Financial statements and report of independent certified public accountants

Beloit College

May 31, 2007 and 2006

CONTENTS

Grant Thornton

Accountants and Business Advisors

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Trustees
Beloit College

We have audited the accompanying statements of financial position of Beloit College (the College, a Wisconsin not-for-profit organization) as of May 31, 2007 and 2006, 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 as established by the American Institute of Certified Public Accountants. 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 above present fairly, in all material respects, the financial position of Beloit College as of May 31, 2007 and 2006, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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BELOIT COLLEGE
STATEMENTS OF FINANCIAL POSITION
May 31,

ASSETS	2007	2006
Cash and cash equivalents	$ 3,384,740	$ 1,732,099
Accounts receivable, net	768,330	765,007
Contributions receivable, net	9,372,861	6,083,563
Student loans receivable, net	6,804,915	6,138,202
Investments	132,866,171	116,763,018
Inventories	37,446	21,333
Prepaid expenses and other assets	212,887	194,725
Cash surrender value of life insurance (face value of $1,955,000 in 2007 and 2006)	347,937	336,882
Mortgage note receivable, net	124,554	224,230
Deferred bond issuance costs	38,286	-
Land, buildings and equipment, less accumulated depreciation	44,959,790	40,888,777
Beneficial interest in perpetual trusts	2,951,760	2,531,361
Funds held in trust by others	418,046	-
TOTAL ASSETS	$ 202,287,723	$ 175,679,197
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 4,376,425	$ 4,251,345
Deferred tuition and fees	368,634	121,309
Student deposits and deferred grant revenue	350,339	590,930
Assets held for others under agency agreements	950,631	885,277
Beneficiary payable	80,865	78,516
Annuities payable	3,689,255	3,569,409
Deferred support under split-interest agreements	213,147	217,690
Line of credit	-	1,000,000
Long-term debt	21,586,500	17,533,000
Refundable advances from Henry Strong Education Foundation Loan Fund	71,477	59,246
Refundable advances from the U.S. Government	2,564,998	2,604,827
Total liabilities	34,252,271	30,911,549
Net assets		
Unrestricted	92,370,440	77,344,723
Temporarily restricted	12,833,716	10,268,126
Permanently restricted	62,831,296	57,154,799
Total net assets	168,035,452	144,767,648
TOTAL LIABILITIES AND NET ASSETS	$ 202,287,723	$ 175,679,197

The accompanying notes are an integral part of these statements.

BELOIT COLLEGE
STATEMENTS OF ACTIVITIES
Years ended May 31,

	2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and net assets released from restrictions and reclassified				
Tuition and fees	$ 37,892,544	$ -	$ -	$ 37,892,544
Funded student financial assistance	(1,627,995)	-	-	(1,627,995)
Unfunded student financial assistance	(15,796,496)	-	-	(15,796,496)
Net tuition and fees	20,468,053	-	-	20,468,053
Auxiliary enterprises	7,553,564	-	-	7,553,564
Contributions	4,751,183	4,626,106	4,737,442	14,114,731
Return on investments	18,108,992	170,653	40,717	18,320,362
Government contracts	1,463,652	-	-	1,463,652
Government grants	459,407	-	-	459,407
Other income	803,030	-	9,193	812,223
Change in value of split-interest agreements	(47,923)	306,878	324,356	583,311
Change in value of beneficial interest in perpetual trusts	-	-	420,399	420,399
Other losses resulting from bad debts	-	(130,661)	(128,032)	(258,693)
Total revenues and gains	53,559,958	4,972,976	5,404,075	63,937,009
Net assets released from restrictions	1,661,388	(1,661,388)	-	-
Net assets reclassified	473,576	(745,998)	272,422	-
Total revenues, gains and net assets released from restrictions and reclassified	55,694,922	2,565,590	5,676,497	63,937,009
Expenses				
Instruction	14,810,677	-	-	14,810,677
Institutional support	7,818,682	-	-	7,818,682
Auxiliary enterprises	6,702,504	-	-	6,702,504
Student services	6,403,319	-	-	6,403,319
Academic support	4,073,419	-	-	4,073,419
Public service	653,234	-	-	653,234
Research	138,393	-	-	138,393
Scholarships, grants and prizes	68,977	-	-	68,977
Total expenses	40,669,205	-	-	40,669,205
CHANGE IN NET ASSETS	15,025,717	2,565,590	5,676,497	23,267,804
Net assets at beginning of year	77,344,723	10,268,126	57,154,799	144,767,648
Net assets at end of year	$ 92,370,440	$ 12,833,716	$ 62,831,296	$ 168,035,452

The accompanying notes are an integral part of these statements.

2006			
Unrestricted	Temporarily restricted	Permanently restricted	Total
$ 35,062,934	$ -	$ -	$ 35,062,934
(1,677,793)	-	-	(1,677,793)
(14,178,067)	-	-	(14,178,067)
19,207,074	-	-	19,207,074
7,213,198	-	-	7,213,198
3,740,190	3,089,165	2,107,793	8,937,148
6,954,771	114,223	43,309	7,112,303
1,653,674	-	-	1,653,674
452,106	-	-	452,106
517,404	-	5,459	522,863
28,589	215,631	84,823	329,043
-	-	141,619	141,619
-	(199,701)	(44,491)	(244,192)
39,767,006	3,219,318	2,338,512	45,324,836
2,057,852	(2,057,852)	-	-
14,204	674,509	(688,713)	-
41,839,062	1,835,975	1,649,799	45,324,836
14,101,884	-	-	14,101,884
7,464,204	-	-	7,464,204
6,667,415	-	-	6,667,415
6,426,691	-	-	6,426,691
4,263,518	-	-	4,263,518
529,880	-	-	529,880
243,305	-	-	243,305
-	-	-	-
39,696,897	-	-	39,696,897
2,142,165	1,835,975	1,649,799	5,627,939
75,202,558	8,432,151	55,505,000	139,139,709
$ 77,344,723	$ 10,268,126	$ 57,154,799	$ 144,767,648

BELOIT COLLEGE
STATEMENTS OF CASH FLOWS
Years ended May 31,

	2007	2006
Cash flows from operating activities		
Change in net assets	$ 23,267,804	$ 5,627,939
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	2,264,915	2,216,436
Amortization on mortgage note receivable	99,676	99,677
Change in value of split-interest agreements and beneficial interests in perpetual trusts	(1,079,409)	(482,506)
Increase in allowance for uncollectible loans	49,512	40,830
Loss on disposal of land, buildings and equipment	56,474	4,936
Contributed investments	(1,836,780)	(2,548,660)
Contributed property	-	(132,000)
Contributions restricted for long-term investment	(4,737,442)	(2,107,793)
Interest, dividends and other net losses restricted for long-term investment	666,633	230,719
Net unrealized gain on long-term investments	(8,099,037)	(1,576,114)
Net realized gain on long-term investments	(8,230,200)	(2,893,355)
(Increase) decrease in accounts receivable	(3,323)	207,800
Increase in contributions receivable	(3,289,298)	(1,198,833)
(Increase) decrease in inventories and prepaid expenses and other assets	(34,275)	229,197
Increase in beneficial interest in perpetual trusts	(420,399)	(141,619)
Increase in funds held in trust by others	(418,046)	-
Increase in accounts payable and accrued liabilities	94,693	797,711
Increase (decrease) in student deposits and deferred tuition and fees	6,734	(37,236)
Increase in assets held for others under agency agreements	65,354	20,783
Increase in beneficiary payable	2,349	3,747
Increase in annuities payable	119,846	512,319
Decrease in deferred support under split-interest agreements	(4,543)	(22,484)
Net cash used in operating activities	(1,458,762)	(1,148,506)
Cash flows from investing activities		
Proceeds from sale of investments	36,760,259	22,307,578
Purchases of investments	(33,617,986)	(23,673,509)
Increase in cash surrender value of life insurance	(11,055)	(8,134)
Proceeds from sale of land, buildings and equipment	-	734
Purchases of land, buildings and equipment	(6,209,721)	(3,743,909)
Capitalization of interest	(152,294)	(23,813)
Issuance of student loans receivable	(1,396,337)	(1,328,039)
Payments from student loans receivable	680,112	717,235
Net cash used in investing activities	(3,947,022)	(5,751,857)

BELOIT COLLEGE
STATEMENTS OF CASH FLOWS - CONTINUED
Years ended May 31,

	2007	2006
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	$ 4,737,442	$ 2,107,793
Interest, dividends and other net losses restricted for reinvestment	(666,633)	(230,719)
Payment of deferred bond issuance costs	(38,286)	-
Increase (decrease) in refundable advances - Henry Strong Education Foundation Loan Fund	12,231	(63,263)
Decrease in refundable advances - U.S. Government	(39,829)	(28,417)
Proceeds on line of credit	500,000	1,000,000
Payments on line of credit	(1,500,000)	-
Proceeds on long-term debt	4,971,500	1,000,000
Payments on long-term debt	(918,000)	(1,003,000)
Net cash provided by financing activities	7,058,425	2,782,394
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,652,641	(4,117,969)
Cash and cash equivalents at beginning of year	1,732,099	5,850,068
Cash and cash equivalents at end of year	$ 3,384,740	$ 1,732,099
Supplemental data - interest paid	$ 904,507	$ 525,807
Non-cash		
Contributed investments	$ 1,836,780	$ 2,548,660
Capitalized interest included in accounts payable and accrued liabilities	$ 30,387	$ -
Contributed property	$ -	$ 132,000
Transfer of investments to land, buildings and equipment	$ -	$ 95,400

The accompanying notes are an integral part of these statements.

BELOIT COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2007 and 2006

NOTE A - SUMMARY OF 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.

1. Basis of Presentation

The financial statements are prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or passage of time.

Permanently restricted - 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.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Administration of the College's endowment is subject to the general provisions of the Uniform Management of Institutional Funds Act (UMIFA or the Act). Under the provisions of this state law, the Board of Trustees may appropriate the expenditure of as much of the net appreciation as is deemed prudent for the uses and purposes for which an endowment fund is established based on the standards established by the Act. The College has applied accounting principles generally accepted in the United States of America when allocating investment gains to the net asset classes for financial statement purposes.

Income, unrealized and realized net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift or the College's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Basis of Presentation - continued

- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; or
- as increases in unrestricted net assets in all other cases.

2. Revenues

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received. Contributions which impose restrictions that are met in the same fiscal year they are received are reported as unrestricted revenues. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Revenue from grants and contract agreements is recognized as it is earned through expenditures in accordance with the applicable agreements.

3. Receivables

The majority of the College's receivables, other than contributions, are due from students and governmental agencies. Receivables are stated at amounts due from students net of an allowance for doubtful accounts. The College determines its allowance for doubtful accounts by considering the College's previous loss history and specific account circumstances.

4. Museum Collections and Works of Art

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 in accordance with accounting principles generally accepted in the United States of America. Works of art, not part of museum collections, are capitalized, depreciated and included in the statements of financial position.

5. Promises to Give

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. 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.

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 recognized at the date the trusts are established for the present value of the estimated future payments to be received.

7. Cash Equivalents

The College considers all highly liquid debt investments with original maturities of three months or less to be used for operating purposes to be cash equivalents.

8. Investments

Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investment management and custodian fees are recorded as a reduction of investment income for financial reporting purposes. Equity securities with readily determinable fair values and all debt securities are reported at fair value, with gains and losses included in return on investments in the statements of activities. Investments in limited partnerships are valued at the book value of the partnership capital account in the absence of readily ascertainable market values. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the limited partnership interests existed. All other investments are carried at the lower of cost or market.

Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Concentrations of Credit Risk

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash. At various times during the year, the College has cash balances in excess of federally insured limits. The College has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

10. Inventories

Inventories are valued at the lower of cost (actual cost) or market.

11. Deferred Bond Issuance Costs

During 2007, the College incurred and capitalized costs of $38,286 associated with the issuance of new bonds (note P). Beginning in 2008, the costs will be amortized to interest expense using the straight-line method over the life of the related bonds.

12. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost as of the date of acquisition or their fair market value at the date of donation, if received as a contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

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

13. 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.

14. Refundable Advances from the Henry Strong Foundation Loan Fund

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. Refundable Advances from the U.S. Government

Funds provided by the U.S. Government under the Federal Perkins Student Loan program are loaned to qualified students and may be reloaned after collections. These funds are kept in a separate cash account and are ultimately refundable to the government.

16. Advertising Costs

The College expenses advertising costs as they are incurred. Advertising expenses, primarily costs of brochures, were $41,000 and $34,000 for the years ended May 31, 2007 and 2006, respectively.

17. Derivatives

The College has adopted the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), as amended. SFAS 133 standardizes accounting and financial reporting standards for forward contracts, futures, options and other derivative instruments and related hedging activities. SFAS 133 requires, in part, that the College report all derivative instruments in the balance sheet as assets or liabilities at their fair value. During 2007 and 2006, the College entered into a future purchase contract for their gas usage. This contract meets the definition of normal purchases and normal sales as defined by SFAS 133; therefore, no asset or liability associated with the derivative is required to be recognized.

18. Income Taxes

The College has received a determination letter from the Internal Revenue Service indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code of 1986 and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes in the accompanying financial statements as the College has had no significant unrelated business income.

19. 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 the 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

20. Asset Retirement Obligations

Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (SFAS 143), as amended by FASB Interpretation No. 47 (FIN 47), requires that an entity recognize the fair value of a liability for a conditional asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. An asset retirement obligation would be reasonably estimable if (a) it is evident that the fair value of the obligation is embodied in the acquisition price of the asset, (b) an active market exists for the transfer of the obligation, or (c) sufficient information exists to apply to an expected present value technique. FIN 47 is effective no later than fiscal years ending after December 31, 2005. In applying this Statement to the College, it was necessary to determine (a) if the College will undertake any major renovation or sell, dispose or abandon any assets, (b) what liability would be associated with such action, and (c) the date such action would be taken. The College has determined that no such actions are planned as of May 31, 2007; as such, the College has not recognized a conditional asset retirement liability pursuant to SFAS 143 as of May 31, 2007.

21. New Accounting Pronouncement

In July 2006, the FASB issued Interpretation 48, *Accounting for Uncertainty in Income Taxes: an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48, which clarifies Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, establishes the criteria that an individual tax position has to meet for some or all of the benefits of that position to be recognized in the College's financial statements. On initial application, FIN 48 will be applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the more-likely-than-not recognition threshold at the adoption date will be recognized or continue to be recognized. The cumulative effect of applying FIN 48 will be reported as an adjustment to net assets at the beginning of the period in which it is adopted.

FIN 48 is effective for fiscal years beginning after December 15, 2006, and will be adopted by the College on June 1, 2007. The College currently does not believe that the adoption of FIN 48 will have a significant effect on its financial statements or its ability to comply with its current debt covenants.

NOTE B - INVESTMENTS

Investments consist of the following at May 31:

	2007		
	Fair value	Cost	Unrealized appreciation (depreciation)
Money market	$ 6,604,450	$ 6,604,450	$ -
Government bonds	2,128,465	2,138,560	(10,095)
Corporate bonds	2,062,442	2,062,811	(369)
Bond mutual funds	23,182,750	23,343,234	(160,484)
Common stock	31,609,521	22,239,214	9,370,307
Stock mutual funds	66,559,597	48,251,873	18,307,724
Real estate	12,900	12,900	-
Venture capital limited partnerships	1,756	1,756	-
Other	704,290	704,290	-
	$ 132,866,171	$ 105,359,088	$ 27,507,083

	2006		
	Fair value	Cost	Unrealized appreciation (depreciation)
Money market	$ 5,195,174	$ 5,195,174	$ -
Government bonds	2,023,989	2,055,319	(31,330)
Corporate bonds	1,845,100	1,845,656	(556)
Bond mutual funds	22,669,259	22,844,865	(175,606)
Common stock	27,294,606	22,396,741	4,897,865
Stock mutual funds	57,019,499	42,897,230	14,122,269
Real estate	12,900	12,900	-
Venture capital limited partnerships	1,756	1,756	-
Other	700,735	700,735	-
	$ 116,763,018	$ 97,950,376	$ 18,812,642

The College paid investment trustee and management fees of $714,000 and $586,000 for the years ended May 31, 2007 and 2006, respectively.

NOTE B - INVESTMENTS - Continued

The total return on investments for the years ended May 31 consists of the following:

	2007	2006
Interest and dividends	$ 1,991,125	$ 2,642,834
Realized gain	8,230,200	2,893,355
Unrealized gain	8,099,037	1,576,114
Total return on investments	$ 18,320,362	$ 7,112,303

The investment portfolio consists of debt and equity securities that are subject to the general volatility of financial markets. The current impairment of securities in the investment portfolio is a result of general volatility in the financial markets and is deemed not to be other than temporary by management.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at May 31:

	2007	2006
Tuition and fees	$ 108,203	$ 104,358
Government grants and contracts receivable	527,220	428,504
Accrued interest and pending investment trades	59,321	89,076
Other	101,232	169,452
	795,976	791,390
Less allowance for doubtful accounts	27,646	26,383
Net accounts receivable	$ 768,330	$ 765,007

NOTE D - CONTRIBUTIONS RECEIVABLE

Net contributions receivable are summarized as follows at May 31:

	2007	2006
Total contributions receivable	$ 11,125,515	$ 7,224,034
Less adjustment to present value of future cash flows for contributions receivable	1,270,322	781,950
Less allowance for uncollectible contributions	482,332	358,521
Net contributions receivable	$ 9,372,861	$ 6,083,563

NOTE D - CONTRIBUTIONS RECEIVABLE - Continued

During 2007 and 2006, the College determined that contributions receivables totaling $259,000 and $244,000, respectively, had become uncollectible. The losses relating to these receivables are recorded in temporarily and permanently restricted other losses resulting from bad debts in the statements of activities.

The discount rates used to determine the present value of contributions are risk-free interest rates applicable to the years in which the promises are received.

Payments on pledges receivable at May 31, 2007 are scheduled to be received as follows:

Years ending May 31,	
2008	$ 1,745,986
2009	2,614,880
2010	1,437,891
2011	3,802,443
2012	937,700
Thereafter	586,615
	$ 11,125,515

Fundraising expenses of $1,862,000 and $1,676,000 are included in institutional support in the statements of changes in net assets for the years ended May 31, 2007 and 2006, respectively.

NOTE E - STUDENT LOANS RECEIVABLE

The following schedule summarizes the student loans receivable by program at May 31:

	2007	2006
Federal Perkins Loan Program	$ 2,952,734	$ 2,969,187
Beloit College	4,109,817	3,377,140
	7,062,551	6,346,327
Less allowance for uncollectible loans	257,636	208,125
Net student loans receivable	$ 6,804,915	$ 6,138,202

NOTE E - STUDENT LOANS RECEIVABLE - Continued

Refundable advances from the U.S. Government under the Federal Perkins Loan Program and the net assets related to the College's matching contributions at May 31 are summarized as follows:

	2007	2006
Unrestricted net assets designated for Federal Perkins Loan Program match	$ 87,508	$ 87,508
Permanently restricted revolving loan funds used for Federal Perkins Loan Program match	271,782	271,782
Total match	359,290	359,290
U.S. Government grants refundable	2,564,998	2,604,827
Total	$ 2,924,288	$ 2,964,117

NOTE F - MORTGAGE NOTE RECEIVABLE

During 2001, in connection with the lease of building space (note H), the College entered into an interest-free mortgage note receivable agreement with Beloit Hotel, LLC for $697,694. Under this agreement, the note has a maturity date of December 31, 2040. In relation to this agreement, the College entered into an agreement with Wisconsin Management Company, Inc. (WMCI), which allows WMCI to purchase the note receivable from the College at any time after March 31, 2008 at a price equal to the present value of the outstanding amount due as of the date of purchase, using an annual discount rate of 9%. The mortgage note receivable is amortized on a straight-line basis, so that as of the assumed purchase date (March 31, 2008), the book value of the note equals the discounted purchase price of $41,490. As of May 31, 2007, the accumulated amortization on the mortgage note receivable is $573,140 and the mortgage note receivable net of the related amortization is $124,554.

The estimated fair market value of the above mortgage note receivable is $39,817 as of May 31, 2007, assuming the note will be purchased by WMCI on March 31, 2008 for $41,490. The estimated purchase price was discounted at the U.S. Treasury rate of 5% to arrive at the fair value as of May 31, 2007.

NOTE G - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are comprised of the following assets at May 31:

	2007	2006
Leasehold improvements	$ 75,744	$ 75,744
Land and land improvements	4,432,327	3,199,412
Buildings	37,264,254	37,264,254
Building improvements	4,658,369	4,630,489
Equipment and furnishings	8,127,822	7,452,792
Dormitory and commons	26,623,501	26,505,152
Residential rental properties	891,740	891,740
Works of art	722,579	722,579
Construction in progress	5,182,231	1,058,528
	87,978,567	81,800,690
Less accumulated depreciation	43,018,777	40,911,913
Net land, buildings and equipment	$ 44,959,790	$ 40,888,777

Depreciation expense of $2,265,000 and $2,216,000 was recorded for the years ended May 31, 2007 and 2006, respectively.

NOTE H - LEASE COMMITMENTS

In May 2001, the College entered into a seven-year operating lease agreement with Beloit Hotel, LLC for building space. Future minimum rental payments of $81,000 are due in 2008 under this agreement. The College has two options to extend the term of the lease. The first option commences at the end of the initial term of the lease, for seven additional years for a renewal fee of $15,000. The second extension is for an additional five years. If the College terminates the lease before the end of its initial term or does not renew the first option, the College must pay a breakage fee of $33,000. Rent expense totaled $83,000 and $81,000 for 2007 and 2006, respectively.

A portion of the above-mentioned space is being subleased for approximately $25,000 annually plus housekeeping charges through June 1, 2006. Revenue related to this sublease was $42,000 and $38,000 for the years ended May 31, 2007 and 2006, respectively.

NOTE I - LONG-TERM DEBT

The long-term debt of the College as of May 31, 2007 and 2006 consists of the following:

Description	Interest rate	Due date	2007	2006
Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 2004	Variable	Interest payable monthly, annual principal installments of $218,000 due on March 1, beginning in fiscal year 2005 through 2019	$ 2,616,000	$ 2,834,000
Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 2002	Variable	Interest payable monthly, principal due July 1, 2019	2,915,000	2,915,000
Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 1999	Variable	Interest payable monthly, principal due July 1, 2019	5,000,000	5,000,000
Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 1993	Variable	Interest payable monthly, principal due on demand, but in no event later than May 1, 2013	4,484,000	4,484,000
Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 1990	Variable	Interest payable monthly, annual principal installments due on June 1, beginning in fiscal year 2002 through 2008 in amounts ranging from $150,000 to $500,000	150,000	650,000
Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 1988	Variable	Interest payable monthly, principal due on demand, but in no event later than July 1, 2013	850,000	850,000
Term note	6.35%	Interest payable quarterly, annual principal installments of $200,000 due on January 2, beginning in fiscal year 2007 through 2010	600,000	800,000
Construction note	Variable	Interest payable monthly, principal due on September 30, 2007	4,971,500	-
			$ 21,586,500	$ 17,533,000

As of May 31, 2007, the effective interest rate on the above bonds is 3.4% and the effective interest rate on the construction note is 6.8%. Interest expense on all long-term debt was $667,000 and $517,000 for the years ended May 31, 2007 and 2006, respectively.

NOTE I - LONG-TERM DEBT - Continued

The aggregate maturities of principal as of May 31, 2007 are as follows:

Years ending May 31,	
2008	$ 5,539,500
2009	418,000
2010	418,000
2011	218,000
2012	218,000
Thereafter	14,775,000
	$ 21,586,500

All long-term debt, except for the balance outstanding under the term note, was paid with proceeds from Revenue Bonds payable to Wisconsin Health and Education Facilities Authority issued in July 2007 (see note P).

The College has a $2,000,000 bank line of credit that was established as a general source of funds and expires in December 2007. Borrowings are subject to interest at the prime rate less .75% (7.5% as of May 31, 2007). As of May 31, 2007, there was no balance outstanding on the line of credit. As of May 31, 2006, the College had $1,000,000 outstanding on the line of credit. Interest expense on the line of credit was $57,000 for the year ended May 31, 2007. There was no interest expense for the year ended May 31, 2006.

There is no collateral associated with any of the College's outstanding debt.

NOTE J - RETIREMENT PLANS

The College has a defined contribution retirement plan for certain non-exempt employees. The expense relating to this plan was $295,000 and $271,000 for the years ended May 31, 2007 and 2006, 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 $992,000 and $974,000 for the years ended May 31, 2007 and 2006, respectively.

NOTE K - BELOIT COLLEGE EMPLOYEE HEALTH BENEFIT PLAN

The Beloit College Employee Health Benefit Plan (the Plan) is a self-insured employee health and welfare plan. The Plan provides health care 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. The College's expenses relating to the Plan were $1,703,000 and $1,784,000 for the years ended May 31, 2007 and 2006, respectively.

NOTE L - UNEMPLOYMENT COMPENSATION CLAIMS

The College is self-insured for unemployment compensation claims. As a result, the College has a $205,673 bank letter of credit, which expires on December 31, 2008, 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 $51,000 and $63,000 during the years ended May 31, 2007 and 2006, respectively.

NOTE M - 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 at May 31:

	2007	2006
Net investment in land, buildings and equipment	$ 18,472,698	$ 20,673,707
Funds designated for endowment	74,628,324	59,128,740
Funds designated for retirement of indebtedness	234,078	348,863
Funds designated for annuity contract reserves	1,257,878	959,207
Funds designated for Federal Perkins Student Loan Program	87,508	87,508
Funds designated for student loan funds	761,677	710,411
Undesignated	(3,071,723)	(4,563,713)
	$ 92,370,440	$ 77,344,723

NOTE M - NET ASSETS - Continued

Donor restrictions of temporarily restricted net assets at May 31 are summarized as follows:

	2007	2006
Investment in land, buildings and equipment	$ 1,064,621	$ 2,727,486
Funds designated for endowment	4,821,351	125,304
Split-interest annuity agreements	2,805,600	2,232,548
Student loans	142,178	178,344
Academic support	439,628	431,177
Instruction	885,102	879,608
Scholarships	86,188	65,663
Contributions receivable and other	2,589,048	3,627,996
	$ 12,833,716	$ 10,268,126

Permanently restricted net assets consist of the following at May 31:

	2007	2006
Investments (perpetual endowment)	$ 53,302,051	$ 49,338,400
Contributions receivable	1,767,420	883,182
Beneficial interest in perpetual trusts	2,951,760	2,531,361
Cash surrender value	76,258	75,160
Split-interest annuity agreements	3,846,174	3,452,021
Revolving student loan funds	885,691	872,733
Other	1,942	1,942
	$ 62,831,296	$ 57,154,799

NOTE N - EXPENSES BY NATURAL CLASSIFICATION

The following schedule summarizes expenses by natural classification for the years ended May 31:

	2007	2006
Salaries and wages	$ 19,506,489	$ 18,673,268
Operating	9,497,196	9,667,013
Fringe benefits	6,074,255	5,959,690
Cost of sales	1,138,420	1,115,566
Depreciation	2,264,915	2,216,436
Utilities	1,464,269	1,547,828
Interest	723,661	517,096
Total expenses	$ 40,669,205	$ 39,696,897

NOTE O - COMMITMENTS

The College has entered into an agreement with Barnes & Noble College Bookstores, Inc. to operate and provide services for the College bookstore. In conjunction with this agreement, Barnes & Noble purchased, at cost, all inventory associated with the bookstore. The agreement runs until May 31, 2008, and from year-to-year thereafter. In addition, Beloit College is committed to lease the facility in which the bookstore operates as well as fund certain overhead expenses of the store. See note H for future minimum rental payments.

As of May 31, 2007, the College has incurred costs totaling $4,488,000 related to the construction of a new Center for the Sciences. This is a collaborative effort with a construction manager to build the shell and core components of the building and a separate contractor for architectural services. The College is under separate contracts with each of the service providers for a total of approximately $33,942,000 in construction contracts as of May 31, 2007.

NOTE P - SUBSEQUENT EVENT

In July 2007, the College issued Revenue Bonds payable to Wisconsin Health and Educational Facilities Authority (WHEFA) in the amount of $56,255,000. A portion of the proceeds from the issuance was used to pay off the outstanding balances on the Series 1988, Series 1990, Series 1993, Series 1999, Series 2002 and Series 2004 WHEFA Revenue Bonds and the construction note payable. The remaining proceeds will be used to finance the costs of developing and constructing the new Center for the Sciences on the College's campus.