BELOIT COLLEGE

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended May 31, 2015 and 2014

BELOIT COLLEGE

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As of and for the Years Ended May 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014, 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 5, 2015

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Beloit College
Statements of Financial Position
As of May 31, 2015 and 2014

ASSETS		2015		2014
Cash & Cash Equivalents	$	8,961,768	$	5,595,641
Accounts Receivable (net)		453,618		383,211
Contributions Receivable (net)		2,959,897		3,042,641
Student Loans Receivable (net)		5,348,721		5,804,634
Investments		154,716,431		144,300,316
Inventories		18,214		28,698
Prepaid Expenses and Other Assets		270,352		339,977
Cash Surrender Value of Life Insurance		41,010		4,901
Bond Issuance Costs (net)		551,052		574,295
Original Bond Issue Discount		298,660		311,105
Property, Plant and Equipment (net)		71,788,625		73,593,652
Funds Held in Trust by Others		669,433		651,952
Beneficial Interest in Perpetual Trusts		2,900,487		2,858,055
TOTAL ASSETS	$	248,978,268	$	237,489,078

LIABILITIES				
Accounts Payable and Other Accrued Liabilities	$	3,959,170	$	3,930,479
Deferred Revenues		1,962,292		1,953,385
Student Deposits & Deferred Grant Revenue		477,527		597,034
Assets Held for Others Under Agency		311,205		373,636
Beneficiary Payable		31,980		49,825
Annuities Payable		3,881,274		2,788,833
Deferred Support Under Split interest Agreements		47,831		49,082
Long Term Debt		57,585,500		57,735,500
Refundable Advance from Henry Strong Foundation		91,393		90,145
Refundable Advance from U.S. Government		2,279,753		1,552,137
Bond Issue Premium		96,271		100,282
Derivative Liability		8,196,076		6,811,134
TOTAL LIABILITIES	$	78,920,272	$	76,031,472

NET ASSETS				
Unrestricted		56,915,970		54,068,515
Temporarily Restricted		28,870,871		26,632,901
Permanently Restricted		84,271,155		80,756,190
TOTAL NET ASSETS		170,057,996		161,457,606
TOTAL LIABILITIES AND NET ASSETS	$	248,978,268	$	237,489,078

See accompanying notes to financial statements.

Beloit College
Statement of Activities
For the Year Ended May 31, 2015
(with comparative May 31, 2014 totals)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014 Total
Revenues, gains and net assets released from restrictions:					
Tuition & fees	$ 50,806,669	$ -	$ -	$ 50,806,669	$ 49,706,833
Funded student financial assistance	(1,741,262)	-	-	(1,741,262)	(1,886,123)
Unfunded student financial assistance	(25,348,535)	-	-	(25,348,535)	(24,419,550)
Net tuition & fees	23,716,872	-	-	23,716,872	23,401,160
Auxiliary enterprises	8,015,588	-	-	8,015,588	7,686,501
Contributions	3,773,068	960,779	-	4,733,847	4,329,601
Return on investments	16,283	22,766	-	39,049	-
Government contracts	926,004	-	-	926,004	1,007,542
Government grants	513,572	-	-	513,572	410,252
Long term investment income & gains allocated for operations	3,140,889	3,485,681	-	6,626,570	8,176,765
Capital gifts allocated	-	790,796	-	790,796	522,061
Other income	1,192,798	-	-	1,192,798	1,099,077
Total Revenue, Gains and Other Additions	41,295,074	5,260,022	-	46,555,096	46,632,959
Net assets released from restrictions	6,958,527	(6,958,527)	-	-	-
Total Revenues, Gains and Net Assets Released from Restrictions	48,253,601	(1,698,505)	-	46,555,096	46,632,959
Operating Expenses					
Instruction	18,871,196	-	-	18,871,196	20,136,469
Institutional support	9,234,237	-	-	9,234,237	10,306,942
Auxiliary enterprises	8,294,177	-	-	8,294,177	7,473,888
Student services	8,073,760	-	-	8,073,760	7,243,767
Academic support	4,937,381	-	-	4,937,381	4,927,523
Public service	529,964	-	-	529,964	697,208
Research	69,871	-	-	69,871	8,508
Scholarships, grants and prizes	7,280	-	-	7,280	14,482
Total expenses and losses	50,017,866	-	-	50,017,866	50,808,787
Change in Net Assets from Operating Activities	(1,764,265)	(1,698,505)	-	(3,462,770)	(4,175,828)
Non-operating Activities					
Long-term investment activities					
Investment income	1,255,138	3,195,574	5,746	4,456,458	8,686,319
Net gain/(loss) on investments	2,163,572	5,493,325	-	7,656,897	5,775,928
Total Long-term investment income	3,418,710	8,688,899	5,746	12,113,355	14,462,247
Less: Long-term investment income and gains allocated for operatioı	(3,140,889)	(3,485,681)	-	(6,626,570)	(8,176,765)
Student loan income net of expenses	(75,690)	6,073	828	(68,789)	91,960
Student gifts	-	-	1,801	1,801	1,741
Endowment - gifts less pledge write-offs	5,012,130	17,500	2,017,924	7,047,554	4,177,129
Capital giving activities - gifts and grants	1,000	1,655,878	-	1,656,878	222,981
Capital gifts allocated for operation	-	(790,796)	-	(790,796)	(522,337)
Deferred giving activities - gifts	664,946	-	300,000	964,946	101,449
Adjustments to actuarial liability for annuities payable	(1,048,266)	(18,258)	(416,536)	(1,483,060)	505,156
Change in value of perpetual trusts	-	-	42,429	42,429	214,793
Net Assets Reclassified	2,137,140	(2,137,140)	-	-	-
Reclassification due to change in donor intent	(1,562,773)	-	1,562,773	-	-
Interest rate swap (loss)/income	(1,384,942)	-	-	(1,384,942)	729,511
Loss on disposal of fixed assets	(62,921)	-	-	(62,921)	(38,990)
Estimated net book value of library books	653,275	-	-	653,275	-
Change in net assets from non-operating activities	4,611,720	3,936,475	3,514,965	12,063,160	11,768,875
Change in net assets	2,847,455	2,237,970	3,514,965	8,600,390	7,593,047
Net Assets - Beginning of Year	54,068,515	26,632,901	80,756,190	161,457,606	153,864,559
Net Assets - End of Year	$ 56,915,970	$ 28,870,871	$ 84,271,155	$ 170,057,996	$ 161,457,606

See accompanying notes to financial statements.

Beloit College
Statement of Activities
For the Year Ended May 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and net assets released from restrictions:				
Tuition & fees	$ 49,706,833	$ -	$ -	$ 49,706,833
Funded student financial assistance	(1,886,123)	-	-	(1,886,123)
Unfunded student financial assistance	(24,419,550)	-	-	(24,419,550)
Net tuition & fees	23,401,160	-	-	23,401,160
Auxiliary enterprises	7,686,501	-	-	7,686,501
Contributions	3,192,797	1,136,804	-	4,329,601
Government contracts	1,007,542	-	-	1,007,542
Government grants	410,252	-	-	410,252
Long term investment income & gains allocated for operations	4,983,137	3,193,628	-	8,176,765
Capital gifts allocated	-	522,061	-	522,061
Other income	1,099,077	-	-	1,099,077
Total Revenue, Gains and Other Additions	41,780,466	4,852,493	-	46,632,959
Net assets released from restrictions	6,163,832	(6,163,832)	-	-
Net Assets Reclassified	(50,210)	(62,891)	113,101	-
Total Revenues, Gains and Net Assets Released from Restrictions	47,894,088	(1,374,230)	113,101	46,632,959
Operating Expenses				
Instruction	20,136,469	-	-	20,136,469
Institutional support	10,306,942	-	-	10,306,942
Auxiliary enterprises	7,473,888	-	-	7,473,888
Student services	7,243,767	-	-	7,243,767
Academic support	4,927,523	-	-	4,927,523
Public service	697,208	-	-	697,208
Research	8,508	-	-	8,508
Scholarships, grants and prizes	14,482	-	-	14,482
Total expenses and losses	50,808,787	-	-	50,808,787
Change in Net Assets from Operating Activities	(2,914,699)	(1,374,230)	113,101	(4,175,828)
Non-operating Activities				
Long-term investment activities				
Investment income	3,643,829	5,037,392	5,098	8,686,319
Net gain/(loss) on investments	4,211,485	1,564,443	-	5,775,928
Total Long-term investment income	7,855,314	6,601,835	5,098	14,462,247
Less: Long-term investment income and gains allocated for operations	(4,983,137)	(3,193,628)	-	(8,176,765)
Student loan income net of expenses	93,395	(3,467)	2,032	91,960
Student gifts	-	-	1,741	1,741
Endowment - gifts less pledge write-offs	20,581	27,000	4,129,548	4,177,129
Capital giving activities - gifts and grants	-	222,981	-	222,981
Capital gifts allocated for operation	-	(522,337)	-	(522,337)
Deferred giving activities - gifts	76,593	-	24,856	101,449
Adjustments to actuarial liability for annuities payable	-	-	-	-
Change in value of perpetual trusts	-	-	214,793	214,793
Net Assets Reclassified	-	-	-	-
Interest rate swap income/(loss)	729,511	-	-	729,511
Loss on disposal of fixed assets	(38,990)	-	-	(38,990)
Change in value of split interest agreements	(77,358)	70,616	511,898	505,156
Change in net assets from non-operating activities	3,675,909	3,203,000	4,889,966	11,768,875
Change in net assets	761,210	1,828,770	5,003,067	7,593,047
Net Assets - Beginning of Year	53,307,305	24,804,131	75,753,123	153,864,559
Net Assets - End of Year	$ 54,068,515	$ 26,632,901	$ 80,756,190	$ 161,457,606

See accompanying notes to financial statements.

BELOIT COLLEGE

Statements of Cash Flows
For the Years Ended May 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 8,600,390	$ 7,593,047
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	3,986,824	3,926,609
Amortization of deferred bond issuance costs	23,243	401,661
Amortization of bond premium	(4,011)	(4,011)
Amortization of bond discount	12,445	12,444
Increase (decrease) in the allowance for doubtful accounts	43,455	(7,711)
Increase (decrease) in allowance for uncollectible loans	(490,555)	1,014,185
Increase (decrease) in allowance for uncollectible contributions receivable	(4,355)	(46,833)
Increase in fair value of derivative liability	1,384,942	(729,511)
Contributed investments	(1,807,912)	(1,396,302)
Contributions restricted for long-term investment	(7,047,554)	(4,154,404)
Interest, dividends, and other net gains/losses restricted for long term investment	(9,077,258)	(7,255,819)
(Increase) decrease in value of split-interest agreements and beneficial interests in perpetual trusts	574,315	(497,719)
Net unrealized (gain) loss on investments	435,069	(5,661,367)
Net realized (gain) loss on investments	(10,777,989)	76,788
(Gain) loss on dispositions of property, plant and equipment	62,994	38,990
(Increases) decreases in		
Contributions receivable, net	87,099	936,656
Accounts receivable, net	(113,862)	1,181,194
Inventories	10,484	(10,917)
Prepaid expenses and other assets	69,625	(216,960)
Beneficial interest in perpetual trusts	(42,432)	(214,793)
Funds held in trust by others	(17,481)	(37,219)
Increases (decreases) in		
Accounts payable and other accrued expenses	28,690	(501,837)
Student deposits and other liabilities	(119,507)	(64,519)
Deferred tuition and fees	8,907	(156,309)
Beneficiary payable	(17,845)	(1,659)
Annuities payable	1,092,441	(256,991)
Deferred support under split-interest agreements	(1,251)	(14,044)
Funds held in custody for others	(62,431)	(365,267)
Net Cash Flows from Operating Activities	(13,163,520)	(6,412,618)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(2,244,790)	(1,282,331)
Purchases of investments	(24,059,785)	(27,672,272)
Proceeds from sales of investments	25,220,187	25,193,699
Disbursements of loans to students	(365,189)	(214,045)
Repayments of loans by students	1,311,657	986,596
(Increase) decrease in the cash surrender value of life insurance	(36,109)	(1,167)
Net Cash Flows from Investing Activities	(174,029)	(2,989,520)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal on long-term debt	$ (150,000)	$ (780,000)
Contributions received for investment in endowment	7,047,554	4,154,404
Interest, dividends and other gains restricted for reinvestment	9,077,258	7,255,819
(Increase) decrease in U.S. government grants refundable, net	727,616	(956,878)
Increase (decrease) in Henry Strong Foundation advances refundable, net	1,248	2,124
Net Cash Flows from Financing Activities	16,703,676	9,675,469
Net Change in Cash and Cash Equivalents	3,366,127	273,331
CASH AND CASH EQUIVALENTS - Beginning of Year	5,595,641	5,322,310
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,961,768	$ 5,595,641
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest on long-term debt	$ 3,179,012	$ 2,889,989
NONCASH INVESTING AND FINANCING ACTIVITIES		
Revenue bonds issued for refunding	-	$ 29,775,500
Issuance costs on debt issued	-	$ (75,500)
Principal retired with refunding	-	$ (29,700,000)

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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
- Books – 20 years
- Equipment and furnishings – 5 to 10 years

The College capitalizes equipment additions of $10,000 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, 2015 and 2014. 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 2010A and 2014 bonds are being deferred and amortized over the life of the debt.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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, 2015 and May 31, 2014.

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, 2015 and 2014. The College's tax returns are subject to review and examination by federal and state authorities. Open tax years subject to examination by the U.S. and state taxing authorities are for the years 2012 to 2014, which statues expire in 2015 to 2017, respectively.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (cont.)

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, 2015 and 2014 approximated $40,000 and $44,000, respectively.

Fundraising Expenses - The College follows the policy of expensing the costs of fundraising when incurred. Fundraising expense for the years ended May 31, 2015 and 2014 approximated $2,793,000 and $2,637,000, 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.

Reclassification - In 2010-11, the College implemented a policy to draw $1.15 million annually from the unrestricted endowment to support the Development Office's increased costs for fundraising. In 2014-15, recognizing that the cost of fundraising pertains to all types of gifts, the development draw was allocated to both the temporarily restricted and unrestricted funds. In addition, in 2014-15, a one-time retroactive adjustment was made to reflect the allocation of the draw in the prior three years. The adjustment is recorded on the Statement of Activities in the amount of $2,137,140.

Certain other amounts appearing in the 2014 financial statements have been reclassified to conform to the 2015 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

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 $33,361,000 and $33,271,000 as of May 31, 2015 and 2014, 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 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. 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 received and reported at fair value are classified and disclosed in one of the following three levels. There have been no changes in the techniques and inputs used at May 31, 2015 and 2014.

Level 1 - Inputs are quoted prices unadjusted in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

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 market corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, using the best information available in the circumstances.

NOTE 3 – FAIR VALUE MEASUREMENTS (cont.)

Valuation Techniques and Inputs

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 - 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 - 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.)

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, 2015 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Certificates of Deposit	$ 1,000,618	$ -	$ 1,000,618	$ -
Money market funds	388,954		388,954	-
Government bonds	2,956,516	180,377	2,776,139	-
Common stock	272,820	272,820	-	-
Mutual funds - bonds				
U.S. fixed income	45,691	45,691	-	-
U.S. high yield fixed income	90,067	90,067	-	-
U.S. Treasury inflation protected	106,196	106,196	-	-
Global fixed income	92,792	92,792	-	-
Other fixed income	1,123,068	1,123,068	-	-
Mutual funds - equities				
U.S. equities	3,734,837	3,734,837	-	-
Non-U.S. equities	1,178,538	1,178,538	-	-
Mutual funds - diversified funds	140,077,941	140,077,941	-	-
Mutual funds - commodity	92,937	92,937	-	-
Real estate investment	12,900	-	-	12,900
Alternative investments				
Private equity funds	3,542,556	-	-	3,542,556
Beneficial interset in perpetual trusts	2,900,487	-	-	2,900,487
Funds held in trust by others	669,433	-	-	669,433
Totals	$ 158,286,351	$ 146,995,264	$ 4,165,711	$ 7,125,376
LIABILITIES				
Derivative liability	$ 8,196,076	$ -	$ 8,196,076	$ -

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, 2014 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Money market funds	$ 207,437	$ -	$ 207,437	$ -
Government bonds	1,034,796	71,486	963,310	-
Common stock	260,014	260,014	-	-
Mutual funds - bonds				
U.S. fixed income	42,013	42,013	-	-
U.S. high yield fixed income	188,263	188,263	-	-
U.S. Treasury inflation protected	157,771	157,771	-	-
Global fixed income	252,310	252,310	-	-
Other fixed income	1,305,129	1,305,129	-	-
Mutual funds - equities				
U.S. equities	4,302,123	4,302,123	-	-
Non-U.S. equities	1,458,406	1,458,406	-	-
Mutual funds - diversified funds	132,863,903	132,863,903	-	-
Mutual funds - commodity	113,250	113,250	-	-
Real estate investment	12,900	-	-	12,900
Venture capital limited partnerships	1,756	-	-	1,756
Alternative investments				
Private equity funds	2,100,245	-	-	2,100,245
Beneficial interset in perpetual trusts	2,858,055	-	-	2,858,055
Funds held in trust by others	651,952	-	-	651,952
Totals	$ 147,810,323	$ 141,014,668	$ 1,170,747	$ 5,624,908
LIABILITIES				
Derivative liability	$ 6,811,134	$ -	$ 6,811,134	$ -

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, 2015:

	Balances May 31, 2014	Realized and Unrealized Gains (Losses)	Purchases	Sales	Transfers	Balance May 31, 2015
Real estate investment	12,900	-	-	-	-	12,900
	1,756	-	-	(1,756)	-	-
Venture capital limited partnership						
Alternative investments						
Private equity funds	2,100,245	992,281	-	-	450,030	3,542,556
Beneficial interest in perpetual trusts	2,858,055	42,432	-	-	-	2,900,487
Funds held in trust by others	651,952	17,481	-	-	-	669,433
Totals	$ 5,624,908	$ 1,052,194	$ -	$ (1,756)	$ 450,030	$ 7,125,376

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, 2015. $ 992,281

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, 2014:

	Balances May 31, 2013	Realized and Unrealized Gains (Losses)	Purchases	Sales	Transfers	Balance May 31, 2014
Annuity contracts	$ 619,650	$ -	$ -	$ (619,650)	$ -	$ -
Real estate investment	12,900	-	-	-	-	12,900
	1,756	-	-	-	-	1,756
Venture capital limited partnership						
Alternative investments						
Private equity funds	13,602,990	(4,628)	-	(11,861,213)	363,096	2,100,245
Beneficial interest in perpetual trusts	2,643,266	214,789	-	-	-	2,858,055
Funds held in trust by others	614,733	37,219	-	-	-	651,952
Totals	$ 17,495,295	$ 247,380	$ -	$ (12,480,863)	$ 363,096	$ 5,624,908

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, 2014. $ (4,628)

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, 2015:

	Private Equity
Fair value, May 31, 2015	$3,542,556
Significant Investment Strategy	Equity funds
Remaining Life	6 years
Dollar Amount of Unfunded Commitments	$1,200,000
Timing to Draw Down Commitments	Not defined
Redemption Terms	N.A.
Redemption Restrictions	N.A.
Redemption Restrictions in Place at Year End	N.A.

NOTE 4 – CONTRIBUTIONS RECEIVABLES

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

	2015	2014
Capital funds	$ 464,529	$ 15,300
Operations	2,511,245	2,836,463
Endowment	155,953	372,952
Scholarships and programs	24,450	15,000
Gross contributions receivable	3,156,178	3,239,715
Less: Discount	(40,497)	(36,935)
Less: Allowance for uncollectible contributions	(155,784)	(160,139)
Net Contributions Receivable	$ 2,959,897	$ 3,042,641
Less than one year	$ 1,313,546	$ 1,087,840
One to five years	1,842,382	2,151,375
More than five years	250	500
Totals	$ 3,156,178	$ 3,239,715

Contributions have been discounted using a rate ranging from 0.14% to 5%. As of May 31, 2015 and 2014, the College had approximately $108,000 and $118,000, 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, 2015 and 2014, student loans represented approximately 3% of total assets.

At May 31, student loans consisted of the following:

	2015	2014
Federal government programs	$ 2,352,591	$ 2,677,260
Institutional programs	3,841,913	4,463,712
	6,194,504	7,140,972
Less allowance for doubtful accounts		
Beginning of year	(1,014,184)	(322,154)
Decreases (increases)	168,402	(1,014,184)
End of year	(845,782)	(1,336,338)
Student Loans Receivable, Net	$ 5,348,721	$ 5,804,634

Funds advanced by the Federal government were $2,279,753 and $1,552,137 at May 31, 2015 and 2014, 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, 2015 and 2014, 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
2015	$ 18,702	$ 98,910	$ 360,646	$ 705,604	$ 1,183,861
2014	$ 2,717	$ 108,361	$ 362,718	$ 673,664	$ 1,147,460

NOTE 6 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at May 31:

	2015	2014
Tuition and fees	$ 368,716	$ 167,125
Government grants and contracts receivable	114,917	114,106
Accrued interest and pending investment trades	34,186	6,910
Other	33,392	149,207
Gross accounts receivable	551,211	437,348
Less: Allowance for doubtful accounts	(97,593)	(54,137)
Net Accounts Receivable	$ 453,618	$ 383,211

NOTE 7 – INVESTMENTS

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

	2015	2014
Certificates of deposit	$ 1,000,618	$ -
Money market funds	388,954	207,437
Government bonds	2,956,516	1,034,796
Mutual funds - bonds		
U.S. fixed income	45,691	42,013
U.S. high yield fixed income	90,067	188,263
U.S. Treasury inflation protected	106,196	157,771
Global fixed income	92,792	252,310
Other fixed income	1,123,068	1,305,129
Mutual funds - equities		
U.S. equities	3,734,837	4,302,123
Non-U.S. equities	1,178,538	1,458,406
Mutual funds - diversified	140,077,941	132,863,903
Mutual funds - commodity	92,937	113,250
Common stock	272,820	260,014
Alternative investments		
Private equity funds	3,542,556	2,100,245
Real estate investment	12,900	12,900
Venture capital limited partnerships	-	1,756
Totals	$ 154,716,431	$ 144,300,316

NOTE 7 – INVESTMENTS (cont.)

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.

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

	2015	2014
Interest and dividends	$ 4,456,458	$ 8,686,319
Realized gains (losses) on investments	8,171,501	244,852
Unrealized gains (losses) on investments	(514,603)	5,531,076
Totals	$ 12,113,356	$ 14,462,247

The College paid investment trustee and management fees of approximately $108,000 and $75,000 for the years ended May 31, 2015 and 2014, respectively.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

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

	2015	2014
Leasehold improvements	$ 75,744	$ 75,744
Land and land improvements	8,734,433	8,655,571
Buildings	79,855,016	79,855,016
Building improvements	6,550,222	6,010,120
Equipment and furnishings	9,953,764	9,841,361
Dormitory and commons	26,671,311	26,671,312
Residential rental properties	891,740	891,740
Works of art	722,579	722,579
Books	770,403	-
Construction in process	1,307,184	1,008,363
	135,532,395	133,731,806
Less: accumulated depreciation	(63,743,770)	(60,138,154)
Net Property, Plant, and equipment	$ 71,788,625	$ 73,593,652

Depreciation expense of $3,987,000 and $3,927,000 was recorded for the years ended May 31, 2015 and 2014, respectively.

NOTE 8 – PROPERTY, PLANT, AND EQUIPMENT (cont.)

Books had not been previously capitalized by the College. During the year, an estimate was made of the net book value of the collection in the amount of $653,275 which was recorded as a non-operating activity on the Statement of Activities. In future years, the College will capitalize all book purchases for the year as a single asset.

There was approximately $2.18 million and $2.24 million of outstanding construction commitments for the years ended May 31, 2015 and 2014, respectively.

NOTE 9 – LONG-TERM OBLIGATIONS

On April 28, 2010, WHEFA issued $28,640,000 of Revenue Bonds on behalf of Beloit College. The Series 2010A bonds require semiannual interest payments at fixed interest rates originally ranging from 3.5% to 5.25% and have maturity dates from 2013 to 2039. The principal payments are annual and due on June 1. The principal remaining at May 31, 2015 was $27,960,000. The bond agreement includes a required covenant that the college maintain a debt service ratio of 1.1 to 1. At May 31, 2015, the College met the covenant.

On May 8, 2014, WHEFA issued $29,775,500 of Refunding Revenue Bonds on behalf of the College. The College is party to a direct bond purchase agreement for the Series 2014 bonds with JP Morgan Chase Bank, dated May 9, 2015. The agreement includes a three year term with an annual option for renewal for one year pending the approval of the bank. The bonds are multimodal which allows them to be reissued in the event the direct purchase agreement is not renewed by either party. The principal remaining at May 31, 2015 was $29,625,500. The Series 2014 bonds bear interest at a variable rate of 72% of LIBOR plus 100 basis points which reset weekly. The interest is payable on the first business day of each calendar month. At May 31, 2015, the weekly bond rate was 1.1875% which included the LIBOR base rate of 0.18025%. The prior year, as of May 31, 2014, the weekly bond rate was 1.108% which included the LIBOR base rate of 0.15%. The direct bond purchase agreement includes required covenants that the college maintain: a debt service ratio of 1.1 to 1; a funded debt to sum of funded debt plus net assets ratio of not greater than .40 to 1.0; and an amount of unrestricted cash and investments plus temporary and unrestricted pledge receivables of not less than $40 million. At May 31, 2015, the College met these covenants.

The College reaffirmed its interest rate exchange agreement originally in place for the Series 2010B bonds at the time the bonds were refunded by the Series 2014 bonds.

Future principal payments on the bonds payable as of May 31, 2015 are due as follows:

Years Ending May 31	
2016	$ 715,000
2017	830,000
2018	1,150,000
2019	1,225,000
2020	1,295,000
Thereafter	52,370,500
Total	$ 57,585,500

NOTE 9 – LONG-TERM OBLIGATIONS (cont.)

The Series 2010A and the Series 2014 bonds are collateralized by a mortgage on the property and buildings on the College campus valued at an amount exceeding the $57,585,500 principal balance of the outstanding bonds.

Interest expense on all long-term debt, including the interest expense under the interest rate swap agreement was $3,179,000 and $2,890,000 for the years ended May 31, 2015 and 2014, 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 2015, the College paid $1,384,942 more than it received in interest under the swap agreement. In fiscal 2014, the College received $729,511 more than it expensed in interest under the swap agreement. The difference between interest received and interest paid under the swap agreement is recorded as interest expense in the statements of activities.

NOTE 10 – DERIVATIVE INSTRUMENTS (cont.)

The following is a summary of the outstanding positions under these interest rate exchange agreement as of May 31, 2015:

Instrument Type	Notional Amount	Maturity Date	Rate Paid	Rate Received
Floating to fixed rate swap	$29,400,000	June 1, 2037	4.1175%	One month LIBOR interest rate

Derivative instruments are reported in the statements of financial position at fair value as of May 31, 2015 and 2014 are as follows:

	Liabilities Derivative		
Derivatives Not Designated as Hedging Instruments	Statement of Financial Position Location	Fair Value	
		2015	2014
Interest rate swap	Derivative liability	$ 8,196,076	$ 6,811,134

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	
		2015	2014
Interest rate swap	Non-operating activities	$ 1,384,942	$ (729,511)

During 2015 and 2014, 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, 2015 and 2014, 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, 2015 and May 31, 2014.

NOTE 12 – RELATED PARTIES

Contributions from trustees, officers, and employees totaled $1,268,210 and $820,439 for the years ended May 31, 2015 and 2014, 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, 2015 and 2014 was $94,000 and $182,000 respectively.

In November of 2014, the College entered into an operating lease agreement with RK Dixon for campus-wide copiers and printers. Rent expense for the year ending May 31, 2015 was $26,000.

Future lease commitments are due as follows:

Years Ending May 31	
2016	$ 167,033
2017	170,541
2018	174,122
2019	177,779
2020	181,512
Total	$ 870,987

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:

	2015	2014
Net investment in land, building, and equipment	$ 9,751,637	$ 13,562,206
Funds designated for endowment	45,072,101	36,264,351
Funds designated for annuity contract reserves	698,031	2,792,856
Funds designated for Federal Perkins Loan Program	87,508	87,507
Funds designated for student loan funds	1,306,693	1,361,596
Totals	$ 56,915,970	$ 54,068,516

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

	2015	2014
Investment in land, buildings, and equipment	$ 592,390	$ 294,173
Endowment	20,489,413	18,368,404
Split-interest annuity agreements	1,005,528	1,122,286
Student loans	273,906	236,752
Academic support	1,371,988	1,353,165
Instruction	171,546	1,104,168
Scholarships	319,531	454,023
Contribution receivables and other	4,646,569	3,699,930
Totals	$ 28,870,871	$ 26,632,901

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

	2015	2014
Scholarships	$ 1,633,327	$ 1,528,011
Investment in land, buildings, and equipment	590,301	699,962
Institutional support	145,707	515,471
Student services	1,055,227	700,081
Academic support	965,470	953,693
Public service	54,135	42,602
Instruction	2,514,360	1,724,012
Totals	$ 6,958,527	$ 6,163,832

NOTE 14 – NET ASSETS (cont.)

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.

	2015	2014
Investments (perpetual endowment)	$ 79,787,091	$ 76,128,860
Beneficial interest in perpetual trusts	2,900,487	2,858,059
Split-interest annuity agreements	649,669	840,904
Revolving student loan funds	933,908	928,367
Totals	$ 84,271,155	$ 80,756,190

NOTE 15 – RETIREMENT PLAN

The College has a defined contribution retirement plan for certain non-exempt employees. The expense relating to this plan was $264,000 and $258,000 for the years ended May 31, 2015 and 2014, 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 $1,248,000 and $1,238,000 for the years ended May 31, 2015 and 2014, 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 $110,000 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 $144,000 and $139,000 as of May 31, 2015 and 2014, 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 $251,000 bank letter of credit, which expires on December 31, 2018, 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 approximately $39,000 and $95,000 during the years ended May 31, 2015 and 2014, 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, 2015:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,205,988)	$ 20,484,413	$ 79,787,091	$ 99,065,516
Board-designated endowment funds	46,278,089	5,000	-	46,283,089
Total Endowment Net Assets	$ 45,072,101	$ 20,489,413	$ 79,787,091	$ 145,348,605

Endowment net asset composition by type of fund consists of the following as of May 31, 2014:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,769,563)	$ 18,352,063	$ 76,128,860	$ 92,711,360
Board-designated endowment funds	38,033,914	16,341	-	38,050,255
Total Endowment Net Assets	$ 36,264,351	$ 18,368,404	$ 76,128,860	$ 130,761,615

NOTE 18 – ENDOWMENT (cont.)

Changes in endowment net assets for the year ended May 31, 2015 are as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2014	$ 36,264,351	$ 18,368,404	$ 76,128,860	$ 130,761,615
Net asset reclassification - supplemental draw	2,137,140	(2,137,140)	-	-
Endowment net assets after reclassification	38,401,491	16,231,264	76,128,860	130,761,615
Net assets released from restrictions	190,779	(190,779)	-	-
Adjustment for underwater endowments	563,575	(563,575)	-	-
Investment return:				
Investment income	1,129,756	2,901,207	5,746	4,036,709
Net appreciation/depreciation - realized and unrealized	1,517,175	6,090,713	-	7,607,888
Total investment return	3,210,506	8,428,345	5,746	11,644,597
Contributions and other additions	5,008,900	17,500	2,089,712	7,116,112
Reclassification due to change in donor intent	-	-	1,562,773	1,562,773
Appropriation of endowment assets for expenditure	(2,544,798)	(3,996,917)	-	(6,541,715)
Transfer in of the endowment	805,223	-	-	805,223
Endowment Net Assets, May 31, 2015	$ 45,072,101	$ 20,489,413	$ 79,787,091	$ 145,348,605

NOTE 18 – ENDOWMENT (cont.)

Changes in endowment net assets for the year ended May 31, 2014 are as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, May 31, 2013	$ 32,622,874	$ 15,216,396	$ 69,387,997	$ 117,227,267
Net asset reclassification - other	(131,919)	169,408	(37,489)	-
Endowment net assets after reclassification	32,490,955	15,385,804	69,350,508	117,227,267
Net assets released from restrictions	105,235	(105,235)	-	-
Adjustment for underwater endowments	996,257	(996,257)	-	-
Investment return:				
Investment income	3,448,467	4,834,501	5,099	8,288,067
Net appreciation/depreciation - realized and unrealized	3,236,926	2,416,219	-	5,653,145
Total investment return	7,681,650	6,254,463	5,099	13,941,212
Contributions and other additions	20,581	27,000	6,778,352	6,825,933
Appropriation of endowment assets for expenditure	(5,002,677)	(3,193,628)	(5,099)	(8,201,404)
Transfer in of the endowment	968,607	-	-	968,607
Endowment Net Assets, May 31, 2014	$ 36,264,351	$ 18,368,404	$ 76,128,860	$ 130,761,615

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 approximately $1,206,000 and $1,770,000 as of May 31, 2015 and 2014, 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.

NOTE 18 – ENDOWMENT (cont.)

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, 2015 and 2014. 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

Subsequent to year-end, on June 15, 2015, the College redeemed the callable 2021 tranche of the Series 2010A bonds, including the payment dates from 2016 to 2021, in the amount of $3,085,000.

On October 2, 2014, the Board of Trustees of Beloit College approved the change of the College's fiscal year from dates extending from June 1 to May 31 to dates extending from July 1 to June 30. That year, which commenced on June 1, ended May 31, 2015. The next fiscal year commenced on June 1, 2015 and will end on June 30, 2016 (13-month fiscal year). All future fiscal years will begin on July 1 and end on June 30.

Subsequent to May 31, 2015, the investment markets experienced a decline in value. Between May 31 and August 31, 2015, the market value of the College's investments decreased approximately 5%.

The College has evaluated subsequent events through October 5, 2015, which is the date the financial statements were approved and available to be issued.