BELOIT COLLEGE

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended May 31, 2013 and 2012

BELOIT COLLEGE

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As of and for the Years Ended May 31, 2013 and 2012

BAKER TILLY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Beloit College
Beloit, Wisconsin

We have audited the accompanying financial statements of Beloit College (the "College"), which comprise the statements of financial position as of May 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
October 7, 2013

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BELOIT COLLEGE

STATEMENTS OF FINANCIAL POSITION
As of May 31, 2013 and 2012

ASSETS

	2013	2012
Cash and cash equivalents	$ 5,322,310	$ 8,049,070
Contributions receivable, net	3,932,463	5,443,365
Accounts receivable, net	1,556,694	913,195
Inventories	17,780	52,385
Prepaid expenses and other assets	123,016	163,623
Cash surrender value of life insurance	3,735	18,967
Student loans receivable, net	7,591,370	8,238,274
Investments	134,343,143	115,134,619
Bond issuance costs, net	900,465	936,321
Original bond issue discount	323,549	335,993
Funds held in trust by others	614,733	655,808
Beneficial interest in perpetual trusts	2,643,266	2,359,084
Property, plant, and equipment, net	76,276,920	78,374,619
TOTAL ASSETS	$ 233,649,445	$ 220,675,323

LIABILITIES AND NET ASSETS

	2013	2012
LIABILITIES		
Accounts payable and other accrued expenses	$ 4,432,317	$ 3,759,003
Student deposits and other liabilities	661,553	562,726
Deferred Revenues	2,109,694	89,967
Beneficiary payable	51,484	48,762
Annuities payable	3,045,824	2,890,089
Deferred support under split interest agreements	63,136	63,136
Bond issue premium	104,293	108,304
Derivative liability	7,540,646	9,892,204
Long-term debt	58,440,000	58,540,000
Henry Strong Foundation advances refundable	88,022	88,174
U.S. government advances refundable	2,509,015	2,525,140
Funds held in custody for others	738,903	669,366
Total Liabilities	79,784,886	79,236,871
NET ASSETS		
Unrestricted	53,307,305	45,821,196
Temporarily restricted	24,804,131	21,520,964
Permanently restricted	75,753,123	74,096,292
Total Net Assets	153,864,559	141,438,452
TOTAL LIABILITIES AND NET ASSETS	$ 233,649,445	$ 220,675,323

See accompanying notes to financial statements.

BELOIT COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2013
(with comparative May 31, 2012 totals)

	2013 Unrestricted	2013 Temporarily Restricted	2013 Permanently Restricted	2013 Total	2012 Total
REVENUES, GAINS, AND OTHER ADDITIONS					
Tuition and Fees	$ 47,344,990	$ -	$ -	$ 47,344,990	$ 45,758,959
Less: Funded student financial assistance	(1,897,382)	-	-	(1,897,382)	(1,785,951)
Less: Unfunded student financial assistance	(22,511,280)	-	-	(22,511,280)	(21,306,416)
Net tuition and fees	22,936,328	-	-	22,936,328	22,666,592
Government grants	989,678	-	-	989,678	420,362
Government contracts	424,692	-	-	424,692	1,349,801
Contributions	3,053,965	1,393,215	1,055,836	5,503,016	9,697,629
Investment income (loss)	11,625,495	8,464,136	6,009	20,095,640	(2,718,183)
Other sources	759,390	7,637	1,502	768,529	1,043,075
Auxiliary enterprises	8,687,011	-	-	8,687,011	8,297,525
Change in value of split interest agreements	(26,682)	105,939	250,540	329,797	(376,100)
Change in value of beneficial interest in perpetual trust agreements	-	-	284,182	284,182	(232,094)
Gain (loss) on disposal of fixed assets	(17,495)	-	-	(17,495)	(12,520)
Other adjustments	-	-	-	-	-
Net asset reclassification	318,190	(376,952)	58,762	-	-
Net assets released from restrictions	6,310,808	(6,310,808)	-	-	-
Total Revenues, Gains, and Other Additions	55,061,379	3,283,167	1,656,831	60,001,377	40,136,087
EXPENSES					
Instruction	17,303,012	-	-	17,303,012	23,477,562
Institutional support	10,036,465	-	-	10,036,465	9,294,451
Auxiliary enterprises	7,531,356	-	-	7,531,356	6,477,515
Student services	7,001,845	-	-	7,001,845	6,920,033
Academic support	4,993,287	-	-	4,993,287	4,667,900
Public service	673,289	-	-	673,289	570,099
Research	33,791	-	-	33,791	68,717
Scholarships, grants, and prizes	2,223	-	-	2,223	-
Total Expenses	47,575,270	-	-	47,575,270	51,476,277
Change in Net Assets	7,486,109	3,283,167	1,656,831	12,426,107	(11,340,190)
NET ASSETS - Beginning of Year	45,821,196	21,520,964	74,096,292	141,438,452	152,778,642
NET ASSETS - END OF YEAR	$ 53,307,305	$ 24,804,131	$ 75,753,123	$ 153,864,559	$ 141,438,452

See accompanying notes to financial statements.

BELOIT COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER ADDITIONS				
Tuition and Fees	$ 45,758,959	$ -	$ -	$ 45,758,959
Less: Funded student financial assistance	(1,785,951)	-	-	(1,785,951)
Less: Unfunded student financial assistance	(21,306,416)	-	-	(21,306,416)
Net tuition and fees	22,666,592	-	-	22,666,592
Government grants	420,362	-	-	420,362
Government contracts	1,349,801	-	-	1,349,801
Contributions	3,277,815	4,777,029	1,642,785	9,697,629
Investment income	(2,848,283)	122,926	7,174	(2,718,183)
Other sources	1,029,479	6,580	7,016	1,043,075
Auxiliary enterprises	8,297,525	-	-	8,297,525
Change in value of split interest agreements	57,216	(45,806)	(387,510)	(376,100)
Change in value of beneficial interest in perpetual trust agreements	-	-	(232,094)	(232,094)
Gain on disposal of fixed assets	(12,520)	-	-	(12,520)
Other adjustments	-	-	-	-
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
EXPENSES				
Instruction	23,477,562	-	-	23,477,562
Institutional support	9,294,451	-	-	9,294,451
Auxiliary enterprises	6,477,515	-	-	6,477,515
Student services	6,920,033	-	-	6,920,033
Academic support	4,667,900	-	-	4,667,900
Public service	570,099	-	-	570,099
Research	68,717	-	-	68,717
Scholarships, grants, and prizes	-	-	-	-
Total Expenses	51,476,277	-	-	51,476,277
Change in Net Assets	(11,290,893)	(965,702)	916,405	(11,340,190)
NET ASSETS - Beginning of Year	57,112,089	22,486,666	73,179,887	152,778,642
NET ASSETS - END OF YEAR	$ 45,821,196	$ 21,520,964	$ 74,096,292	$ 141,438,452

See accompanying notes to financial statements.

BELOIT COLLEGE

STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 12,426,107	$ (11,340,190)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	3,956,775	3,629,939
Amortization of deferred bond issuance costs	35,856	35,856
Amortization of bond premium	(4,011)	(4,012)
Amortization of bond discount	12,444	12,444
Increase (decrease) in the allowance for doubtful accounts	21,125	3,899
Increase (decrease) in allowance for uncollectible loans	(127,725)	121,958
Increase (decrease) in allowance for uncollectible contributions receivable	(79,521)	97,226
Increase in fair value of derivative liability	(2,351,558)	4,122,086
Contributed investments	(723,082)	(1,203,661)
Contributions restricted for long-term investment	(1,007,448)	(1,642,785)
Interest, dividends, and other net gains/losses restricted for long term investment	(11,046,273)	(7,174)
(Increase) decrease in value of split-interest agreements and beneficial interests in perpetual trusts	(731,295)	467,909
Net unrealized (gain) loss on investments	(15,654,448)	4,177,529
Net realized (gain) loss on investments	(1,903,125)	1,062,077
(Gain) loss on dispositions of property, plant and equipment	17,495	12,520
(Increases) decreases in		
Contributions receivable, net	1,590,423	(657,266)
Accounts receivable, net	(536,401)	531,399
Inventories	34,605	20,281
Prepaid expenses and other assets	40,606	256,296
Beneficial interest in perpetual trusts	(284,182)	232,094
Funds held in trust by others	41,075	(2,891)
Increases (decreases) in		
Accounts payable and other accrued expenses	673,314	(230,258)
Student deposits and other liabilities	98,827	(477,880)
Deferred tuition and fees	2,019,727	(120,854)
Beneficiary payable	2,722	(7,391)
Annuities payable	155,735	(224,389)
Deferred support under split-interest agreements	-	(16,268)
Asset retirement obligation	-	(43,000)
Funds held in custody for others	69,537	20,538
Net Cash Flows from Operating Activities	(13,252,696)	(1,173,968)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,876,570)	(3,101,234)
Purchases of investments	(6,086,301)	(8,073,117)
Proceeds from sales of investments	5,904,134	6,886,279
Proceeds from sales of property and equipment	-	14,255
Disbursements of loans to students	(426,322)	(920,564)
Repayments of loans by students	1,072,728	938,527
(Increase) decrease in the cash surrender value of life insurance	826	(183)
Decrease in restricted bond proceeds	-	1,809,948
Net Cash Flows from Investing Activities	(1,411,505)	(2,446,089)

See accompanying notes to financial statements.

		2013		2012
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of principal on long-term debt	$	(100,000)	$	(100,000)
Contributions received for investment in endowment		1,007,448		1,580,355
Interest, dividends and other gains restricted for reinvestment		11,046,273		7,174
(Increase) decrease in U.S. government grants refundable, net		(16,125)		5,434
Increase (decrease) in Henry Strong Foundation advances refundable, net		(155)		2,608
Net Cash Flows from Financing Activities		11,937,441		1,495,571
Net Change in Cash and Cash Equivalents		(2,726,760)		(2,124,486)
CASH AND CASH EQUIVALENTS - Beginning of Year		8,049,070		10,173,556
CASH AND CASH EQUIVALENTS - END OF YEAR	$	5,322,310	$	8,049,070
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for interest on long-term debt	$	2,918,089	$	2,818,797
NONCASH INVESTING AND FINANCING ACTIVITIES				
Property, plant and equipment acquired through accounts payable		-		3,703

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. These museum collections are insured at a value of approximately $10,500,000 as of May 31, 2013 and 2012. 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, 2013 and May 31, 2012.

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, 2013 and 2012. 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, 2013 and 2012 approximated $44,000 and $40,000, respectively.

Fundraising Expenses - The College follows the policy of expensing the costs of fundraising when incurred. Fundraising expense for the years ended May 31, 2013 and 2012 approximated $2,548,000 and $2,117,000, 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 fair value of variable rate long-term debt is assumed to approximate cost based on the nature of those obligations. The approximate fair value of fixed rated debt (2010A Series bonds) was $33,662,000 and $33,665,000 as of May 31, 2013 and 2012, respectively. The estimated fair value for the fixed rate debt was estimated using the rates currently offered for comparable debt instruments with similar remaining maturities. Based on these inputs, the fair value of the fixed rate long-term debt would be classified as a Level 2 liability.

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, 2013 and 2012.

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, 2013 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Money market funds	$ 211,202	$ -	$ 211,202	$ -
Government bonds	1,898,173	118,687	1,779,486	-
Common stock	232,417	232,417	-	-
Mutual funds - bonds				
U.S. fixed income	261,875	261,875	-	-
U.S. high yield fixed income	195,927	195,927	-	-
U.S. Treasury inflation protected	185,550	185,550	-	-
Global fixed income	238,731	238,731	-	-
Other fixed income	1,927,734	1,927,734	-	-
Mutual funds - equities				
U.S. equities	5,216,580	5,216,580	-	-
Non-U.S. equities	1,527,875	1,527,875	-	-
Mutual funds - diversified funds	108,132,244	108,132,244	-	-
Mutual funds - commodity	77,539	77,539	-	-
Real estate investment	12,900	-	-	12,900
Venture capital limited partnerships	1,756	-	-	1,756
Annuity contracts	619,650	-	-	619,650
Alternative investments				
Private equity funds	13,602,990	-	-	13,602,990
Beneficial interset in perpetual trusts	2,643,266	-	-	2,643,266
Funds held in trust by others	614,733	-	-	614,733
Totals	$ 137,601,142	$ 118,115,159	$ 1,990,688	$ 17,495,295
LIABILITIES				
Derivative liability	$ 7,540,646	$ -	$ 7,540,646	$ -

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, 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 trust	2,359,084	-	-	2,359,084
Funds held in trust by others	655,808	$ -	$ -	655,808
Total	$ 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 a reconciliation of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended May 31, 2013:

	Balances May 31, 2012	Realized and Unrealized Gains (Losses)	Purchases	Sales	Transfers in (out)	Balance May 31, 2013
ASSETS						
Annuity contracts	$ 604,798	$ 14,852	$ -	$ -	$ -	$ 619,650
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	11,800,825	1,177,165	-	-	625,000	13,602,990
Beneficial interest in perpetual trusts						
	2,359,084	284,182	-	-	-	2,643,266
Funds held in trust by others	655,808	(41,075)	-	-	-	614,733
Totals	$ 15,672,828	$ 1,435,124	$ -	$ (237,657)	$ 625,000	$ 17,495,295

The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains measured at fair value still held at May 31, 2013.	$ 566,456

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:

	Balances May 31, 2011	Unrealized Gains (Losses)	Purchases	Sales	Transfers	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.	$ 347,822

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, 2013:

	Private Equity	Private Equity
Fair value, May 31, 2013	$11,828,615	$1,774,375
Significant Investment Strategy	Low volatility diversified fund	Equity funds
Remaining Life	N.A.	7 years
Dollar amount of unfunded commitments	N.A.	$3,125,000
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:

	2013	2012
Capital funds	$ 296,733	$ 875,465
Operations	3,005,741	3,381,449
Endowment	847,205	1,503,557
Scholarships and programs	58,717	103,510
Gross contributions receivable	4,208,396	5,863,981
Less: Discount	(68,961)	(134,123)
Less: Allowance for uncollectible contributions	(206,972)	(286,493)
Net Contributions Receivable	$ 3,932,463	$ 5,443,365
Less than one year	$ 1,005,414	
One to five years	3,202,482	
More than five years	500	
Totals	$ 4,208,396	

Contributions have been discounted using a rate ranging from 0.14% to 5%. As of May 31, 2013 and 2012, the College had approximately $417,000 and $644,000, 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, 2013 and 2012, student loans represented approximately 4% of total assets.

At May 31, student loans consisted of the following:

	2013	2012
Federal government programs	$ 2,791,368	$ 2,944,934
Institutional programs	5,122,156	5,743,219
	7,913,524	8,688,153
Less allowance for doubtful accounts		
Beginning of year	(449,879)	(327,921)
Decreases (increases)	127,725	(121,958)
End of year	(322,154)	(449,879)
Student Loans Receivable, Net	$ 7,591,370	$ 8,238,274

NOTE 5 – CREDIT QUALITY OF RECEIVABLES (cont.)

Funds advanced by the Federal government were $2,509,015 and $2,525,140 at May 31, 2013 and 2012, 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, 2013 and 2012, 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
2013	$ 45,752	$ 103,213	$ 227,819	$ 501,681	$ 878,465
2012	$ 37,277	$ 103,168	$ 157,885	$ 490,315	$ 788,645

NOTE 6 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at May 31:

	2013	2012
Tuition and fees	$ 171,420	$ 203,222
Government grants and contracts receivable	1,244,207	437,751
Accrued interest and pending investment trades	97,466	65,730
Other	105,450	247,216
Gross accounts receivable	1,618,543	953,919
Less: Allowance for doubtful accounts	(61,849)	(40,724)
Net Accounts Receivable	$ 1,556,694	$ 913,195

NOTE 7 – INVESTMENTS

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

	2013	2012
Money market funds	$ 211,202	$ 313,674
Government bonds	1,898,173	3,048,693
Mutual funds - bonds		
U.S. fixed income	261,875	139,576
U.S. high yield fixed income	195,927	190,008
U.S. Treasury inflation protected	185,550	197,227
Global fixed income	238,731	231,419
Other fixed income	1,927,734	2,154,250
Mutual funds - equities		
U.S. equities	5,216,580	3,980,937
Non-U.S. equities	1,527,875	1,648,389
Mutual funds - diversified	108,132,244	90,273,253
Mutual funds - commodity	77,539	97,416
Common stock	232,417	201,841
Alternative investments		
Private equity funds	13,602,990	11,800,825
Real estate investment	12,900	12,900
Venture capital limited partnerships	1,756	1,756
Other	619,650	842,455
Totals	$ 134,343,143	$ 115,134,619

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

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:

	2013	2012
Interest and dividends	$ 2,538,065	$ 2,521,423
Realized gains (losses) on investments	1,903,127	(1,062,077)
Unrealized gains on investments	15,654,448	(4,177,529)
Totals	$ 20,095,640	$ (2,718,183)

The College paid investment trustee and management fees of approximately $115,000 and $120,000 for the years ended May 31, 2013 and 2012, respectively.

NOTE 8 – PROPERTY, PLANT, AND EQUIPMENT

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

	2013	2012
Leasehold improvements	$ 75,744	$ 75,744
Land and land improvements	8,589,197	8,406,840
Buildings	79,855,016	79,855,015
Building improvements	5,986,160	5,147,592
Equipment and furnishings	10,207,835	9,453,410
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	19,102	740,674
	133,018,685	131,964,906
Less: accumulated depreciation	(56,741,765)	(53,590,287)
Net Property, Plant, and equipment	$ 76,276,920	$ 78,374,619

Depreciation expense of $3,956,775 and $3,629,939 was recorded for the years ended May 31, 2013 and 2012, respectively.

NOTE 9 – LONG-TERM OBLIGATIONS

BONDS PAYABLE

Bonds payable at May 31 consist of the following:

Description	Interest Rate	Due Date	2013	2012
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	$ 28,540,000
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 (variable rate was .22% and .18% at May 31, 2013 and 2012, respectively	29,900,000	30,000,000
Totals			$ 58,440,000	$ 58,540,000

The Series 2010A and Series 2010B bonds are secured 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 collateralized by a mortgage on the property and buildings of the College campus in the amount of approximately $60 million as of May 31, 2013 and 2012, respectively.

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, 2013, the College was not in compliance with the last covenant due to the November 2012 required increase of $5,000,000.

Future principal payments on the bonds payable as of May 31, 2013 are due as follows:

Years Ending May 31	
2014	$ 420,000
2015	660,000
2016	915,000
2017	1,080,000
2018	1,150,000
Thereafter	54,215,000
Total	$ 58,440,000

Interest expense on all long-term debt, including the interest expense under the interest rate swap agreement was $2,918,000 and $2,819,000 for the years ended May 31, 2013 and 2012, 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 2013, the College expended $1,165,075 more than it received in interest under the swap agreements. In fiscal 2012, the College expended $5,210,372 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, 2013:

Instrument Type	Notional Amount	Maturity Date	Rate Paid	Rate Received
Floating to fixed rate swap	$29,900,000	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, 2013 and 2012 are as follows:

Derivatives Not Designated as Hedging Instruments	Liabilities Derivative: Statement of Financial Position Location	Fair Value 2013	Fair Value 2012
Interest rate swap	Derivative liability	$ 7,540,646	$ 9,892,204

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 (Gain) Loss on Derivatives Recognized in the Statement of Changes in Net Assets 2013	2012
Interest rate swap	Instruction expense	$ (2,351,558)	$ 4,122,086

During 2013 and 2012, 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 175 basis points plus the bank's LIBOR rate and amounts borrowed are due on demand. As of May 31, 2013 and 2012, 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, 2013 and May 31, 2012.

NOTE 12 – RELATED PARTIES

Contributions from trustees, officers, and employees totaled $1,144,956 and $800,300 for the years ended May 31, 2013 and 2012, 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 automatically renews for five years in May 2015 unless terminated one year prior 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, 2013 and 2012 was $91,335 and $89,544, respectively. Future lease commitments are due as follows:

Years ending May 31	
2014	$ 92,613
2015	93,910
2016	95,225
2017	96,558
2018	97,910
Total	$ 476,216

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:

	2013	2012
Net investment in land, buildings, and equipment	$ 16,793,170	$ 18,045,997
Funds designated for endowment	32,622,874	24,492,829
Funds designated for annuity contract reserves	2,555,005	2,208,396
Funds designated for Federal Perkins Student Loan Program	87,508	87,508
Funds designated for student loan funds	1,248,748	986,466
Totals	$ 53,307,305	$ 45,821,196

NOTE 14 – NET ASSETS (cont.)

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

	2013	2012
Investment in land, buildings, and equipment	$ 625,954	$ 1,201,229
Endowment	15,216,396	10,090,563
Split-interest annuity agreements	1,416,025	1,310,085
Student loans	157,719	223,731
Academic support	1,222,157	1,481,624
Instruction	1,342,293	1,332,019
Scholarships	719,826	771,737
Contributions receivable and other	4,103,761	5,109,976
Totals	$ 24,804,131	$ 21,520,964

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

	2013	2012
Scholarships	$ 1,379,162	$ 1,386,679
Investment in land, buildings, and equipment	128,863	27,370
Institutional support	749,063	155,488
Student services	1,491,209	2,100,938
Academic support	1,167,441	710,027
Public service	49,528	27,883
Instruction	1,345,542	1,463,963
Other	-	9
Totals	$ 6,310,808	$ 5,872,357

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.

	2013	2012
Investments (perpetual endowment)	$ 68,697,816	$ 67,064,316
Contributions receivable	690,181	1,029,803
Beneficial interest in perpetual trusts	2,643,266	2,359,084
Cash surrender value	-	14,407
Split-interest annuity agreements	2,800,146	2,699,673
Revolving student loan funds	921,714	929,009
Totals	$ 75,753,123	$ 74,096,292

NOTE 15 – RETIREMENT PLANS

The College has a defined contribution retirement plan for certain non-exempt employees. The expense relating to this plan was $270,000 and $327,000 for the years ended May 31, 2013 and 2012, 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 $1,172,000 and $1,166,000 for the years ended May 31, 2013 and 2012, 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 $70,000 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 $163,000 and $129,000 as of May 31, 2013 and 2012, 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 $73,530 and $36,000 during the years ended May 31, 2013 and 2012, 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.

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

NOTE 18 – ENDOWMENT (cont.)

Endowment net asset composition by type of fund consists of the following as of May 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (2,169,195)	$ 15,107,055	$ 69,387,997	$ 82,325,857
Board-designated endowment funds	34,792,069	109,341	-	34,901,410
Total Endowment Net Assets	$ 32,622,874	$ 15,216,396	$ 69,387,997	$ 117,227,267

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

	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

NOTE 18 – ENDOWMENT (cont.)

Changes in endowment net assets for the year ended May 31, 2013 are as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2012	$ 24,492,829	$ 10,090,563	$ 68,108,526	$ 102,691,918
Net asset reclassification - other	(82,761)	44,359	38,402	-
Endowment net assets after reclassification	24,410,068	10,134,922	68,146,928	102,691,918
Net assets released from restrictions	274,310	(274,310)	-	-
Adjustment for underwater endowments	2,515,673	(2,515,673)		-
Investment return:				
Investment income	1,123,307	1,340,525	1,437	2,465,269
Net appreciation/depreciation - realized and unrealized	7,489,378	9,599,556	-	17,088,934
Total investment return	11,128,358	8,424,408	1,437	19,554,203
Contributions and other additions	136,303	-	1,245,641	1,381,944
Appropriation of endowment assets for expenditure	(2,869,789)	(3,068,624)	(6,009)	(5,944,422)
Bad debt alowance for pledges receivable	15,706	-	-	15,706
Transfer out of the endowment	(472,082)	-	-	(472,082)
Endowment Net Assets, May 31, 2013	$ 32,622,874	$ 15,216,396	$ 69,387,997	$ 117,227,267

NOTE 18 – ENDOWMENT (cont.)

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

	2012			
	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 alowance 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.)

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 $2,169,195 and $4,684,818 as of May 31, 2013 and 2012, 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.

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, 2013 and 2012. 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 October 7, 2013, which is the date that the financial statements were issued.