTE 3 - Investments

The following investments represent 5% or more of the Plan's net assets available for benefits as of December 31:

	2008	2007
Fidelity Freedom 2015	\$ 331,705	\$ 276,745
Fidelity Freedom 2020	316,119	266,627
Fidelity Freedom 2010	295,738	230,314
Fidelity Freedom 2025	222,395	190,267
Fidelity Retirement Money Market	216,282	161,053
Fidelity Freedom 2030	94,311	*

* Investment represents less than 5% of the Plan's net assets available for benefits.

All investments are with the Plan's Trustee, Fidelity Management Trust Company.

During the year ended December 31, 2008, the Plan's investments (including gains and losses on investments bought, sold, and held during the year) depreciated in value by \$561,283.

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of net assets available for benefits. Plan investments are not insured by FDIC or similar loss coverage.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 4 - Fair Value of Financial Instruments

As defined in SFAS No. 157, 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 at the measurement date. In determining fair value, the Plan used various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Plan attempts to utilize valuation methods that maximize the use of observable inputs and minimized the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Plan is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2008:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
INVESTMENTS				
Money market funds	\$ 216,282	\$ 216,282	\$ -	\$ -
Mutual funds	<u>1,454,548</u>	<u>1,454,548</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 1,670,830</u>	<u>\$ 1,670,830</u>	<u>\$ -</u>	<u>\$ -</u>

The following assumptions were used to estimate the fair value of each class of financial instrument:

Money market funds – The carrying values of money market funds approximate fair value due to the short term nature of the securities.

Mutual funds – Mutual funds are classified as Level 1 because they are traded in an active market for which closing prices are readily available.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 5 - Information Prepared and Certified by Trustee - Unaudited

The trustee has certified that the following information included in the accompanying financial statements and supplemental schedule is complete and accurate:

- a. Net assets available for benefits at December 31, 2008 and 2007 as they relate to investments held by Trustee.
- b. Changes in net assets available for benefits as they relate to investments held by the trustee for the year ended December 31, 2008.
- c. Assets held at December 31, 2008.

NOTE 6 - Parties-In-Interest

Certain plan investments are shares of mutual funds managed by the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for the investment management services amounted to \$25,788 for the year ended December 31, 2008.

NOTE 7 - Tax Status

The Internal Revenue Service ruled in letters dated May 31, 2007 that the trusts established under the Plan qualify under Section 501(c)(9) of the Internal Revenue Code (IRC) and, therefore, the trusts are not subject to tax under present income tax law. The Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan administrator is not aware of any events that have occurred that might adversely affect the Plan's qualified status.

NOTE 8 - Prohibited Transaction

During 2008, the Plan Sponsor failed to remit one employee contribution file to the Plan on a timely basis, which is a prohibited transaction under ERISA. The Plan Sponsor has calculated the lost earnings to the participants, which totaled \$5, and has contributed that amount to the Plan in order to correct the prohibited transaction.

SUPPLEMENTAL INFORMATION

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

SCHEDULE H LINE 4I: SCHEDULE OF ASSETS (HELD AT END OF YEAR)

Plan 513

EIN 41-0693979

December 31, 2008

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
*	Fidelity Retirement Money Market	Money Market	**	\$ 216,282
*	Fidelity Freedom Income Fund	Mutual Fund	**	75,159
*	Fidelity Freedom 2000	Mutual Fund	**	20,802
*	Fidelity Freedom 2005	Mutual Fund	**	52,463
*	Fidelity Freedom 2010	Mutual Fund	**	295,738
*	Fidelity Freedom 2015	Mutual Fund	**	331,705
*	Fidelity Freedom 2020	Mutual Fund	**	316,119
*	Fidelity Freedom 2025	Mutual Fund	**	222,395
*	Fidelity Freedom 2030	Mutual Fund	**	94,311
*	Fidelity Freedom 2035	Mutual Fund	**	562
*	Fidelity Freedom 2040	Mutual Fund	**	<u>45,294</u>
				<u>\$ 1,670,830</u>

* Represents a party in interest

** Cost omitted for participant directed investments

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

SCHEDULE G PART III - SCHEDULE OF NONEXEMPT TRANSACTIONS

PLAN 513

EIN 41-0693979

Year Ended December 31, 2008

(a) Identity of party involved	(b) Relationship to plan, employer or other party-in-interest	(c) Description to transactions including maturity date, rate of interest, collateral, par or maturity value	(d) Current value of transaction
St. Olaf College	Plan Sponsor	The Plan sponsor submitted participant contributions to the Plan later than reasonably possible after the close of the pay period.	\$ 3,829