Financial statements and report of independent certified public accountants

Beloit College

May 31, 2004 and 2003

CONTENTS

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, 2004 and 2003, and the related statements of changes in net assets 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 Auditing Standards Board of 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, 2004 and 2003, and the changes in its net assets 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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September 10, 2004

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BELOIT COLLEGE
STATEMENTS OF FINANCIAL POSITION
May 31,

ASSETS	2004	2003
Cash and cash equivalents	$ 3,089,657	$ 1,538,457
Accounts receivable, net	1,065,209	818,876
Contributions receivable, net	7,949,933	3,467,744
Student loans receivable, net	5,065,907	4,870,375
Investments	104,785,536	94,627,235
Inventories	33,289	37,115
Prepaid expenses and other assets	401,165	124,752
Cash surrender value of life insurance ($2,180,066 face value)	335,980	303,824
Mortgage note receivable, net	423,584	521,321
Land, buildings and equipment, less accumulated depreciation	39,324,661	37,998,775
Beneficial interest in perpetual trusts	2,216,336	2,075,051
TOTAL ASSETS	$ 164,691,257	$ 146,383,525
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 3,302,453	$ 3,299,109
Line of credit	500,000	500,000
Deferred tuition and fees	75,154	110,278
Student deposits	531,141	515,708
Assets held for others under agency agreements	769,240	746,718
Beneficiary payable	70,287	64,771
Annuities payable	2,859,026	2,843,543
Deferred support under split-interest agreements	211,888	238,912
Long-term debt	18,254,000	15,484,000
Refundable advances from Henry Strong Foundation Loan Fund	113,749	156,202
Refundable advances from the U.S. Government	2,626,263	2,613,166
Total liabilities	29,313,201	26,572,407
Net assets		
Unrestricted	73,856,813	64,130,795
Temporarily restricted	10,536,365	6,172,111
Permanently restricted	50,984,878	49,508,212
Total net assets	135,378,056	119,811,118
TOTAL LIABILITIES AND NET ASSETS	$ 164,691,257	$ 146,383,525

The accompanying notes are an integral part of these statements.

BELOIT COLLEGE
STATEMENTS OF CHANGES IN NET ASSETS
Year ended May 31,

	2004			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and net assets released from restrictions and reclassified				
Tuition and fees	$ 30,227,733	$ -	$ -	$ 30,227,733
Funded student financial assistance	(1,864,431)	-	-	(1,864,431)
Unfunded student financial assistance	(11,836,930)	-	-	(11,836,930)
Net tuition and fees	16,526,372	-	-	16,526,372
Auxiliary enterprises	6,354,986	-	-	6,354,986
Contributions	3,432,207	5,552,227	1,084,629	10,069,063
Return on investments	14,332,029	192,125	110,151	14,634,305
Government contracts	1,411,048	-	-	1,411,048
Government grants	468,041	-	-	468,041
Other income (loss)	690,244	(77,498)	12,832	625,578
Change in value of split-interest agreements	(33,146)	194,230	127,769	288,853
Change in value of beneficial interest in perpetual trusts	-	-	141,285	141,285
Total revenues and gains	43,181,781	5,861,084	1,476,666	50,519,531
Net assets released from restrictions	1,496,830	(1,496,830)	-	-
Net assets reclassified	-	-	-	-
Total revenues, gains and net assets released from restrictions and reclassified	44,678,611	4,364,254	1,476,666	50,519,531
Expenses				
Instruction	12,561,742	-	-	12,561,742
Institutional support	6,658,753	-	-	6,658,753
Auxiliary enterprises	5,604,764	-	-	5,604,764
Student services	5,346,327	-	-	5,346,327
Academic support	4,139,975	-	-	4,139,975
Public service	625,185	-	-	625,185
Research	15,847	-	-	15,847
Total expenses	34,952,593	-	-	34,952,593
CHANGE IN NET ASSETS	9,726,018	4,364,254	1,476,666	15,566,938
Net assets at beginning of year	64,130,795	6,172,111	49,508,212	119,811,118
Net assets at end of year	$ 73,856,813	$ 10,536,365	$ 50,984,878	$ 135,378,056

The accompanying notes are an integral part of these statements.

2003			
Unrestricted	Temporarily restricted	Permanently restricted	Total
$ 27,470,710	$ -	$ -	$ 27,470,710
(2,074,976)	-	-	(2,074,976)
(10,235,256)	-	-	(10,235,256)
15,160,478	-	-	15,160,478
5,832,465	-	-	5,832,465
2,936,470	411,012	2,301,654	5,649,136
(2,679,793)	211,532	(6,954)	(2,475,215)
1,493,059	-	-	1,493,059
506,385	-	-	506,385
333,264	12,168	12,217	357,649
(30,976)	(118,499)	(140,929)	(290,404)
-	-	(122,383)	(122,383)
23,551,352	516,213	2,043,605	26,111,170
2,536,283	(1,070,224)	(1,466,059)	-
1,917	807	(2,724)	-
26,089,552	(553,204)	574,822	26,111,170
12,291,924	-	-	12,291,924
7,819,334	-	-	7,819,334
5,485,157	-	-	5,485,157
5,260,022	-	-	5,260,022
3,874,012	-	-	3,874,012
711,049	-	-	711,049
14,597	-	-	14,597
35,456,095	-	-	35,456,095
(9,366,543)	(553,204)	574,822	(9,344,925)
73,497,338	6,725,315	48,933,390	129,156,043
$ 64,130,795	$ 6,172,111	$ 49,508,212	$ 119,811,118

BELOIT COLLEGE
STATEMENTS OF CASH FLOWS
Year ended May 31,

	2004	2003
Cash flows from operating activities		
Change in net assets	$ 15,566,938	$ (9,344,925)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	2,083,237	2,076,482
Amortization on mortgage note receivable	97,737	101,616
Change in value of split-interest agreements and beneficial interests in perpetual trusts	(636,083)	439,041
Increase (decrease) in allowance for uncollectible loans	(15,230)	13,218
Loss on disposal of capital assets	9,757	-
Contributed investments	(757,397)	(1,342,973)
Contributions restricted for long-term investment	(1,084,629)	(2,301,654)
Interest, dividends and other net (gains) losses restricted for long-term investment	391,051	(258,048)
Net unrealized (gain) loss on long-term investments	(6,420,895)	5,638,405
Net realized gain on long-term investments	(6,996,236)	(933,771)
(Increase) decrease in accounts receivable	(246,333)	66,208
(Increase) decrease in contributions receivable	(4,482,189)	1,573,143
(Increase) decrease in inventories and prepaid expenses and other assets	(272,587)	237,710
(Increase) decrease in cash surrender value of life insurance	(32,156)	841
(Increase) decrease in beneficial interest in perpetual trusts	(141,285)	122,384
Increase in accounts payable and accrued liabilities	3,344	249,434
Increase (decrease) in student deposits and deferred tuition and fees	(19,691)	255,045
Increase in assets held for others under agency	22,522	19,964
Increase (decrease) in beneficiary payable	5,516	(8,898)
Increase (decrease) in annuities payable	15,483	(299,450)
Decrease in deferred support under split interest agreements	(27,024)	(40,107)
Net cash used in operating activities	(2,936,150)	(3,736,335)
Cash flows from investing activities		
Proceeds from sale of investments	62,974,133	52,831,997
Purchases of investments	(58,321,823)	(50,668,011)
Proceeds from life insurance	-	6,823
Purchases of land, buildings and equipment	(3,418,880)	(2,767,393)
Issuance of student loans receivable	(979,723)	(779,305)
Payments from student loans receivable	799,421	772,601
Net cash provided by (used in) investing activities	1,053,128	(603,288)

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

	2004	2003
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	$ 1,084,629	$ 2,301,654
Interest, dividends and other net gains (losses) restricted for reinvestment	(391,051)	258,048
Increase in refundable advances - Henry Strong Foundation Loan Fund	(42,453)	10,299
(Increase) decrease in refundable advances - Federal Government	13,097	48,284
Proceeds from issuance of bonds payable	3,270,000	3,000,000
Payments on long-term debt	(500,000)	(500,000)
Net cash provided by financing activities	3,434,222	5,118,285
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,551,200	778,662
Cash and cash equivalents at beginning of year	1,538,457	759,795
Cash and cash equivalents at end of year	$ 3,089,657	$ 1,538,457
Supplemental data - interest paid	$ 188,624	$ 256,395
Non-cash		
Contributed investments	$ 757,397	$ 1,342,973

The accompanying notes are an integral part of these statements.

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 preprofessional 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Basis of Presentation - (continued)

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, for the uses and purposes for which an endowment fund is established, as much of the net appreciation as is deemed prudent 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;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

2. Contributions

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Cash Equivalents

The College considers all highly liquid 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 changes in net assets. 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 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.

9. Inventories

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

10. 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
Building and service systems	40
Residence halls	30
Land improvements	20
Works of art	20
Equipment	10
Fleet vehicles	5
Computers	5

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. 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 market value of the assets held in the trusts. Changes in the market value of the trusts are recognized as permanently restricted gains and losses.

12. 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.

13. 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.

14. 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.

15. 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.

16. Reclassifications

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentation.

NOTE B - INVESTMENTS

Investments consist of the following at May 31:

	2004		
	Market value	Cost	Unrealized appreciation
Money market	$ 5,851,201	$ 5,851,201	$ -
Government bonds	915,262	881,078	34,184
Corporate bonds	1,476,866	1,476,771	95
Bond mutual funds	23,278,689	22,562,621	716,068
Common stock	23,116,569	16,334,975	6,781,594
Stock mutual funds	49,437,633	41,712,397	7,725,236
Real estate	55,900	55,900	-
Venture capital limited partnerships	1,756	1,756	-
Other	651,660	651,660	-
	$ 104,785,536	$ 89,528,359	$ 15,257,177

	2003		
	Market value	Cost	Unrealized appreciation (depreciation)
Money market	$ 4,744,452	$ 4,744,452	$ -
Government bonds	894,876	803,516	91,360
Corporate bonds	1,497,513	1,483,488	14,025
Bond mutual funds	25,077,818	23,263,115	1,814,703
Common stock	36,481,150	29,710,236	6,770,914
Stock mutual funds	25,240,152	25,823,746	(583,594)
Real estate	55,900	55,900	-
Venture capital limited partnerships	1,756	1,756	-
Other	633,618	633,618	-
	$ 94,627,235	$ 86,519,827	$ 8,107,408

Included in common stock investments is stock in a privately held company, valued at $929,000 and $895,000 at May 31, 2004 and 2003, respectively. The fair value of this stock is based on an independent appraisal, or where the College has a put option, on the discounted future cash flows from the sale of the stock under put options, per the agreement. The value of the stock could fluctuate.

The College paid investment trustee and management fees of $469,647 and $495,391 for the years ended May 31, 2004 and 2003, respectively.

NOTE B - INVESTMENTS - Continued

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

	2004	2003
Interest and dividends	$ 1,217,174	$ 2,229,419
Realized gain	6,996,236	933,771
Unrealized gain (loss)	6,420,895	(5,638,405)
Total return on investments	$ 14,634,305	$ (2,475,215)

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at May 31:

	2004	2003
Tuition and fees	$ 187,806	$ 238,076
Government grants and contracts receivable	167,243	197,640
Accrued interest and pending investment trades	192,126	132,719
Other	574,754	302,516
	1,121,929	870,951
Less allowance for doubtful accounts	56,720	52,075
Net accounts receivable	$ 1,065,209	$ 818,876

NOTE D - CONTRIBUTIONS RECEIVABLE

Net contributions receivable are summarized as follows at May 31:

	2004	2003
Total contributions receivable	$ 8,713,659	$ 3,837,353
Less adjustment to present value of future cash flows for contributions receivable	525,486	187,373
Less allowance for uncollectible contributions	238,240	182,236
Net contributions receivable	$ 7,949,933	$ 3,467,744

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.

NOTE D - CONTRIBUTIONS RECEIVABLE - Continued

Payments on pledges receivable at May 31, 2004 are scheduled to be received as follows:

Year ending May 31,	
2005	$ 4,655,521
2006	728,160
2007	191,242
2008	330,761
2009	2,142,428
Thereafter	665,547
	$ 8,713,659

Fundraising expenses of $1,516,821 and $1,175,153 are included in institutional support in the statements of changes in net assets for the years ended May 31, 2004 and 2003, respectively.

NOTE E - STUDENT LOANS RECEIVABLE

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

	2004	2003
Federal Perkins Loan Program	$ 2,703,025	$ 2,734,396
Beloit College	2,494,510	2,282,837
	5,197,535	5,017,233
Less allowance for uncollectible loans	131,628	146,858
Net student loans receivable	$ 5,065,907	$ 4,870,375

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:

	2004	2003
Unrestricted net assets designated for Federal Perkins Loan Program match	$ 82,100	$ 76,598
Permanently restricted revolving loan funds used for Federal Perkins Loan Program match	271,782	271,782
Total match	353,882	348,380
U.S. Government grants refundable	2,626,263	2,613,166
Total	$ 2,980,145	$ 2,961,546

NOTE F - MORTGAGE NOTE RECEIVABLE

In connection with the lease of building space (note H), during 2001, 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, 2004, the accumulated amortization on the mortgage note receivable is $274,110 and the mortgage note receivable net of the related amortization is $423,584.

The estimated fair market value of the above mortgage note receivable is $36,441 as of May 31, 2004, 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 3.4% to arrive at the fair market value as of May 31, 2004.

NOTE G - LAND, BUILDINGS AND EQUIPMENT

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

	2004	2003
Leasehold improvements	$ 75,744	$ 75,744
Land and land improvements	2,842,843	2,842,843
Buildings	37,022,113	36,392,648
Equipment and furnishings	7,073,618	6,989,619
Dormitory and commons	24,834,548	24,799,876
Residential rental properties	803,219	803,219
Works of art	722,579	717,579
Construction in progress	2,554,331	-
	75,928,995	72,621,528
Less accumulated depreciation	36,604,334	34,622,753
Net land, buildings and equipment	$ 39,324,661	$ 37,998,775

Depreciation expense of $2,083,237 and $2,076,482 was recorded for the years ended May 31, 2004 and 2003, 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. 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 $78,000 and $75,000 for 2004 and 2003, respectively.

The following is a schedule by years of future minimum rental payments required under the operating lease as of May 31, 2004:

Year ending May 31,		
2005	$	79,600
2006		81,200
2007		82,800
2008		80,900
Thereafter		-
Total minimum payments required	$	324,500

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 $30,869 and $30,264 for the years ended May 31, 2004 and 2003, respectively.

NOTE I - LONG-TERM DEBT

The long-term debt of the College as of May 31, 2004 and 2003 consists of the following:

Payable to	Interest rate	Due date	2004	2003
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	$ 3,270,000	$ -
Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Series 2002	Variable	Interest payable monthly, principal due July 1, 2019	3,000,000	3,000,000
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	1,650,000	2,150,000
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
			$ 18,254,000	$ 15,484,000

As of May 31, 2004, the effective interest rate on the above bonds is 1.18%. Interest expense was $187,128 and $256,395 for the years ended May 31, 2004 and 2003, respectively.

NOTE I - LONG-TERM DEBT - Continued

The aggregate maturities of principal as of May 31, 2004 are as follows:

Year ending May 31,		
2005	$	718,000
2006		718,000
2007		718,000
2008		368,000
2009		218,000
Thereafter		15,514,000
	$	18,254,000

As of May 31, 2004 and 2003, the College had $500,000 outstanding on a $2,000,000 bank line of credit that was established as a general source of funds and expires in December 2004. Borrowings are subject to interest at the prime rate less .75% (3.25% as of May 31, 2004).

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 $240,270 and $214,304 for the years ended May 31, 2004 and 2003, 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 $904,911 and $831,678 for the years ended May 31, 2004 and 2003, 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 made contributions of $1,121,543 and $1,242,219 to the Plan during the years ended May 31, 2004 and 2003, 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, 2007 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 $37,659 and $32,298 during the years ended May 31, 2004 and 2003, 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:

	2004	2003
Net investment in land, buildings and equipment	$ 19,222,997	$ 19,966,983
Funds designated for endowment	55,063,427	45,240,965
Funds designated for retirement of indebtedness	194,709	59,419
Funds designated for annuity contract reserves	559,060	489,830
Funds designated for Federal Perkins Student Loan Program	82,100	76,598
Funds designated for student loan funds	629,551	584,311
Undesignated	(1,895,031)	(2,287,311)
	$ 73,856,813	$ 64,130,795

NOTE M - NET ASSETS - Continued

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

	2004	2003
Investment in land, buildings and equipment	$ 82,675	$ 207,958
Funds designated for endowment	246,304	246,304
Split-interest annuity agreements	2,415,372	2,282,478
Student loans	245,711	262,059
Academic support	515,421	693,143
Instruction	881,615	839,770
Scholarships	43,699	83,494
Contributions receivable and other	6,105,568	1,556,905
	$ 10,536,365	$ 6,172,111

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

	2004	2003
Investments (perpetual endowment)	$ 43,423,110	$ 42,293,564
Contributions receivable	2,187,993	2,083,177
Beneficial interest in perpetual trusts	2,216,336	2,075,051
Cash surrender value	73,750	70,958
Split-interest annuity agreements	2,230,794	2,147,585
Revolving student loan funds	851,152	836,233
Other	1,743	1,644
	$ 50,984,878	$ 49,508,212

NOTE N - EXPENSES BY NATURAL CLASSIFICATION

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

	2004	2003
Salaries and wages	$ 17,341,757	$ 16,602,830
Operating	8,234,912	8,444,737
Fringe benefits	4,584,799	4,305,670
Cost of sales	967,771	900,779
Depreciation	2,083,237	2,076,482
Bad debt	90,839	1,496,714
Utilities	1,462,150	1,372,488
Interest	187,128	256,395
Total expenses	$ 34,952,593	$ 35,456,095

NOTE O - COMMITMENT

Effective June 1, 2002, the College 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, 2007 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.