BELOIT COLLEGE

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended May 31, 2012 and 2011

BELOIT COLLEGE
NOTES TO
FINANCIAL STATEMENTS

As of and for the Years Ended May 31, 2012 and 2011

ERRATA

Note 10: Derivative Instruments

Replace with: In fiscal 2012, the College recognized $5,210,372 and $1,481,805 in 2011, respectively, in expenses reflective of the change in fair value of the interest rate swap fees paid during the year.

Note 15: Retirement Plans

Replace with: Administrative employees and faculty members working 1000 hours or more annually are eligible to participate in individual annuity retirement programs through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund.

Note 16: Self Insurance

Replace with: Provisions of the plan require that the College be self-insured to the extent of the first $70,000 in annual major medical benefits per participant.

BELOIT COLLEGE

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As of and for the Years Ended May 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Beloit College
Beloit, Wisconsin

We have audited the accompanying statements of financial position of Beloit College (the "College") as of May 31, 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 College'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously present fairly, in all material respects, the financial position of Beloit College as of May 31, 2012 and 2011, 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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
December 12, 2012

BELOIT COLLEGE

STATEMENTS OF FINANCIAL POSITION
As of May 31, 2012 and 2011

ASSETS

	2012	2011
Cash and cash equivalents	$ 8,049,070	$ 10,173,556
Contributions receivable, net	5,443,365	4,820,895
Accounts receivable, net	913,195	1,448,493
Inventories	52,385	72,666
Prepaid expenses and other assets	163,623	419,919
Cash surrender value of life insurance	18,967	18,784
Student loans receivable, net	8,238,274	8,378,195
Investments	115,134,619	118,451,635
Restricted bond proceeds	-	1,809,948
Bond issuance costs, net	936,321	972,177
Original bond issue discount	335,993	348,437
Funds held in trust by others	655,808	652,917
Beneficial interest in perpetual trusts	2,359,084	2,591,178
Property, plant, and equipment, net	78,374,619	78,941,493
TOTAL ASSETS	$ 220,675,323	$ 229,100,293

LIABILITIES AND NET ASSETS

	2012	2011
LIABILITIES		
Accounts payable and other accrued expenses	$ 3,759,003	$ 4,000,655
Student deposits and other liabilities	562,726	1,040,606
Deferred tuition and fees	89,967	210,821
Beneficiary payable	48,762	56,153
Annuities payable	2,890,089	3,114,478
Deferred support under split interest agreements	63,136	79,404
Bond issue premium	108,304	112,316
Derivative liability	9,892,204	5,770,118
Asset retirement obligation	-	43,000
Long-term debt	58,540,000	58,640,000
Henry Strong Foundation advances refundable	88,174	85,566
U.S. government advances refundable	2,525,140	2,519,706
Funds held in custody for others	669,366	648,828
Total Liabilities	79,236,871	76,321,651
NET ASSETS		
Unrestricted	45,821,196	57,112,089
Temporarily restricted	21,520,964	22,486,666
Permanently restricted	74,096,292	73,179,887
Total Net Assets	141,438,452	152,778,642
TOTAL LIABILITIES AND NET ASSETS	$ 220,675,323	$ 229,100,293

See accompanying notes to financial statements.

BELOIT COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2012
(with comparative May 31, 2011 totals)

	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2011 Total
REVENUES, GAINS, AND OTHER ADDITIONS					
Tuition and Fees	$ 45,758,959	$ -	$ -	$ 45,758,959	$ 44,422,292
Less: Funded student financial assistance	(1,785,951)	-	-	(1,785,951)	(1,716,091)
Less: Unfunded student financial assistance	(21,306,416)	-	-	(21,306,416)	(20,532,598)
Net tuition and fees	22,666,592	-	-	22,666,592	22,173,603
Government grants	420,362	-	-	420,362	427,043
Government contracts	1,349,801	-	-	1,349,801	1,629,509
Contributions	3,277,815	4,777,029	1,642,785	9,697,629	8,185,228
Investment income (loss)	(2,848,283)	122,926	7,174	(2,718,183)	16,558,889
Other sources	1,029,479	6,580	7,016	1,043,075	838,381
Auxiliary enterprises	8,297,525	-	-	8,297,525	8,264,890
Change in value of split interest agreements	57,216	(45,806)	(387,510)	(376,100)	718,724
Change in value of beneficial interest in perpetual trust agreements	-	-	(232,094)	(232,094)	312,182
Gain (loss) on disposal of fixed assets	(12,520)	-	-	(12,520)	230
Other adjustments	-	-	-	-	3,347
Net asset reclassification	75,040	45,926	(120,966)	-	-
Net assets released from restrictions	5,872,357	(5,872,357)	-	-	-
Total Revenues, Gains, and Other Additions	40,185,384	(965,702)	916,405	40,136,087	59,112,026
EXPENSES					
Instruction	23,477,562	-	-	23,477,562	19,177,369
Institutional support	9,294,451	-	-	9,294,451	8,236,627
Auxiliary enterprises	6,477,515	-	-	6,477,515	6,560,729
Student services	6,920,033	-	-	6,920,033	6,540,879
Academic support	4,667,900	-	-	4,667,900	4,563,336
Public service	570,099	-	-	570,099	549,950
Research	68,717	-	-	68,717	68,777
Scholarships, grants, and prizes	-	-	-	-	18,039
Total Expenses	51,476,277	-	-	51,476,277	45,715,706
Change in Net Assets	(11,290,893)	(965,702)	916,405	(11,340,190)	13,396,320
NET ASSETS - Beginning of Year	57,112,089	22,486,666	73,179,887	152,778,642	139,382,322
NET ASSETS - END OF YEAR	$ 45,821,196	$ 21,520,964	$ 74,096,292	$ 141,438,452	$ 152,778,642

See accompanying notes to financial statements.

BELOIT COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER ADDITIONS				
Tuition and Fees	$ 44,422,292	$ -	$ -	$ 44,422,292
Less: Funded student financial assistance	(1,716,091)	-	-	(1,716,091)
Less: Unfunded student financial assistance	(20,532,598)	-	-	(20,532,598)
Net tuition and fees	22,173,603	-	-	22,173,603
Government grants	427,043	-	-	427,043
Government contracts	1,629,509	-	-	1,629,509
Contributions	2,963,465	4,147,397	1,074,366	8,185,228
Investment income	9,606,301	6,945,984	6,604	16,558,889
Other sources	831,793	-	6,588	838,381
Auxiliary enterprises	8,264,890	-	-	8,264,890
Change in value of split interest agreements	(19,791)	283,691	454,824	718,724
Change in value of beneficial interest in perpetual trust agreements	-	-	312,182	312,182
Gain on disposal of fixed assets	230	-	-	230
Other adjustments	-	3,884	(537)	3,347
Net asset reclassification	(22,684)	(40,525)	63,209	-
Net assets released from restrictions	15,117,064	(15,117,064)	-	-
Total Revenues, Gains, and Other Additions	60,971,423	(3,776,633)	1,917,236	59,112,026
EXPENSES				
Instruction	19,177,369	-	-	19,177,369
Institutional support	8,236,627	-	-	8,236,627
Auxiliary enterprises	6,560,729	-	-	6,560,729
Student services	6,540,879	-	-	6,540,879
Academic support	4,563,336	-	-	4,563,336
Public service	549,950	-	-	549,950
Research	68,777	-	-	68,777
Scholarships, grants, and prizes	18,039	-	-	18,039
Total Expenses	45,715,706	-	-	45,715,706
Change in Net Assets	15,255,717	(3,776,633)	1,917,236	13,396,320
NET ASSETS - Beginning of Year	41,856,372	26,263,299	71,262,651	139,382,322
NET ASSETS - END OF YEAR	$ 57,112,089	$ 22,486,666	$ 73,179,887	$ 152,778,642

See accompanying notes to financial statements.

BELOIT COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (11,340,190)	$ 13,396,320
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	3,629,939	3,500,748
Amortization of deferred bond issuance costs	35,856	35,856
Amortization of bond premium	(4,012)	(4,011)
Amortization of bond discount	12,444	12,445
Increase (decrease) in the allowance for doubtful accounts	3,899	(29,455)
Increase (decrease) in allowance for uncollectible loans	121,958	(52,345)
Increase (decrease) in allowance for uncollectible contributions receivable	97,226	(135,813)
Increase in fair value of derivative liability	4,122,086	187,649
Contributed investments	(1,203,661)	(2,064,877)
Contributions restricted for long-term investment	(1,642,785)	(1,008,769)
Contributed property	-	(7,254,486)
Interest, dividends, and other net gains/losses restricted for long term investment	(7,174)	(1,141,692)
(Increase) decrease in value of split-interest agreements and beneficial interests in perpetual trusts	467,909	(961,526)
Net unrealized (gain) loss on investments	4,177,529	(11,498,986)
Net realized (gain) loss on investments	1,062,077	(3,020,403)
(Gain) loss on dispositions of property, plant and equipment	12,520	(230)
(Increases) decreases in		
Contributions receivable, net	(657,266)	8,919,759
Accounts receivable, net	531,399	25,142,311
Inventories	20,281	(7,865)
Prepaid expenses and other assets	256,296	(287,990)
Beneficial interest in perpetual trusts	232,094	(312,183)
Funds held in trust by others	(2,891)	(121,016)
Increases (decreases) in		
Accounts payable and other accrued expenses	(230,258)	(164,030)
Student deposits and other liabilities	(477,880)	597,425
Deferred tuition and fees	(120,854)	(242,455)
Beneficiary payable	(7,391)	(123)
Annuities payable	(224,389)	80,588
Deferred support under split-interest agreements	(16,268)	(56,717)
Asset retirement obligation	(43,000)	43,000
Funds held in custody for others	20,538	15,989
Net Cash Flows from Operating Activities	(1,173,968)	23,567,118
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,101,234)	(2,307,309)
Purchases of investments	(8,073,117)	(162,817,701)
Proceeds from sales of investments	6,886,279	128,469,047
Proceeds from sales of property and equipment	14,255	20,862
Disbursements of loans to students	(920,564)	(1,230,017)
Repayments of loans by students	938,527	1,112,106
(Increase) decrease in the cash surrender value of life insurance	(183)	169,119
Decrease in restricted bond proceeds	1,809,948	1,175,120
Net Cash Flows from Investing Activities	(2,446,089)	(35,408,773)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal on long-term debt	$ (100,000)	$ -
Cash payments for bond issuance costs	-	(19,380)
Contributions received for investment in endowment	1,580,355	2,099,226
Interest, dividends and other gains restricted for reinvestment	7,174	1,141,692
(Increase) decrease in U.S. government grants refundable, net	5,434	(34,718)
Increase (decrease) in Henry Strong Foundation advances refundable, net	2,608	(9,889)
Net Cash Flows from Financing Activities	1,495,571	3,176,931
Net Change in Cash and Cash Equivalents	(2,124,486)	(8,664,724)
CASH AND CASH EQUIVALENTS - Beginning of Year	10,173,556	18,838,282
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,049,070	$ 10,173,556
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest on long-term debt	$ 2,818,797	$ 3,054,001
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property, plant and equipment acquired through accounts payable	3,703	15,097
Contributed property	-	7,254,486

See accompanying notes to financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Beloit College (the "College"), is a four-year, independent, residential liberal arts college in Beloit, Wisconsin, founded in 1846 by a group of Yale graduates. The College is a member of the Associated Colleges of the Midwest (ACM). The College has more than fifty fields of study in nineteen departments and offers several degrees and majors including: Bachelor of Arts, Bachelor of Science, cooperative programs in business, engineering, forestry and social work, plus five pre-professional programs. The accounting policies of the College reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America. The more significant accounting policies are summarized below:

Net Asset Classifications - For the purposes of financial reporting, the College classifies resources into three net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the College are classified in the accompanying financial statements in the categories that follow:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the College and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Income earned on donor restricted funds is initially classified as temporarily restricted net assets and is reclassified as unrestricted net assets when expenses are incurred for their intended purpose.

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. 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. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment are reported as temporarily restricted revenues; the restrictions are considered to be released at the time such long-lived assets are placed in service.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss reduces unrestricted net assets. If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets.

Losses on investments of endowment funds created by a board designation of unrestricted funds are classified as reductions in unrestricted net assets.

Tuition and Fees and Auxiliary Revenues - Tuition revenue is recognized in the period the classes are provided. Revenue from auxiliary enterprises is recognized when goods or services are provided. Financial assistance in the form of scholarships and grants that cover a portion of tuition, living and other costs is reflected as a reduction of tuition and fees revenues.

Deferred Tuition and Fees - Certain revenue related to summer courses and programs is deferred and recognized as revenue in the same period expenses are recognized. Students are generally billed for courses and programs prior to the start of the course or program.

Cash and Cash Equivalents - Cash and cash equivalents represent demand deposits and other investments with purchased maturities of ninety days or less excluding restricted bond proceeds.

Restricted Bond Proceeds - Restricted bond proceeds represent funds restricted for use as required by various debt agreements. These funds are generally invested in short-term securities and will be used for debt service, capital projects, and/or repair and replacement of specific College debt-financed properties.

Student Accounts Receivable - Student accounts receivable are carried at the unpaid balance of the original amount billed to students. The receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by considering the College's previous loss history and specific account circumstances. Recoveries of student accounts receivable previously written-off are recorded when received. Receivables are generally unsecured. The College does not charge interest or late fees on delinquent accounts but charges a one-time per term late payment penalty if the appropriate amount is not paid by the designated due date.

Inventories - Inventories are valued at lower of cost or market determined by the first-in, first-out method.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

Property, Plant, and Equipment - Physical plant and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the respective assets. The College uses the following depreciable lives:

- Buildings – 40 years
- Dormitory and commons – 30 years
- Residential rental properties – 30 years
- Building improvements – 20 years
- Leasehold improvements – 10 years
- Land improvements – 20 years
- Works of art – 20 years
- Equipment and furnishings – 5 to 10 years

The College capitalizes equipment additions of $5,000 or more. Museum collections (historical treasures and similar treasures held as part of museum collections) that were acquired through purchases or contributions since the College's inception are not reflected in the statements of financial position. Normal repairs and maintenance expenses are charged to operations as incurred.

Contributions Receivable - Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Allowance is made for doubtful contributions receivable based upon management's judgment and analysis of the credit worthiness of the donors, past collection experience and other relevant factors. Promises to give are written-off when they become uncollectible. The policy for determining past due accounts is assessed on an individual basis.

Bond Issuance Costs - Bond issuance costs for the Series 2010 bonds are being deferred and amortized over the life of the debt.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

Split Interest Agreements with Donors - The College's split interest agreements with donors consist of charitable remainder annuity trusts, charitable remainder unitrust contracts, pooled life income funds, charitable annuity lead trusts and charitable gift annuities for which the College is either the remainder beneficiary or both the trustee and remainder beneficiary.

Assets held under these agreements for which the College serves as trustee are included in investments. In addition, the present value of the estimated future payments to be made to the donors and/or other beneficiaries is included in liabilities. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. Such adjustments are included in change in value of split-interest agreements in the statement of changes in net assets.

Assets held in trust for which the College does not serve as trustee are not reported as investments in the financial statements. However, contribution revenue and a receivable are recorded at the date the trusts are established for the present value of estimated future payments to be received. This is included on the investments on the statement of financial position.

Asset Retirement Obligations - Asset retirement obligations are estimated costs and obligations associated with the retirement of long-lived assets. These liabilities were initially recorded at fair value and the related asset retirement costs were recorded as decreases in unrestricted net assets. Asset retirement costs are subsequently accreted over the useful lives of the related assets. There was no asset retirement obligation as of May 31, 2012. At May 31, 2011, the asset retirement obligation was estimated to be $43,000.

The estimate of the losses that are probable from environmental remediation liabilities for asbestos removal was calculated using the expected cash flow approach based on an inventory of the College's long-lived assets combined with an estimate of the current market prices to remove asbestos. It is reasonably possible that changes in this estimate could occur and that actual results could differ from this estimate and could have a significant effect on the financial statements.

Beneficial Interest in Perpetual Trusts - The College is an income beneficiary of various irrevocable trusts. The College has recognized its interest in the estimated future cash flows as permanently restricted net assets based on the fair value of the assets held in the trusts. Changes in the fair value of the trusts are recognized as permanently restricted gains and losses.

Income Tax Status - The Internal Revenue Service has determined that the College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation.

The College follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the College for uncertain tax positions as of May 31, 2012 and 2011. The College's tax returns are subject to review and examination by federal and state authorities. The tax returns for fiscal years 2009 and thereafter are open to examination by federal and state authorities.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs - The College follows the policy of charging the cost of advertising to expense as incurred. Advertising expense for the years ended May 31, 2012 and 2011 approximated $40,000 and $26,000, respectively.

Fundraising Expenses - The College follows the policy of expensing the costs of fundraising when incurred. Fundraising expense for the years ended May 31, 2012 and 2011 approximated $2,117,000 and $1,633,000, respectively.

U.S. Government Grants Refundable - 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 government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Expenses incurred before cash is received are recorded as receivables.

Henry Strong Foundation Advances Refundable - Funds provided by the Henry Strong Foundation Loan Fund are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the Henry Strong Foundation Loan Fund.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash, investments, and accounts receivable. The College has placed much of its cash and liquid investments with one financial institution. Also, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Student receivables and other receivables are due from a variety of sources concentrated primarily in the Midwestern United States. In addition, the College's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities.

NOTE 3 – FAIR VALUE MEASUREMENTS

Financial Instruments - The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and funds held in custody for others approximate fair value because of the short term maturity of these financial instruments. The carrying amounts of contributions receivable are recorded using the applicable discount rates in effect at the date of the gifts.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. Government or its designee.

The estimated fair value of the College's bonds payable approximates $ 67,800,000 and $68,200,000 at May 31, 2012 and 2011, respectively. The estimated fair value of the bonds payable is based on discounting future cash flows using current interest rates at which similar borrowings could be obtained for the same remaining maturities.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

Investments in real estate, venture capital limited partnerships, and other are carried at cost if purchased or if received as a gift, at is fair value at the date of the gift.

Fair Value Hierarchy - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the College's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

NOTE 3 – FAIR VALUE MEASUREMENTS (cont.)

Valuation Techniques and Inputs

Level 1 - Level 1 assets include investments in government bonds, common stock, and bond, equity, diversified and commodity mutual funds for which quoted prices are readily available.

Level 2 - Level 2 assets include:

> Investments in money market funds and government bonds for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Level 2 liabilities include:

> Interest rate swaps for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the estimated future cash flows and credit valuation adjustments which are based on observable inputs to a valuation model (interest rates, credit spreads, etc.)

Level 3 - Level 3 assets include:

> Investments in beneficial interest in perpetual trust administered by a third party and annuity contracts for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows).

> Investments in private equity funds for which quoted prices are not readily available and the funds cannot be redeemed within a short time. The College has estimated the fair value of these funds by using the net asset value ("NAV") provided by the investee as of December 31, adjusted for cash receipts, cash disbursements, and significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through May 31.

> Investment in the venture capital limited partnerships and real estate investments for which quoted prices are not readily available. The fair value is estimated based on original cost.

> The investment in the limited partnership represents an investment in a local business and is classified as level 3 as the valuation is based on significant unobservable inputs. The investment is currently valued at cost, which approximates fair value.

> Funds held in trust by others for which quoted prices are not readily available. The fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the College expects to receive over the term of the agreements.

NOTE 3 – FAIR VALUE MEASUREMENTS (cont.)

Valuation Techniques and Inputs (cont.)

There have been no changes in the techniques and inputs used as of May 31, 2012 and 2011.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the College's assets and liabilities measured at fair value on a recurring basis as of May 31, 2012 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Money market funds	$ 313,674	$ -	$ 313,674	$ -
Government bonds	3,048,693	262,220	2,786,473	-
Common stock	201,841	201,841	-	-
Mutual funds – bonds			-	-
U.S. fixed income	139,576	139,576	-	-
U.S. high yield fixed income	190,008	190,008	-	-
U.S. Treasury inflation protected	197,227	197,227	-	-
Global fixed income	231,419	231,419	-	-
Other fixed income	2,154,250	2,154,250	-	-
Mutual funds – equities				
U.S. equities	3,980,937	3,980,937	-	-
Non-U.S. equities	1,648,389	1,648,389	-	-
Mutual funds – diversified funds	90,273,253	90,273,253	-	-
Mutual funds – commodity	97,416	97,416	-	-
Real estate investment	12,900	-	-	12,900
Venture capital limited partnerships	1,756	-	-	1,756
Annuity contracts	604,798	-	-	604,798
Limited partnership	237,657	-	-	237,657
Alternative investments				
Private equity funds	11,800,825	-	-	11,800,825
Beneficial interest in perpetual trusts	2,359,084	-	-	2,359,084
Funds held in trust by others	655,808	-	-	655,808
Totals	$ 118,149,511	$ 99,376,536	$ 3,100,147	$ 15,672,828
LIABILITIES				
Derivative liability	$ 9,892,204	$ -	$ 9,892,204	$ -

NOTE 3 – FAIR VALUE MEASUREMENTS (cont.)

The following table presents information about the College's assets and liabilities measured at fair value on a recurring basis as of May 31, 2011 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Money market funds	$ 558,090	$ -	$ 558,090	$ -
Government bonds	3,142,220	405,587	2,736,633	-
Common stock	212,248	212,248	-	-
Mutual funds – bonds				
U.S. fixed income	142,879	142,879	-	-
U.S. high yield fixed income	135,353	135,353	-	-
Other fixed income	2,674,832	2,674,832	-	-
Mutual funds – equities				
U.S. equities	4,238,900	4,238,900	-	-
Non-U.S. equities	1,986,647	1,986,647	-	-
Mutual funds – diversified	93,245,766	93,245,766	-	-
Mutual funds – commodity	106,411	106,411	-	-
Real estate investment	12,900	-	-	12,900
Venture capital limited partnerships	1,756	-	-	1,756
Annuity contracts	575,960	-	-	575,960
Limited partnership	237,657	-	-	237,657
Alternative investments				
Private equity funds	11,180,016	-	-	11,180,016
Beneficial interest in perpetual trusts	2,591,178	-	-	2,591,178
Funds held in trust by others	652,917	-	-	652,917
Totals	$ 121,695,730	$ 103,148,623	$ 3,294,723	$ 15,252,384
LIABILITIES				
Derivative liability	$ 5,770,118	$ -	$ 5,770,118	$ -

NOTE 3 – FAIR VALUE MEASUREMENTS (cont.)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended May 31, 2012:

	Balance May 31, 2011	Realized and Unrealized Gains (Losses)	Purchases	Sales	Transfers in (out)	Balance May 31, 2012
ASSETS						
Annuity contracts	$ 575,960	$ 28,838	$ -	$ -	$ -	$ 604,798
Limited partnerships	237,657	-	-	-	-	237,657
Real estate investment	12,900	-	-	-	-	12,900
Venture capital limited partnerships	1,756	-	-	-	-	1,756
Alternative investments						
Private equity funds	11,180,016	620,809	-	-	-	11,800,825
Beneficial interest in perpetual trusts	2,591,178	(232,094)	-	-	-	2,359,084
Funds held in trust by others	652,917	2,891	-	-	-	655,808
Totals	$ 15,252,384	$ 420,444	$ -	$ -	$ -	$ 15,672,828

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to assets measured at fair value still held at May 31, 2012.	$ 420,444

NOTE 3 – FAIR VALUE MEASUREMENTS (cont.)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended May 31, 2011:

	Balance May 31, 2010	Realized and Unrealized Gains (Losses)	Purchases	Sales	Transfers in (out)	Balance May 31, 2011
ASSETS						
Annuity contracts	$ 548,533	$ 27,427	$ -	$ -	$ -	$ 575,960
Limited partnerships	237,657	-	-	-	-	237,657
Real estate investment	12,900	-	-	-	-	12,900
Venture capital limited partnerships	1,756	-	-	-	-	1,756
Other investments	106	-	-	(106)	-	-
Alternative investments						
Private equity funds	722,710	284,012	10,173,294	-	-	11,180,016
Beneficial interest in perpetual trusts	2,278,995	312,183	-	-	-	2,591,178
Funds held in trust by others	531,901	121,016	-	-	-	652,917
Totals	$ 4,334,558	$ 744,638	$ 10,173,294	$ (106)	$ -	$ 15,252,384

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to assets measured at fair value still held at May 31, 2011.	$ 744,638

NOTE 3 – FAIR VALUE MEASUREMENTS (cont.)

The College uses the net asset value ("NAV") as a practical expedient to determine fair value of all underlying investments which (a) do not have a readily determinable fair value; and (b) are in investment companies or similar entities that report their investment assets at fair values.

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of May 31, 2012:

	Private Equity	Private Equity
Fair value, May 31, 2012	$10,729,387	$1,071,438
Significant Investment Strategy	Low volatility diversified fund	Equity funds
Remaining Life	N.A.	9 years
Dollar amount of unfunded commitments	N.A.	$3,825,000
Timing to Draw Down Commitments	N.A.	Not defined
Redemption Terms	Quarterly liquidity subject to a rolling 12 month lock-up and 95 days' prior written notice.	N.A.
Redemption Restrictions	Aggregate redemption requests in excess of 10% may be subject to a gate. Early redemption penalty of 5% for the benefit of the Fund.	N.A.
Redemption Restrictions in Place at Year End	N.A.	N.A.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of May 31 are composed of and are to be used for the following:

	2012	2011
Capital funds	$ 875,465	$ 1,399,298
Operations	3,381,449	1,109,179
Endowment	1,503,557	2,721,645
Scholarships and programs	103,510	23,030
Gross contributions receivable	5,863,981	5,253,152
Less: Discount	(134,123)	(180,560)
Less: Allowance for uncollectible contributions	(286,493)	(251,697)
Net Contributions Receivable	$ 5,443,365	$ 4,820,895
Less than one year	$ 1,563,135	
One to five years	4,300,096	
More than five years	750	
Totals	$ 5,863,981	

Contributions have been discounted using a rate ranging from 0.17% to 5%. As of May 31, 2012 and 2011, the College had approximately $644,000 and $347,000, respectively, of contributions receivable from board members and employees.

NOTE 5 – CREDIT QUALITY OF RECEIVABLES

The College issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Student loans receivable are carried at the amount of unpaid principal less an estimate for doubtful accounts. 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. At May 31, 2012 and 2011, student loans represented 4% of total assets.

At May 31, student loans consisted of the following:

	2012	2011
Federal government programs	$ 2,944,934	$ 2,953,903
Institutional programs	5,743,219	5,752,213
	8,688,153	8,706,116
Less allowance for doubtful accounts		
Beginning of year	(327,921)	(380,266)
Decreases (increases)	(121,958)	52,345
End of year	(449,879)	(327,921)
Student Loans Receivable, Net	$ 8,238,274	$ 8,378,195

NOTE 5 – CREDIT QUALITY OF RECEIVABLES (cont.)

Funds advanced by the Federal government of $2,525,140 and $2,519,706 at May 31, 2012 and 2011, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education. 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.

At May 31, 2012 and 2011, the following amounts were past due under student loan programs:

	Amounts Past Due				
May 31	Less than 240 days	240 days – 2 years	2 -5 years	5 + years	Total
2012	$ 37,277	$ 103,168	$ 157,885	$ 490,315	$ 788,645
2011	$ 29,984	$ 87,727	$ 246,908	$ 599,486	$ 964,105

NOTE 6 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at May 31:

	2012	2011
Tuition and fees	$ 203,222	$ 201,521
Government grants and contracts receivable	437,751	1,110,689
Accrued interest and pending investment trades	65,730	95,132
Other	247,216	77,975
Gross accounts receivable	953,918	1,485,317
Less: Allowance for doubtful accounts	(40,724)	(36,824)
Net Accounts Receivable	$ 913,195	$ 1,448,493

NOTE 7 – INVESTMENTS

The following summarizes the College's investments at May 31:

	2012	2011
Money market funds	$ 313,674	$ 558,090
Government bonds	3,048,693	3,142,220
Mutual funds – bonds		
U.S. fixed income	139,576	142,879
U.S. high yield fixed income	190,008	135,353
U.S. Treasury inflation protected	197,227	-
Global fixed income	231,419	-
Other fixed income	2,154,250	2,674,832
Mutual funds – equities		
U.S. equities	3,980,937	4,238,900
Non-U.S. equities	1,648,389	1,986,647
Mutual funds - diversified	90,273,253	93,245,766
Mutual funds - commodity	97,416	106,411
Common stock	201,841	212,248
Alternative investments		
Private equity funds	11,800,825	11,180,016
Real estate investment	12,900	12,900
Venture capital limited partnerships	1,756	1,756
Other	842,455	813,617
Total Investments	$ 115,134,619	$ 118,451,635

The estimated fair value of certain alternative investments is based on valuations provided by external investment managers as of May 31. The College believes the carrying amounts of these investments are a reasonable estimate of fair value. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The amount of investment income and unrealized gains from these investments totaled $70,809 and $290,485 for the years ended May 31, 2012 and 2011, respectively, and are included in the following gains on investments.

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 that such changes could materially affect the amounts reported in the financial statements.

NOTE 7 – INVESTMENTS (cont.)

Investment income (loss) for the years ended May 31 consists of the following:

	2012	2011
Interest and dividends	$ 2,521,423	$ 2,039,500
Realized gains (losses) on investments	(1,062,077)	3,020,403
Unrealized gains on investments	(4,177,529)	11,498,986
Totals	$ (2,718,183)	$ 16,558,889

The College paid investment trustee and management fees of approximately $120,000 and $133,000 for the years ended May 31, 2012 and 2011, respectively.

NOTE 8 – PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment as of May 31 is as follows:

	2012	2011
Leasehold improvements	$ 75,744	$ 75,744
Land and land improvements	8,406,840	6,290,755
Buildings	79,855,015	79,836,135
Building improvements	5,147,592	4,965,384
Equipment and furnishings	9,453,410	8,791,039
Dormitory and commons	26,671,312	26,671,312
Residential rental properties	891,740	891,740
Works of art	722,579	722,579
Construction in process	740,674	657,153
	131,964,906	128,901,841
Less: Accumulated depreciation	(53,590,287)	(49,960,348)
Net Property, Plant, and Equipment	$ 78,374,619	$ 78,941,493

Depreciation expense of $3,629,939 and $3,500,748 was recorded for the years ended May 31, 2012 and 2011, respectively.

NOTE 9 – LONG-TERM OBLIGATIONS

BONDS PAYABLE

Bonds payable at May 31 consist of the following:

Description	Interest Rate	Due Date	2012	2011
Wisconsin Health and Education Facilities Authority, Revenue Bonds, Series 2010A	3.5% to 5.25%	Interest payable semiannually, annual principal installments are due on June 1, beginning in fiscal year 2013 through 2040 in amounts ranging from $100,000 to $4,300,000	$ 28,540,000	$ 28,640,000
Wisconsin Health and Education Facilities Authority, Revenue Bonds, Series 2010B	Variable	Interest payable semiannually, annual principal installments are due on June 1, beginning in fiscal year 2013 through 2038 in amounts ranging from $100,000 to $2,290,000	30,000,000	30,000,000
Totals			$ 58,540,000	$ 58,640,000

The Series 2010A and Series 2010B bonds are collateralized by a JPMorgan Chase ("the Bank") irrevocable letter of credit in the amount of $30,345,206. The letter of credit will terminate on December 15, 2015, but the College may request an extension. The bonds are also secured by a mortgage on the property and buildings of the College campus. The carrying values of the assets used as collateral are $72,770,877 and $72,777,487, as of May 31, 2012 and 2011, respectively.

In order to manage its interest rate exposure, the College entered into an interest rate exchange agreement on a portion of the Series 2007, variable rate bonds. This interest rate exchange agreement was terminated upon refunding of the Series 2007 Bonds with the Series 2010A and Series 2010B bonds. The College also entered into an interest rate exchange agreement on a portion of the Series 2010B, variable rate bonds. The interest rate exchange agreement is disclosed in Note 10.

NOTE 9 – LONG-TERM OBLIGATIONS (cont.)

The College is required to comply with certain financial covenants. For the 2010 bond issues, the College must maintain a debt service coverage ratio of greater than 1.1 to 1; a funded debt to sum of funded debt plus net assets ratio not greater than 0.40 to 1.0; and an amount of unrestricted cash and investments plus temporarily restricted pledge receivables plus unrestricted pledge receivables of not less than $35,000,000, which shall increase by $5,000,000 on November 30, 2011 and on November 2012, respectively. As of May 31, 2012, the College was in compliance with these covenants.

Future principal payments on the bonds payable as of May 31, 2012 are due as follows:

Years Ending May 31,	
2013	$ 100,000*
2014	420,000
2015	660,000
2016	915,000
2017	1,080,000
Thereafter	55,365,000
Total	$ 58,540,000

*$100,000 of principal payment for the 2010A bond was paid during fiscal year 2012; payment was due June 1, 2012.

Interest expense on all long-term debt, including the interest expense under the interest rate swap agreement was $2,819,000 and $3,054,000 for the years ended May 31, 2012 and 2011, respectively.

NOTE 10 – DERIVATIVE INSTRUMENTS

The College uses interest rate exchange agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Interest rate exchange agreements are used to manage identified and approved exposures and are not used for speculative purposes. The interest rate exchange agreements are recognized as either assets or liabilities on the statements of financial position and are measured at fair value. Interest rate exchange agreements are often held for the life of the strategy, but may reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the statements of activities.

Interest rate exchange agreements between the College and a third party (counterparty) provide for periodic exchange of payments between the parties based on changes in a defined index and a fixed rate and include counterparty credit risk. Counterparty credit risk is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the College's counterparties. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings. The interest rate exchange agreements contain provisions applicable to both parties to mitigate credit risk. The College does not anticipate non-performance by its counterparties.

In fiscal 2012, the College paid $5,210,372 more than it received in interest under the swap agreements. In fiscal 2011, the College paid $1,481,805 more than it received in interest under the swap agreements. The difference between interest received and interest paid under the swap agreements is recorded as interest expense in the statements of activities.

The following is a summary of the outstanding positions under these interest rate exchange agreements as of May 31, 2012:

Instrument Type	Notional Amount	Maturity Date	Rate Paid	Rate Received
Floating to fixed rate swap	$30,000,000	June 1, 2037	4.1175%	One month LIBOR interest rate

NOTE 10 – DERIVATIVE INSTRUMENTS (cont.)

Derivative instruments are reported in the statements of financial position at fair value as of May 31, 2012 and 2011 are as follows:

Derivatives Not Designated as Hedging Instruments	Liabilities Derivative: Statement of Financial Position Location	Fair Value 2012	Fair Value 2011
Interest rate swap	Derivative liability	$ 9,892,204	$ 5,770,118

The effect of derivative instruments is reported in the statements of activities as follows:

Derivatives Not Designated as Hedging Instruments	Location of Loss on Derivatives Recognized in the Statement of Changes in Net Assets	Amount of Loss on Derivatives Recognized in the Statement of Changes in Net Assets 2012	2011
Interest rate swap	Instruction expense	$ 4,122,086	$ 187,649

During 2012 and 2011, the College entered into a future purchase contract for its gas usage. This contract meets the definition of normal purchases and normal sales as defined by accounting standards and therefore, no asset or liability associated with the derivative is required to be recognized.

NOTE 11 – LINE OF CREDIT

The College has a $1,500,000 unsecured line of credit with JP Morgan Chase Bank. Interest is at 1.75% plus the bank's LIBOR rate and amounts borrowed are due on demand. As of May 31, 2012 and 2011, there was no balance outstanding on the line of credit. No borrowings were made under this line of credit during the years ended May 31, 2012 and May 31, 2011.

NOTE 12 – RELATED PARTIES

Contributions from trustees, officers, and employees totaled $800,300 and $537,400 for the years ended May 31, 2012 and 2011, respectively. See Note 4 for related party contributions receivable.

NOTE 13 – OPERATING LEASES

In May 2001, the College entered into an operating lease agreement with Beloit Hotel, LLC for building space. In May 2008, the College exercised its option to renew the lease. The renewed lease terminates in May 2015 and provides for monthly payments that increase by 2% or the consumer price index, whichever is less. Rent expense for the years ended May 31, 2012 and 2011 was $89,544 and $88,086, respectively. Future lease commitments are due as follows:

Years Ending May 31,	
2013	$ 91,066
2014	92,614
2015	94,189
2016	95,790
2017	97,417
Total	$ 417,076

NOTE 14 – NET ASSETS

Unrestricted net assets are those which are not subject to donor-imposed restrictions. Certain net assets classified as unrestricted are designated for specific purposes or uses by the Board of Trustees or by various internal operating and administrative arrangements of the College as follows as of May 31:

	2012	2011
Net investment in land, buildings, and equipment	$ 18,045,997	$ 20,069,554
Funds designated for endowment	24,492,829	33,897,270
Funds designated for annuity contract reserves	2,208,396	2,135,620
Funds designated for Federal Perkins Student Loan Program	87,508	87,508
Funds designated for student loan funds	986,466	922,137
Totals	$ 45,821,196	$ 57,112,089

Temporarily restricted net assets as of May 31 are available for the following purposes:

	2012	2011
Investment in land, buildings, and equipment	$ 1,201,229	$ 1,752,451
Endowment	10,090,563	13,165,499
Split-interest annuity agreements	1,310,085	1,501,335
Student loans	223,731	257,151
Academic support	1,481,624	1,255,896
Instruction	1,332,019	1,177,356
Scholarships	771,737	1,000,428
Contributions receivable and other	5,109,976	2,376,550
Totals	$ 21,520,964	$ 22,486,666

NOTE 14 – NET ASSETS (cont.)

Temporarily restricted net assets were released from donor restrictions as follows:

	2012	2011
Scholarships	$ 1,386,679	$ 1,358,956
Investment in land, buildings, and equipment	27,370	7,282,779
Institutional support	155,488	362,388
Student services	2,100,938	122,901
Academic support	710,027	512,075
Public service	27,883	27,078
Instruction	1,463,963	1,927,620
Other	9	3,523,267
Totals	$ 5,872,357	$ 15,117,064

Permanently restricted net assets as of May 31 represent the original corpus of the following restricted gifts where the earnings on such are used for unrestricted or restricted activities as designated by the donor.

	2012	2011
Investments (perpetual endowment)	$ 67,064,316	$ 64,985,028
Contributions receivable	1,029,803	1,645,196
Beneficial interest in perpetual trusts	2,359,084	2,591,178
Cash surrender value	14,407	14,407
Split-interest annuity agreements	2,699,673	3,025,967
Revolving student loan funds	929,009	918,111
Totals	$ 74,096,292	$ 73,179,887

NOTE 15 – RETIREMENT PLANS

The College has a defined contribution retirement plan for certain non-exempt employees. The expense relating to this plan was $327,000 and $321,000 for the years ended May 31, 2012 and 2011, respectively.

All administrative employees and full-time faculty members above the rank of instructor are eligible to participate in individual annuity retirement programs through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund. Expenses relating to these plans were $1,166,000 and $1,117,000 for the years ended May 31, 2012 and 2011, respectively.

NOTE 16 – SELF INSURANCE

The College provides medical benefits through a self-insurance plan which provides benefits to eligible employees of the College and their eligible dependents. Provisions of the plan require that the College be self-insured to the extent of the first $60,000 in annual major medical benefits per participant. The plan has insurance contracts to provide stop-loss coverage for benefit payments in excess of the self-insured amounts. Contributions to the plan are based upon the number of participants and the types of coverage elected. Employees are responsible for 33.3% of the plan's required contributions and the College is responsible for the remaining required contributions. Accounts payable and other accrued expenses include an incurred but not reported reserve of approximately $129,000 and $206,000 as of May 31, 2012 and 2011, respectively. These are estimates of amounts due and payable on existing claims for which the College is self-insured and which are expected to be settled currently.

NOTE 17 – UNEMPLOYMENT COMPENSATION CLAIMS

The College is self-insured for unemployment compensation claims. As a result, the College has a $243,446 bank letter of credit, which expires on December 31, 2015, that was issued in favor of the Treasurer of the Wisconsin Unemployment Reserve Fund in order to assure payment of unemployment compensation. The College paid unemployment compensation claims of $36,000 and $47,000 during the years ended May 31, 2012 and 2011, respectively.

NOTE 18 – ENDOWMENT

The College's endowment includes more than 500 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - In August 2009, the state of Wisconsin adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA is applicable to funds existing on or established after August 4, 2009. A key component of the change in law is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The Board of Trustees of the College has interpreted the Wisconsin enacted version of UPMIFA as allowing the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. See Note 1 for further information on net asset classification.

NOTE 18– ENDOWMENT (cont.)

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund
2. The purpose of the College and the 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 College
7. The investment policies of the College

Endowment net asset composition by type of fund consists of the following as of May 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (4,684,818)	$ 9,720,539	$ 68,108,526	$ 73,144,247
Board-designated endowment funds	29,177,647	370,024	-	29,547,671
Total Endowment Net Assets	$ 24,492,829	$ 10,090,563	$ 68,108,526	$ 102,691,918

Endowment net asset composition by type of fund consists of the following as of May 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (3,231,214)	$ 12,308,370	$ 66,644,631	$ 75,721,787
Board-designated endowment funds	37,128,484	857,129	-	37,985,613
Total Endowment Net Assets	$ 33,897,270	$ 13,165,499	$ 66,644,631	$ 113,707,400

NOTE 18– ENDOWMENT (cont.)

Changes in endowment net assets for the year ended May 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2011	$ 33,897,270	$ 13,165,499	$ 66,644,631	$ 113,707,400
Net asset reclassification - other	(59,154)	180,120	(120,966)	-
Endowment net assets after reclassification	33,838,116	13,345,619	66,523,665	113,707,400
Net assets released from restrictions	550,785	(550,785)	-	-
Adjustment for underwater endowments	(1,453,603)	1,453,603	-	-
Investment return:				
Investment income	1,056,321	1,292,174	7,174	2,355,669
Net appreciation/depreciation - realized and unrealized	(2,340,917)	(2,649,342)	-	(4,990,259)
Total investment return	(2,738,199)	96,435	7,174	(2,634,590)
Contributions and other additions	166,808	19,323	1,584,861	1,770,992
Appropriation of endowment assets for expenditure	(2,698,209)	(2,820,029)	(7,174)	(5,525,412)
Bad debt allowance for pledges receivable	(95,329)	-	-	(95,329)
Transfer out of the endowment	(4,531,143)	-	-	(4,531,143)
Endowment Net Assets, May 31, 2012	$ 24,492,829	$ 10,090,563	$ 68,108,526	$ 102,691,918

NOTE 18 – ENDOWMENT (cont.)

Changes in endowment net assets for the year ended May 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2010	$ 24,029,414	$ 10,735,800	$ 65,028,718	$ 99,793,932
Net asset reclassification - other	(119,792)	74,252	45,540	-
Endowment net assets after reclassification	23,909,622	10,810,052	65,074,258	99,793,932
Net assets released from restrictions	1,570,909	(1,570,909)	-	-
Adjustment for underwater endowments	2,276,678	(2,276,678)	-	-
Investment return:				
Investment income	759,395	1,092,645	6,604	1,858,644
Net appreciation/depreciation - realized and unrealized	5,890,451	8,082,944	(537)	13,972,858
Total investment return	8,926,524	6,898,911	6,067	15,831,502
Contributions and other additions	356,292	(10,128)	1,570,910	1,917,074
Appropriation of endowment assets for expenditure	(1,615,399)	(2,962,427)	(6,604)	(4,584,430)
Bad debt allowance for pledges receivable	(13,158)	-	-	(13,158)
Transfer into the endowment	762,480	-	-	762,480
Endowment Net Assets, May 31, 2011	$ 33,897,270	$ 13,165,499	$ 66,644,631	$ 113,707,400

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $4,684,818 and $3,231,214 as of May 31, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued distribution for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters - The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indices appropriate to the investment asset class while assuming a moderate level of investment risk. The College's investment objectives and policies are designed to meet the spending policy of the fund while also growing the assets of the fund at least equal to the long-term rate of inflation. Actual returns in any given year may vary from this amount.

NOTE 18 – ENDOWMENT (cont.)

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The College has a policy of appropriating for distribution each year a percentage of its endowment fund's average fair market value over the prior 3 years. The rate used was 4.5% for the years ended May 31, 2012 and 2011. In establishing this policy, the College considered the long-term expected return on its endowment. Accordingly, over the long term, the College expects the current spending policy to allow its endowment to maintain its purchasing power.

NOTE 19 – SUBSEQUENT EVENTS

The College has evaluated subsequent events through December 12, 2012, which is the date that the financial statements were issued.