

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

Northfield, Minnesota

December 31, 2007 and 2006

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, 2007 and 2006 and the related statement of changes in net assets available for benefits for the year ended December 31, 2007, and the supplemental schedule as of December 31, 2007. These financial statements and supplemental schedule 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 4, 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 schedule. 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, 2007 and 2006, and for the year ended December 31, 2007, 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 schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, 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.

Virchow Krause & Company, LLP

Minneapolis, Minnesota
October 9, 2008

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Investments, at fair value:		
Money market	\$ 161,053	\$ 95,040
Mutual funds	<u>1,181,745</u>	<u>574,472</u>
Total investments	<u>1,342,798</u>	<u>669,512</u>
Receivables:		
Employer contributions	38,808	30,744
Participant contributions	<u>3,746</u>	<u>3,796</u>
Total receivables	<u>42,554</u>	<u>34,540</u>
 NET ASSETS AVAILABLE FOR BENEFITS	 <u>\$ 1,385,352</u>	 <u>\$ 704,052</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, 2007

ADDITIONS

Additions to net assets attributed to:

Investment income

Net appreciation in fair value of investments \$ 1,848

Interest and dividends 63,858

Total investment income 65,706

Contributions

Employer 912,581

Participant 245,520

Total contributions 1,158,101

Total additions 1,223,807

DEDUCTIONS

Deductions from net assets attributed to:

Benefits paid on behalf of participants 481,677

Administrative expenses 60,830

Total deductions 542,507

NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS 681,300

NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR 704,052

NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR \$ 1,385,352

See accompanying notes to financial statements.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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 and individual after-tax contributions. Funds become available for employee insurance premiums and other qualified medical expenses upon retirement of the participant. After the death of the participant, spouse, and covered dependents, any remaining participant balance is forfeited to the Plan.

Benefits

The Plan provides certain health benefits to retired participants of the Plan. Retirees may elect an Emeriti Health Insurance Option as a retiree in the Plan after attaining the age of 55, and having completed 5 years of consecutive service to the Plan Sponsor. The two general types of options for health insurance coverage include a Pre-65 option and Post-65 options, based on the participants' age. Post-65 retirement options include prescription drug coverage, and participants must enroll within 90 days of attaining the age of 65. Monthly insurance premiums are incurred by the selection of a Health Insurance Option are deducted from the participant's VEBA account. If the participant 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.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

NOTES TO FINANCIAL STATEMENTS December 31, 2007 and 2006

NOTE 1 - Description of the Plan (cont.)

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

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.

Investment Valuation and Income Recognition

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

Net appreciation 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.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

NOTES TO FINANCIAL STATEMENTS December 31, 2007 and 2006

NOTE 3 - Investments

The following investments represent 5% or more of the Plan's net assets available for benefits as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Fidelity Freedom 2015	\$ 276,745	\$ 140,608
Fidelity Freedom 2020	266,627	127,629
Fidelity Freedom 2010	230,314	105,756
Fidelity Freedom 2025	190,267	89,870
Fidelity Retirement Money Market	161,053	95,040
Fidelity Freedom Income Fund	*	41,895

* 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, 2007, the Plan's investments (including gains and losses on investments bought, sold, and held during the year) appreciated in value by \$1,848.

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.

NOTE 4 - 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, 2007 and 2006 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, 2007.
- c. Assets held at December 31, 2007.

NOTE 5 - 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 \$60,830 for the year ended December 31, 2007.

ST. OLAF COLLEGE EMERITI RETIREE HEALTH PLAN

NOTES TO FINANCIAL STATEMENTS December 31, 2007 and 2006

NOTE 6 - 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 7 - Subsequent Event

Subsequent to the date of the statement of net assets available for benefits, the equity markets have seen a significant decline in value. It is highly likely that the values of the investments in the Plan have decreased by material amounts during 2008.

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, 2007

(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	**	\$ 161,053
*	Fidelity Freedom Income Fund	Mutual Fund	**	64,142
*	Fidelity Freedom 2000	Mutual Fund	**	13,829
*	Fidelity Freedom 2005	Mutual Fund	**	42,606
*	Fidelity Freedom 2010	Mutual Fund	**	230,314
*	Fidelity Freedom 2015	Mutual Fund	**	276,745
*	Fidelity Freedom 2020	Mutual Fund	**	266,627
*	Fidelity Freedom 2025	Mutual Fund	**	190,267
*	Fidelity Freedom 2030	Mutual Fund	**	57,075
*	Fidelity Freedom 2035	Mutual Fund	**	83
*	Fidelity Freedom 2040	Mutual Fund	**	<u>40,057</u>
				<u>\$ 1,342,798</u>

* Represents a party in interest

** Cost omitted for participant directed investments