Beloit College and Subsidiaries

Financial Report
June 30, 2018

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Contents

RSM US LLP

Independent Auditor's Report

To the Board of Trustees
Beloit College

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Beloit College and its subsidiaries which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, changes in net assets and cash flows for the years ended June 30, 2018 and 2017, and the related notes to the consolidated financial statements (collectively, 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.

Auditor's 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 audit 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 auditor's 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 reasonable 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 and its subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years ended June 30, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other supplementary information, except for the portion marked “unaudited”, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for that portion marked “unaudited”, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Rockford, Illinois
November 20, 2018

Beloit College and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	**$ 27,123,152**	$ 2,746,461
Accounts receivable, net	**1,468,919**	1,071,389
Contributions receivable, net	**8,157,374**	5,903,229
Student loans receivable, net	**5,371,735**	5,207,842
Other assets	**744,753**	615,574
Investments	**145,464,018**	161,364,745
Property, plant and equipment, net	**69,093,042**	68,291,340
Funds held in trust by others	**641,721**	595,356
Beneficial interest in perpetual trusts	**3,063,167**	2,948,527
Total assets	**$ 261,127,881**	$ 248,744,463
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other accrued liabilities	**$ 3,008,754**	$ 3,591,264
Deferred revenue	**1,525,959**	1,772,812
Student deposits and deferred grant revenue	**490,893**	567,623
Other liabilities	**155,795**	159,525
Refundable advance from U.S. government	**1,773,389**	1,957,000
Swap liability	**5,057,023**	6,816,153
Assets held for others	**-**	200,549
Annuities payable	**3,649,938**	3,819,443
Long-term debt	**53,587,190**	54,718,524
Historic tax credit obligation	**1,623,414**	-
New market tax credit obligation	**4,863,300**	-
Total liabilities	**75,735,655**	73,602,893
Commitments and contingencies (Notes 20 and 21)		
Net assets:		
Unrestricted	**41,477,634**	46,029,329
Temporarily restricted	**53,203,979**	38,936,939
Permanently restricted	**91,372,453**	90,175,302
Non-controlling interest in unrestricted net assets	**(661,840)**	-
Total net assets	**185,392,226**	175,141,570
Total liabilities and net assets	**$ 261,127,881**	$ 248,744,463

See notes to consolidated financial statements.

Beloit College and Subsidiaries
Consolidated Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Student tuition and fees	$ 61,084,974	$ -	$ -	$ 61,084,974
Less:				
Funded student financial assistance	(2,214,570)	-	-	(2,214,570)
Unfunded student financial assistance	(34,431,383)	-	-	(34,431,383)
Net student tuition and fees	24,439,021	-	-	24,439,021
Auxiliary enterprises	9,468,928	-	-	9,468,928
Contributions	2,640,233	300,651	-	2,940,884
Return on investments	38,948	-	-	38,948
Government contracts and grants	1,609,850	-	-	1,609,850
Investment income allocated for operations	2,550,260	4,892,140	-	7,442,400
Other income	1,032,633	331,000	-	1,363,633
Net assets released from restrictions	5,899,840	(5,899,840)	-	-
Total operating revenues	47,679,713	(376,049)	-	47,303,664
Operating expenses:				
Instruction	19,165,191	-	-	19,165,191
Institutional support	9,559,128	-	-	9,559,128
Auxiliary enterprises	8,145,513	-	-	8,145,513
Student services	9,389,279	-	-	9,389,279
Academic support	5,580,602	-	-	5,580,602
Other operating expenses	3,037,708	-	-	3,037,708
Total operating expenses	54,877,421	-	-	54,877,421
Net decrease from operations	(7,197,708)	(376,049)	-	(7,573,757)
Non-operating activities:				
Investment income:				
Interest income	2,651,775	1,496,010	-	4,147,785
Net gains on investments	257,691	5,567,218	-	5,824,909
Total investment income	2,909,466	7,063,228	-	9,972,694
Investment income allocated for operations	(2,550,260)	(4,892,140)	-	(7,442,400)
	359,206	2,171,088	-	2,530,294
Endowment gifts	14,158	-	1,051,772	1,065,930
Capital gifts and grants	-	12,335,062	-	12,335,062
Contributions	-	-	35,000	35,000
Adjustments to actuarial liability for annuities payable	(179,732)	92,185	(6,108)	(93,655)
Change in fair value of swap liability	1,759,130	-	-	1,759,130
Other non-operating activities	29,961	44,754	116,487	191,202
Total non-operating activities	1,982,723	14,643,089	1,197,151	17,822,963
Change in net assets	(5,214,985)	14,267,040	1,197,151	10,249,206
Net assets at beginning of period	46,029,329	38,936,939	90,175,302	175,141,570
Contributions from non-controlling interests	1,450	-	-	1,450
Net assets at end of period	$ 40,815,794	$ 53,203,979	$ 91,372,453	$ 185,392,226

See notes to consolidated financial statements.

Beloit College and Subsidiaries
Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Student tuition and fees	$ 60,285,435	$ -	$ -	$ 60,285,435
Less:				
Funded student financial assistance	(2,228,136)	-	-	(2,228,136)
Unfunded student financial assistance	(32,074,000)	-	-	(32,074,000)
Net student tuition and fees	25,983,299	-	-	25,983,299
Auxiliary enterprises	9,302,510	-	-	9,302,510
Contributions	3,272,083	555,790	-	3,827,873
Return on investments	29,136	(17,948)	-	11,188
Government contracts and grants	1,477,645	-	-	1,477,645
Investment income allocated for operations	2,578,368	4,886,878	-	7,465,246
Other income	1,348,095	28,076	-	1,376,171
Net assets released from restrictions	6,638,596	(6,638,596)	-	-
Total operating revenues	50,629,732	(1,185,800)	-	49,443,932
Operating expenses:				
Instruction	20,673,889	-	-	20,673,889
Institutional support	10,996,382	-	-	10,996,382
Auxiliary enterprises	8,182,743	-	-	8,182,743
Student services	8,661,754	-	-	8,661,754
Academic support	5,668,401	-	-	5,668,401
Other operating expenses	657,491	-	-	657,491
Total operating expenses	54,840,660	-	-	54,840,660
Net decrease from operations	(4,210,928)	(1,185,800)	-	(5,396,728)
Non-operating activities:				
Investment income:				
Interest income	1,303,711	1,617,572	-	2,921,283
Net gains on investments	6,229,096	9,374,285	-	15,603,381
Total investment income	7,532,807	10,991,857	-	18,524,664
Investment income allocated for operations	(2,578,368)	(4,886,878)	-	(7,465,246)
	4,954,439	6,104,979	-	11,059,418
Endowment gifts	385,772	-	3,272,515	3,658,287
Capital gifts and grants	-	9,362,739	-	9,362,739
Contributions	-	15,672	9,858	25,530
Adjustments to actuarial liability for annuities payable	(267,603)	(41,465)	232,197	(76,871)
Change in fair value of swap liability	2,738,000	-	-	2,738,000
Other non-operating activities	3,116	34,594	252,060	289,770
Loss on bond refinance	(5,054,896)	-	-	(5,054,896)
Total non-operating activities	2,758,828	15,476,519	3,766,630	22,001,977
Change in net assets	(1,452,100)	14,290,719	3,766,630	16,605,249
Net assets at beginning of period	47,481,429	24,646,220	86,408,672	158,536,321
Net assets at end of period	$ 46,029,329	$ 38,936,939	$ 90,175,302	$ 175,141,570

See notes to the consolidated financial statements.

Beloit College and Subsidiaries
Consolidating Statements of Changes in Net Assets
Year Ended June 30, 2018

	Beloit College and Subsidiaries					
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Sub-Total	Non-Controlling Interest in Unrestricted Net Assets	Total
Net assets, July 1, 2016	$ 47,481,429	$ 24,646,220	$ 86,408,672	$ 158,536,321	$ -	$ 158,536,321
Change in net assets	(1,452,100)	14,290,719	3,766,630	16,605,249		16,605,249
Net assets, June 30, 2017	46,029,329	38,936,939	90,175,302	175,141,570	-	175,141,570
Change in net assets	(4,551,695)	14,267,040	1,197,151	10,912,496	(663,290)	10,249,206
Contribution from non-controlling interests	-	-	-	-	1,450	1,450
Net assets, June 30, 2018	$ 41,477,634	$ 53,203,979	$ 91,372,453	$ 186,054,066	$ (661,840)	$ 185,392,226

See notes to consolidated financial statements.

Beloit College and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 10,249,206	$ 16,605,249
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,856,081	3,999,008
Amortization	(150,660)	292,510
Loss on bond refinance	-	5,054,895
Change in fair value of swap liability	(1,759,130)	(2,738,000)
Contribution revenue for investment in endowment and capital	(13,435,992)	(13,046,556)
(Increase) decrease in value of split-interest agreements and beneficial interests in perpetual trusts	(161,005)	(232,955)
Allowance for doubtful accounts	96,302	117,937
Net unrealized and realized gains on investments	(5,824,909)	(15,603,381)
Increase (decrease) from changes in:		
Receivables, net	(397,530)	(142,461)
Other assets	(129,179)	(400,700)
Accounts payable and other accrued liabilities	(582,510)	190,491
Deferred revenues	(246,853)	(397,642)
Student deposits and deferred grant revenue	(76,730)	84,728
Annuities payable	(169,505)	39,044
Other liabilities	(204,279)	24,950
Net cash used in operating activities	(8,936,693)	(6,152,883)
Cash flows from investing activities:		
Contribution from non-controlling interests	1,450	-
Purchases of property, plant and equipment	(4,318,241)	(2,013,105)
Purchases of investments	(54,222,735)	(5,022,155)
Proceeds from sales of investments	75,948,371	7,896,178
Disbursements of loans to students	(999,519)	(842,206)
Repayments of loans by students	739,324	763,779
Net cash provided by investing activities	17,148,650	782,491
Cash flows from financing activities:		
Proceeds from long-term debt refunding	-	26,746,813
Payment of principal on long-term debt	(755,000)	(710,000)
Payments of principal and interest to escrow for bond refinance	-	(29,246,930)
Payment of debt issuance costs	(225,674)	(317,465)
Proceeds from historic and new market tax credit obligation	6,486,714	-
Contributions received for investment in endowment and capital	10,842,305	9,146,342
(Increase) decrease in U.S. government grants refundable, net	(183,611)	24,835
Net cash provided by financing activities	16,164,734	5,643,595
Net increase in cash and cash equivalents	24,376,691	273,203
Cash and cash equivalents		
Beginning	2,746,461	2,473,258
Ending	$ 27,123,152	$ 2,746,461
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 2,603,800	$ 2,500,450
Supplemental schedule of non-cash investing and financing activities:		
Contribution received of property	$ 339,542	$ -

See notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Beloit College is a four-year, independent, residential liberal arts college in Beloit, Wisconsin, founded in 1846 by a group of Yale graduates. Beloit 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 Beloit College reflect practices common to colleges and universities and conform to accounting principles generally accepted in the United States of America.

Principles of consolidation: The consolidated financial statements include the accounts and transactions of Beloit College and its subsidiaries (collectively referred to as the College), including the following:

- Beloit Powerhouse Foundation, Inc. was established in December 2017. In April 2018, the articles of incorporation of Beloit Powerhouse Foundation, Inc. were amended to change the name of the organization to Beloit Powerhouse Holdings, Inc. (Holdings, Inc.) and to change the purpose.

- Beloit Powerhouse Holdings II, LLC (Holdings II) was established in March 2018.

- Beloit Powerhouse, LLC (Powerhouse) was established in March 2017. As of and for the year ended June 30, 2017, Powerhouse was inactive.

  Effective June 18, 2018, Powerhouse closed on a New Market Tax Credit (NMTC) and Historic Tax Credit (HTC) financing transaction. In connection with this transaction, the following variable interest entities (VIEs) for which Powerhouse is the primary beneficiary, are also consolidated with the accounts and transactions of Powerhouse:

  - Chase NMTC Beloit Powerhouse Investment Fund, LLC (Investment Fund) – an entity owned 100% by Chase Community Equity, LLC (CCE)

  - BH New Markets Sub-CDE 18, LLC, Brownfield Revitalization 48, LLC, and CNMC Sub-CDE 165, LLC (collectively referred to as the Sub-CDEs) – entities owned 99.99% by Investment Fund and .01% by separate Community Development Entities

  - Powerhouse Master Tenant, LLC (Master Tenant) – an entity owned 99% by CCE and 1% by Holdings II.

Holdings, Inc. and Holdings II are wholly owned by the College. Powerhouse is owned 94.99% by Holdings II, 5% by Holdings, Inc. and .01% by the College.

The subsidiaries were created to finance the decommissioning and renovation of the Blackhawk Generating Station, which was contributed to the College into a 130,000 square foot student center.

All intercompany balances and transactions have been eliminated in consolidation. Refer to Note 17 of these financial statements for a description of the VIEs included in the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Significant accounting policies of the College are summarized below:

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.

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

Accounts receivable: Accounts receivable are carried at the unpaid balance of the original amount billed to students. The receivables are net of 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.

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. 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 contributions is assessed on an individual basis.

Student loans receivable: Student loans receivable, which include Perkins governmental loans and institutional loans, are carried at unpaid principal balances, less the allowance for uncollectible loans of $1,012,268 and $895,241 at June 30, 2018 and June 30, 2017, respectfully. The allowance calculation is based on the loans receivable past due balances. Loans receivable are considered to be past due if a payment is not made within 30 days of the payment due date. Periodically, the allowance is evaluated based on past loan loss experience and current economic conditions. Interest income is recorded monthly as payments are received. Interest on a past due loan is not recognized or accrued until cash payments are received.

Debt issuance costs: Costs incurred relating to the issuance of bonds and other long-term debt are being deferred and amortized over the life of the debt. Unamortized debt issuance costs are reflected as a reduction of the related debt on the statements of financial position.

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: Investments are recorded at fair value. All investment income and losses, including changes in the fair value of investments, is recognized as non-operating activity in the statements of activities when earned. The College annually appropriates 4.5 percent of the endowment fund's average fair value for the prior three years for operations and reclassifies these earnings to operations.

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. Gains and losses are included with investment income (loss) on the statement of activities.

Assets held in trust for which the College does not serve as trustee are reported as funds held in trust by others. 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.

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 property, plant and equipment additions of $10,000 or more. Normal repairs and maintenance expenses are charged to operations as incurred. 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 June 30, 2018 and 2017, respectively.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred revenue: 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. In addition, the College accounts for refundable advances received under certain contracts as deferred revenue.

Refundable advances: Funds provided by the Henry Strong Foundation Loan Fund and United States Government, under the Perkins loan program, are loaned to qualified students and may be re-loaned after collection. These funds are ultimately refundable to the Henry Strong Foundation Loan Fund and 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.

The Federal Perkins Loan Program expired September 30, 2017, and the College could not disburse Perkins loans to any student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. The College will be liquidating its Federal Perkins Loan Program at the direction of the Department of Education. The liquidation will likely involve the College assigning all eligible outstanding loans to the Department of Education and the remittance of federal share of remaining Perkins cash assets to the Department of Education.

Swap liability: The College uses interest rate swap 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. These agreements are used to manage identified and approved exposures and are not used for speculative purposes. The interest rate swap agreements are recognized as either assets or liabilities on the statements of financial position and are measured at fair value. Interest rate swap 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 swap agreements are reflected in the statements of activities.

Interest rate swap 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.

The difference between interest received and interest paid under the swap agreement is recorded as interest expense in the statements of activities.

Note 1. Summary of Significant Accounting Policies (Continued)

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 restrictions 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 restrictions 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 restrictions.

Revenues from sources other than contributions are 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 revenues and is reclassified to unrestricted net assets through the passage of time, when expenses are incurred for their restricted purpose, or both.

Contributions, including unconditional promises to give, are recognized as revenues in the period the contribution or promise is 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-restricted 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.

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.

Noncontrolling interest: Noncontrolling interest represents the portion of net assets in any subsidiary that is not attributable, directly or indirectly, to Beloit College. The profit or loss derived from the performance of subsidiaries are allocated to the noncontrolling interest in the consolidated statement of activities based on the terms of the operating agreements of the subsidiaries.

Operating activities: The consolidated statements of activities distinguish between operating and non-operating activities. Operating activity reflects revenues generated from exchange transactions and the related expenses incurred. It also includes contributions from annual fund gifts and endowment earnings appropriated to support current year operations.

Note 1. Summary Significant Accounting Policies (Continued)

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.

Fundraising expenses: The College follows the policy of expensing the costs of fundraising when incurred.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Reclassification: Certain amounts appearing in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Income taxes: Beloit College qualifies as a Section 501(c)(3) not-for-profit educational institution under the Internal Revenue Code (the Code) and, therefore, is exempt from federal income taxes pursuant to section 501(a) of the Code. Beloit College is, however, subject to federal income taxes on any unrelated business income under the provisions of section 511 of the Code. Beloit College is exempt from state income taxes under Section 71.26 of Wisconsin Statutes.

Holdings II, Powerhouse, Master Tenant, the Investment Fund and the Sub-CDEs are organized as limited liability companies. Powerhouse, and Master Tenant are taxed as partnerships for income tax purposes. The Investment Fund and Sub-CDEs are disregarded entities for tax purposes. Their items of income or loss are passed through to their members. Accordingly, all profits and losses of the companies are recognized by each member on their respective tax returns. Holdings II and Holdings, Inc. are taxed as corporations and have elected pursuant to Section 168(h)(6)(F)(ii) of the Internal Revenue Code not to be treated as a tax-exempt entities for purposes of Section 168(h)(5) and (6). Accordingly, any gain recognized by Beloit College on the disposition of an interest in Holdings II and Holdings, Inc. shall be treated as unrelated business taxable income.

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.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for the College's year ending June 30, 2019. Earlier application is permitted only as of the College's year ending June 30, 2018. The College has not yet selected a transition method.

Note 1. Summary of Significant Accounting Policies (Continued)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the College's year ending June 30, 2020. The College elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the College's year ending June 30, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and notes presented by a not-for-profit entity to: a) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes; b) present on the face of the statement of activities the amount of the change in either of the two classes of net assets rather than that of the currently required three classes; c) provide enhanced disclosures in the notes to the financial statements; d) report investment return net of external and direct internal investment expenses; e) provide enhanced disclosures of the amounts of expenses by both their natural classification and their functional classification; and f) utilize, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU will be effective for the College's year ending June 30, 2019. Early application is permitted. Retrospective application is required for many provisions of this guidance.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the College is the resource recipient, the ASU is applicable to contributions received for the College's year ending June 30, 2019. Where the College is a resource provider, the ASU is effective for the College's year ending June 30, 2020. Early adoption is permitted.

In August 2018. The FASB issued ASU 2018-13, *Fair Value Measurements (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*s. This guidance provides several changes to the existing disclosure requirements, including removals of certain disclosure requirements, modifications as well as additions to disclosure requirements specific to recurring and nonrecurring fair value measurements. The ASU is effective for the College's year ending June 30, 2021. Early application is permitted.

Unless otherwise indicated, the College is currently evaluating the effect that the above standards will have on the financial statements.

Subsequent events: The College has evaluated subsequent events through November 20, 2018, which is the date the financial statements were issued.

Note 2. Accounts Receivable, Net

Accounts receivable consists of the following at June 30, 2018 and 2017:

	2018	2017
Tuition and fees	$ 1,048,723	$ 970,857
Government grants and contracts receivable	514,375	211,687
Other	152,046	37,973
Gross accounts receivable	1,715,144	1,220,517
Less: Allowance for doubtful accounts	(246,225)	(149,128)
Accounts receivable, net	$ 1,468,919	$ 1,071,389

Note 3. Contribution Receivables, Net

Contributions receivable as of June 30, 2018 and 2017, are composed of and are to be used for the following:

	2018	2017
Capital funds	$ 8,832,761	$ 5,482,684
Operations	47,225	866,053
Endowment	40,000	43,000
Gross contributions receivable	8,919,986	6,391,737
Less: Discount	(333,276)	(177,812)
Less: Allowance for uncollectible contributions	(429,336)	(310,696)
Net contributions receivable	$ 8,157,374	$ 5,903,229

Contributions receivable are expected to be collected from donors over the following periods:

	2018	2017
Less than one year	$ 1,210,035	$ 2,026,241
One to five years	7,605,951	4,089,496
More than five years	104,000	276,000
Totals	$ 8,919,986	$ 6,391,737

Contributions have been discounted using a rate ranging from 0.14 percent to 5 percent. As of June 30, 2018 and 2017, the College had approximately $5,616,000 and $1,578,000, respectively, of gross contributions receivable from board members and employees.

Note 4. Student Loans Receivable

The College issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources.

At June 30, 2018 and 2017, student loans consisted of the following:

	2018	2017
Federal government programs	$ 1,850,136	$ 2,157,419
Institutional programs	4,533,867	3,945,664
	6,384,003	6,103,083
Less allowance for doubtful accounts:		
Beginning of period	(895,241)	(820,229)
Increases	(117,027)	(75,012)
End of period	(1,012,268)	(895,241)
Student loans receivable, net	$ 5,371,735	$ 5,207,842

Funds advanced by the Federal government of $1,773,389 and $1,957,000 at June 30, 2018 and 2017, 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 June 30, 2018 and 2017, the following amounts were past due under student loan programs:

	Amount Past Due				
	Less than 240 Days	240 Days - 2 Years	2 - 5 Years	5 + Years	Total
June 30, 2018	$ 14,400	$ 78,400	$ 205,200	$ 1,131,800	$ 1,429,800
June 30, 2017	19,600	61,000	273,700	947,700	1,302,000

Note 5. Investments

The following summarizes the College's investments as of June 30, 2018 and 2017:

	2018	2017
Certificates of deposit	$ 7,500	$ 205
Money market funds	4,102,001	548,657
Government bonds	6,841	155,539
Mutual funds - bonds:		
U.S. high yield fixed income	106,758	117,083
U.S. Treasury inflation protected	183,190	188,193
Other fixed income	1,011,823	948,919
Mutual funds - equities:		
U.S. equities	3,508,587	3,437,263
Non-U.S. equities	1,046,506	1,097,438
Mutual funds - diversified	116,749,671	138,856,319
Mutual funds - commodity	167,058	159,033
Common stock	26,929	21,010
Alternative investments:		
Private equity funds	7,741,722	7,133,651
Investment companies	10,762,708	8,665,796
Real estate investment	16,300	12,900
Accrued interest and pending investment trades	26,424	22,739
Totals	$ 145,464,018	$ 161,364,746

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 June 30, 2018 and 2017, consists of the following:

	2018	2017
Interest and dividends	$ 4,147,785	$ 2,921,283
Realized gains on investments	11,368,757	1,680,348
Unrealized gains (losses) on investments	(5,543,849)	13,923,033
Totals	$ 9,972,693	$ 18,524,664

The College paid investment trustee and management fees of approximately $488,000 and $509,000 for the years ended June 30, 2018 and 2017, respectively.

Note 6. Property, Plant and Equipment, Net

A summary of property, plant, and equipment as of June 30, 2018 and 2017, is as follows:

	2018	2017
Leasehold improvements	$ 75,744	$ 75,744
Land and land improvements	8,808,291	8,808,291
Buildings	81,242,080	81,242,080
Building improvements	8,712,730	7,722,467
Equipment and furnishings	10,824,009	10,601,784
Dormitory and commons	26,671,311	26,671,311
Residential rental properties	891,740	891,740
Works of art	722,579	722,579
Books	1,125,851	1,012,939
	139,074,335	137,748,935
Less: accumulated depreciation	(75,429,777)	(71,744,523)
	63,644,558	66,004,412
Construction in process	5,448,484	2,286,928
Property, plant and equipment, net	$ 69,093,042	$ 68,291,340

Note 7. Long-Term Debt and Subsequent Event

On April 28, 2010, Wisconsin Health and Educational Facilities Authority (WHEFA) issued $28,640,000 of Revenue Bonds on behalf of the College. The Series 2010A bonds required semiannual interest payments at fixed interest rates originally ranging from 3.5 percent to 6.125 percent and have maturity dates from 2012 to 2039. On June 15, 2015, the College redeemed the callable 2021 tranche of the Series 2010A bonds, including the payments dates from 2016 to 2021. In September 2016, the College advance refunded the remaining balance of the bonds by placing funds in an irrevocable trust sufficient to pay outstanding principal and interest in future call dates. As a result, the bonds have been considered extinguished and are not reflected in the College’s liabilities as of June 30, 2018 or 2017. Funds required to be placed in escrow exceeded the outstanding balance of principal on the bonds at the time of refunding by $5,054,896 which was recorded as a loss on bond refinance in the accompanying consolidated statement of activities for the year ended June 30, 2017.

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, 2014. 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 Series 2014 bonds bear interest at a variable rate of 72 percent of LIBOR plus 100 basis points which resets weekly. The interest is payable on the first business day of each calendar month. At June 30, 2018, the weekly bond rate was 3.05 percent.

Note 7. Long-Term Debt and Subsequent Event (Continued)

On September 14, 2016, WHEFA issued $23,080,000 of Revenue Bonds on behalf of the College. The Series 2016 bonds require semiannual interest payments at fixed interest rates ranging from 3.0 percent to 5.0 percent and have maturity dates from 2022 to 2033. The proceeds of the Series 2016 bonds were used to generate the needed escrow account which allowed for the defeasance of the Revenue Bonds Series 2010A bonds discussed above.

In June 2018, Powerhouse entered into a construction loan agreement (fundraising pledge bridge loan) with a bank. The agreement allows for borrowings of up to $9,376,708 for construction and development costs relating to the Powerhouse project. Interest is due and payable monthly on outstanding balances at a rate equal to the 30-day LIBOR plus 2.65%. Principal payments are due quarterly beginning September 2018 based on the amount of fundraising contributions received by the College, with final maturity in October 2021. At June 30, 2018, no borrowings were outstanding on the loan.

In June 2018, Powerhouse entered into a construction loan agreement (historic tax credit bridge loan) with a bank. The agreement allows for borrowings of up to $11,840,950 for construction and development costs relating to the Powerhouse project. Interest is due and payable monthly on outstanding balances at a rate equal to the 30-day LIBOR plus 2.65%. Principal payments are due as proceeds from the state historic tax credit sale are received and as other proceeds from contributions and other internal loans are received, with an initial maturity date of June 2020, subject to one 6 month extension through December 2020. At June 30, 2018, no borrowings were outstanding on the loan.

The bond and loan agreements include covenants that the College maintain certain financial ratios and balances. Subsequent to June 30, 2018, the College violated a certain covenant relating to their 2014 bonds. The College's bond rating, provided by Moody's Investors Service, was downgraded to Ba1.

A summary of outstanding long-term debt at June 30, 2018 and 2017 is as follows:

	2018	2017
Series 2016 Bonds	$ 23,080,000	$ 23,080,000
Series 2014 Bonds	27,708,838	28,463,838
Fundraising pledge bridge loan	-	-
Historic tax credit bridge loan	-	-
	50,788,838	51,543,838
Bond premiums and discounts, net	3,273,194	3,540,600
Less:		
Bond issuance costs, net of amortization	(474,842)	(365,914)
	$ 53,587,190	$ 54,718,524

Note 7. Long-Term Debt and Subsequent Event (Continued)

Future principal payments on the long-term debt as of June 30, 2018, are due as follows:

Years Ending June 30:	
2019	$ 800,000
2020	895,000
2021	950,000
2022	1,645,000
2023	1,720,000
Thereafter	44,778,838
	$ 50,788,838

The Series 2014 and the Series 2016 bonds are collateralized by a mortgage on the property and buildings of the College. The bank loan agreements, including the fundraising pledge bridge loan and historic tax credit bridge loan are secured by substantially all assets of the College.

Interest expense on all long-term debt, including the interest expense under the interest rate swap agreement, was approximately $2,603,800 and $2,379,000 for the years ended June 30, 2018 and 2017, respectively.

Note 8. Swap Liability

At June 30, 2018, the College has an outstanding interest rate swap agreement under which the College pays a fixed interest rate (4.1175 percent) and receives a floating rate equal to 68% of the one month LIBOR (2.092 at June 30, 2018) based on a notional amount, which decreases over time. The initial notional amount of the interest rate swap was $30,000,000. At June 30, 2018, the notional amount was $27,035,000. The swap agreement matures on June 1, 2037. Settlements of the swap are made monthly, at the net amount.

Derivative instruments are reported in the consolidated statements of financial position at fair value as of June 30, 2018 and 2017, as follows:

Derivatives Not Designated as Hedging Instruments	Liability Derivatives		
	Statement of Financial Position Location	Fair Value	
		2018	2017
Interest rate swap	Swap liability	$ 5,057,023	$ 6,816,153

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

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) on Derivatives Recognized in the Statement of Activities	Amount of Gain (Loss) on Derivatives Recognized in the Statement of Activities	
		2018	2017
Interest rate swap	Non-operating activities	$ 1,759,130	$ 2,738,000

Note 9. Line of Credit

The College has a $750,000 unsecured line of credit with JP Morgan Chase Bank. Interest is at 175 basis points plus the bank's LIBOR (2.97 percent at June 30, 2018) and amounts borrowed are due on demand. As of June 30, 2018 and 2017, there was no balance outstanding on the line of credit. The line of credit matures on December 31, 2018.

Note 10. Related Parties

Contributions from trustees, officers, and employees totaled approximately $11,437,000 and $3,319,000 during the years ended June 30, 2018 and 2017, respectively. See Note 2 for related party contributions receivable.

Note 11. 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. This lease automatically renewed for five additional years in May 2015 and provides for monthly payments that increase annually by 2 percent or the consumer price index, whichever is less. In November 2014, the College entered into an operating lease agreement for campus-wide copiers and printers. The College also leases other equipment and housing under non-cancelable leases.

Rent expense for all operating leases for the years ended June 30, 2018 and 2017, was approximately $594,000 and $289,000, respectively.

Note 12. 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. As of June 30, 2018 and 2017, the College's unrestricted net assets which are Board designated for investment in the endowment totaled $52,317,914 and $55,054,471, respectively.

Net assets as of June 30, 2018 and 2017, are temporarily restricted for the following:

	2018	2017
Purpose restrictions:		
Capital expenditures	$ 24,928,267	$ 12,772,747
Student loans	358,825	347,236
Academic support	5,620,405	5,512,218
Instruction	9,180,263	8,842,296
Scholarships	8,205,580	8,285,863
Other	1,862,302	1,856,192
Time restrictions - contribution receivables and other	3,048,337	1,320,387
Totals	$ 53,203,979	$ 38,936,939

Note 12. Net Assets (Continued)

Temporarily restricted net assets were released from donor restrictions as follows for years ended June 30, 2018 and 2017:

	2018	2017
Scholarships	$ 1,586,838	$ 1,844,095
Investment in land, buildings, and equipment	339,542	128,479
Operating expenses	3,973,460	4,666,022
Totals	$ 5,899,840	$ 6,638,596

Permanently restricted net assets as of June 30, 2018 and 2017, 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. Net assets are permanently restricted for the following purposes at June 30, 2018 and 2017:

	2018	2017
Endowments - earnings restricted for:		
Scholarships	$ 30,106,975	$ 29,238,593
Instruction	34,199,011	34,030,550
Academic support	14,129,042	13,989,019
Other	7,738,685	7,731,002
Beneficial interest in perpetual trusts	3,063,167	2,948,527
Split-interest annuity agreements	1,187,860	1,291,743
Revolving student loan funds	947,713	945,867
Totals	$ 91,372,453	$ 90,175,302

Note 13. Retirement Plan

On October 2, 2015, the Board of Trustees of the College approved a resolution to freeze the 401(a) and amend the existing 403(b) retirement plans as of December 31, 2015. This change was done to incorporate all active employees into one retirement plan to gain efficiencies. Benefits provided under the plans remained the same for employees.

Employees working over 1,000 hours are eligible to participate in individual annuity retirement programs provided through Teachers Insurance Annuity Association and the College Retirement Equities Fund.

Total expenses relating to contributions to all of these plans were approximately $1,612,000 and $1,646,000 for years ending June 30, 2018 and 2017, respectively.

Note 14. 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 $130,000 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 percent 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 $234,000 and $196,000 as of June 30, 2018 and 2017, 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 15. 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.

Note 16. 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. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The College follows the guidance relative to the Wisconsin enacted version of 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 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 is classified as temporarily restricted 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 16. Endowment (Continued)

Endowment asset composition by type of fund consists of the following as of June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (775,165)	$ 23,216,411	$ 86,173,713	$ 108,614,959
Board-designated endowment funds	52,317,914	-	-	52,317,914
Total endowment assets	$ 51,542,749	$ 23,216,411	$ 86,173,713	$ 160,932,873

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (927,299)	$ 20,397,711	$ 84,989,164	$ 104,459,576
Board-designated endowment funds	55,054,471	-	-	55,054,471
Total endowment assets	$ 54,127,172	$ 20,397,711	$ 84,989,164	$ 159,514,047

Changes in endowment assets for June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning	$ 54,127,172	$ 20,397,711	$ 84,989,164	$ 159,514,047
Investment return:				
Interest income	2,771,703	1,496,010	-	4,267,713
Net appreciation - realized and unrealized	175,913	5,567,217	-	5,743,130
Total investment return	2,947,616	7,063,227	-	10,010,843
Contributions and other additions	14,158	-	1,197,151	1,211,309
Appropriation of endowment assets for expenditure	(5,546,197)	(4,257,129)	-	(9,803,326)
Other	-	12,602	(12,602)	-
Endowment assets, ending	$ 51,542,749	$ 23,216,411	$ 86,173,713	$ 160,932,873

Note 16. Endowment (Continued)

Changes in endowment assets for the year ended June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning	$ 48,969,431	$ 14,450,705	$ 81,735,093	$ 145,155,229
Investment return:				
Interest income	1,305,318	1,622,036	-	2,927,354
Net appreciation - realized and unrealized	6,031,586	9,304,028	-	15,335,614
Total investment return	7,336,904	10,926,064	-	18,262,968
Contributions and other additions	385,772	-	3,272,515	3,658,287
Appropriation of endowment assets for expenditure	(2,578,367)	(4,887,408)	-	(7,465,775)
Other	13,432	(91,650)	(18,444)	(96,662)
Endowment assets, ending	$ 54,127,172	$ 20,397,711	$ 84,989,164	$ 159,514,047

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. Deficiencies of this nature that are reported in unrestricted net assets were approximately $775,200 and $927,300 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued distribution for certain programs that was deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

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

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

Note 16. Endowment (Continued)

Spending policy and how the investment objectives relate to spending policy: The College has a policy of appropriating for distribution each year approximately 4.5 percentage of its endowment fund's average fair market value over the prior 3 years. 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 17. New Markets Tax Credit and Historic Tax Credit Entities

New Markets Tax Credit Entities

On June 18, 2018, the College entered into a financing transaction with CCE related to a decommissioning and renovation project at the Blackhawk Power Station in Beloit, Wisconsin to serve as the College's student and recreation center. CCE made a capital contribution and the College made a loan to the Investment Fund under a qualified NMTC program. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (the Act) and is intended to induce capital investment in qualified lower-income communities. The Act permits taxpayers to claim credits against their federal income taxes for up to 39 percent of qualified investments in the equity of community development entities (CDEs). CDEs are privately managed investment institutions that are certain to make qualified low-income community investments.

In connection with the financing transaction, the College loaned $10,111,700 to the Investment Fund in exchange for a 1% note due March 2048. The Investment Fund then contributed the loan proceeds to the Sub-CDEs, which in turn loaned the funds on similar terms to Powerhouse, as partial financing for the decommissioning and renovation project. The proceeds of the loan from the Sub-CDEs, including loans representing the capital contribution made by CCE are available only for use on the decommissioning and renovation project.

Simultaneously, CCE contributed $4,863,300 to the Investment Fund and, as such, CCE is entitled to substantially all of the benefits derived from the NMTCs. The CCE contribution has been included in the College's consolidated statements of financial position and is presented separately as a liability. This transaction also includes a put provision whereby the College may be obligated to repurchase CCE's interest for $1,000. If the put provision is not exercised by CCE, the College may choose to repurchase the equity interest of CCE for an amount equal to the fair market value (call option). The College believes that CCE will exercise the put option in June 2025 at the end of the recapture period. The value attributed to the put is de minimis. Additionally, the NMTC is subject to 100 percent recapture for a period of seven years as provided in the IRC.

Powerhouse is required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement during the recapture period. Non-compliance with applicable requirements could result in projected tax benefits not being realized and, therefore, require Powerhouse, together with the College to indemnify CCE's sole member for any loss or recapture of NMTCs related to the financing until such time as Powerhouse's obligation to deliver tax benefits is relieved. The College does not anticipate that any credit recaptures will be required in connection with this arrangement.

Powerhouse has determined that the financing arrangement established through the creation of the Investment Fund, together with the put and call agreements and indemnification agreement resulted in a variable interest in Investment Fund. In addition, Powerhouse has determined that the Investment Fund is a VIE. The ongoing activities of the VIE – collecting and remitting interest and fees and NMTC compliance – were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIE. Management considered the contractual arrangements that obligate Powerhouse to deliver tax benefits and provide various other guarantees to the structure, CCE's lack of a material interest in the underlying economics of the project and the fact that

Note 17. New Markets Tax Credit and Historic Tax Credit Entities (Continued)

Powerhouse is obligated to absorb losses of the VIE. The College concluded that Powerhouse was the primary beneficiary and consolidated the VIE in accordance with the accounting guidance for consolidation. Incremental costs to maintain the structure during the compliance period will be recognized as incurred.

Historic Tax Credit Entities

On June 18, 2018, the College entered into an additional financial transaction with CCE relating to the renovation project discussed above. CCE and Holdings II made initial capital contributions of $1,623,414 and $16,398, respectively to Master Tenant. The Federal Historic Preservation Tax Incentive Program (Federal HTC) is administered by the Department of Interior's National Park Service in partnership with the Internal Revenue Services. The Federal HTC program provides funding for developers that rehabilitate certified historic landmarks and buildings into income generating properties that create jobs and promote economic revitalization.

In connection with the financing above, Master Tenant will loan certain capital contributions to Powerhouse in exchange for a 3.05% note due June 2048. As of June 30, 2018, no amount were yet advanced under the note. In addition, capital contributions will be utilized for the purchase of certain furniture and equipment necessary to furnish the building when completed. The proceeds of the loan will be used by Powerhouse for the renovation project. Total expected capital contributions from CCE and Holdings II are $6,559,248, $1,000,000 of which is for furniture and up to $5,554,248 is available under the note agreement.

The CCE contributions through June 30, 2018 of $1,623,414 have been included in the College's consolidated statements of financial position as a liability. Pursuant to the Master Tenant operating agreement, CCE has entered into a separate put option agreement. This agreement provides CCE with the option to put their membership interests in Master Tenant to Holdings II in exchange for the lesser of fair market value of the membership interest, and the sum of CCE's capital contributions time 5%, plus any accrued unpaid amounts and any past due amounts. The put option begins 61 months after the building is placed in service and expires 6 months later. In addition, the Master Tenant operating agreement requires that a priority return be accrued annually for distribution to CCE in an amount equal to 3% of the CCE's capital contributions.

Powerhouse is required to be in compliance with various regulations and contractual provisions that apply to the HTC arrangement during the recapture period. Non-compliance with applicable requirements could result in projected tax benefits not being realized and, therefore, require Powerhouse, together with the College, to guarantee payment to CCE for any recapture adjustments as well as other payments until such time as Powerhouse's obligation to deliver tax benefits is relieved. Powerhouse does not anticipate that any credit recaptures will be required in connection with this arrangement.

Powerhouse has determined that the financing arrangement established through the creation of the Master Tenant, together with the put option agreement and guarantee agreement resulted in a variable interest in Master Tenant. In addition, Powerhouse has determined that the Master Tenant is a VIE. The ongoing activities of the VIE – intercompany leasing arrangements, collecting and remitting interest and fees and HTC compliance – were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIE. Management considered the contractual arrangements that obligate Powerhouse to deliver tax benefits and provide various other guarantees to the structure, CCE's lack of a material interest in the underlying economics of the project and the fact that

Note 17. New Markets Tax Credit and Historic Tax Credit Entities (Continued)

Powerhouse is obligated to absorb losses of the VIE. The College concluded that Powerhouse was the primary beneficiary and consolidated the VIE in accordance with the accounting guidance for consolidation. Incremental costs to maintain the structure during the compliance period will be recognized as incurred.

On June 18, 2018, the College and Powerhouse entered into a separate agreement with U.S. Bank National Association (U.S. Bank) for the sale of certain State Historic Tax Credits. With respect to the rehabilitation of the building discussed above, Powerhouse has received certification from the Wisconsin Economic Development Corporation (WEDC) that the building is eligible for a maximum of $7,500,938 of Wisconsin Historic Preservation Tax Credits for a Qualified Rehabilitated Building. Pursuant to this separate agreement, Powerhouse and the College agreed to transfer and assign to U.S. Bank these Historic Tax Credits in exchange for $6,976,000. The tax credits are expected to be received on or before December 15, 2019.

Note 18. Fair Value Measurements

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 June 30, 2018 and 2017.

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.

Valuation techniques and inputs:

Investments in money market funds, U.S. Government bonds, common stocks and mutual funds are traded on nationally recognized exchanges. Fair value is based on quoted market prices which are readily available.

The fair value of the College's alternative investments, including real estate investments, private equity funds and investment companies for which quoted market prices are not readily available, are estimated using the net asset value (NAV) as a practical expedient.

Note 18. Fair Value Measurements (Continued)

The fair value of funds held in trust by others for which quoted prices are not readily available are based on a combination of observable 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.

The fair value of investments in beneficial interest in perpetual trusts are estimated using an income approach by calculating the present value of the future distributions expected to be received based on a combination of observable inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows).

The fair value of the College's interest rate swap is 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.)

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.

Note 18. Fair Value Measurements (Continued)

The following table presents information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2018, based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Money market funds	$ 4,102,001	$ 4,102,001	$ -	$ -
Common stock	26,929	26,929	-	-
U.S. government bonds	6,841	6,841	-	-
Mutual funds - bonds:				
U.S. high yield fixed income	106,758	106,758		
U.S. Treasury inflation protected	183,190	183,190	-	-
Other fixed income	1,011,823	1,011,823	-	-
Mutual funds - equities:				
U.S. equities	3,508,587	3,508,587	-	-
Non-U.S. equities	1,046,506	1,046,506		
Mutual funds - diversified	116,749,671	116,749,671	-	-
Mutual funds - commodity	167,058	167,058	-	-
Real estate investment	16,300	-	-	16,300
	126,925,664	$ 126,909,364	$ -	$ 16,300
Investments in funds measured at NAV:				
Investment companies	10,762,708			
Private equity funds	7,741,722			
Investments not recorded at fair value:				
Certificates of deposit	7,500			
Accrued interest and dividends	26,424			
Total investments	$ 145,464,018			
Funds held in trust by others	$ 641,721	$ -	$ -	$ 641,721
Beneficial interest in perpetual trusts	$ 3,063,167	$ -	$ -	$ 3,063,167
Liabilities				
Swap liability	$ (5,057,023)	$ -	$ (5,057,023)	$ -

Note 18. Fair Value Measurements (Continued)

The following table presents information about the College's assets and liabilities measured at fair value on a recurring basis as of June 30, 2017, based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Money market funds	$ 548,657	$ 548,657	$ -	$ -
Common stock	21,010	21,010	-	-
U.S. government bonds	155,539	155,539	-	-
Mutual funds - bonds:				
U.S. high yield fixed income	117,083	117,083	-	-
U.S. Treasury inflation protected	188,193	188,193	-	-
Other fixed income	948,919	948,919	-	-
Mutual funds - equities:				
U.S. equities	3,437,263	3,437,263	-	-
Non-U.S. equities	1,097,438	1,097,438	-	-
Mutual funds - diversified	138,856,319	138,856,319	-	-
Mutual funds - commodity	159,033	159,033	-	-
Real estate investment	12,900	-	-	12,900
Subtotal	145,542,354	$ 145,529,454	$ -	$ 12,900
Investments in funds measured at NAV:				
Investment companies	8,665,796			
Private equity funds	7,133,651			
Investments not recorded at fair value:				
Certificates of deposit	205			
Accrued interest and dividends	22,739			
Total investments	$ 161,364,745			
Funds held in trust by others	$ 595,356	$ -	$ -	$ 595,356
Beneficial interest in perpetual trusts	$ 2,948,527	$ -	$ -	$ 2,948,527
Liabilities				
Swap liability	$ (6,816,153)	$ -	$ (6,816,153)	$ -

Note 18. Fair Value Measurements (Continued)

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 years ended June 30, 2018 and 2017:

	Real Estate Investment	Funds Held in Trust for Others	Beneficial Interest in Perpetual Trust
Balance June 30, 2016	$ 12,900	$ 612,000	$ 2,698,928
Purchases	-	-	-
Realized and unrealized gains (losses)	-	(16,644)	249,599
Balance June 30, 2017	12,900	595,356	2,948,527
Purchases	3,400	-	-
Realized and unrealized gains	-	46,365	114,640
Balance June 30, 2018	$ 16,300	$ 641,721	$ 3,063,167

The amount of total unrealized gains included in the change in net assets attributable to the assets still held at June 30, 2018 and 2017 was approximately $161,000 and $233,000, respectively.

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 summarizes information about the College's investments in private equity funds as of June 30, 2018:

	Private Equity Funds
Fair value, June 30, 2018	$ 7,741,722
Significant investment strategy	Equity funds
Remaining life	5-10 years
Dollar amount of unfunded commitments	$ 4,088,000
Timing to draw down commitments	Not defined
Redemption terms	Illiquid
Redemption restrictions	N/A
Redemption restrictions in place at year end	N/A

The following table summarizes the College's investments in investment companies by strategy, which are valued using the practical expedient as of June 30, 2018 and 2017:

Investment Strategy	Fair Value 2018	Fair Value 2017	Redemptions Permitted	Redemption Notice Period in Days
Multi-strategy	$ 9,819,925	$ 8,577,506	Quarterly	65
Education, healthcare and storage real estate	942,783	88,290	N/A	N/A
	$ 10,762,708	$ 8,665,796		

Note 19. Functional Expenses

The College’s expenses have been classified according to their function as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Program expenses	$ 43,361,896	$ 44,970,821
General and administrative expenses	9,320,046	7,187,934
Fundraising expenses	2,195,479	2,681,905
Totals	$ 54,877,421	$ 54,840,660

Note 20. Contingencies

The College has certain claims and pending legal proceedings that generally involve employment issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by the College. In the opinion of management, the ultimate disposition of such proceedings are not expected to have a material adverse effect on the College's financial position, statement of activities or cash flows.

Note 21. Commitments

The College has entered into certain construction commitments relative to the Powerhouse project discussed in Note 1 and Note 17. The Powerhouse Project is a $38 million project to repurpose and decommission the Blackhawk Generating Station near the College campus into a 130,000 square foot student center. At June 30, 2018, the College has outstanding construction commitments of approximately $25,000,000 related to the Powerhouse Project. In addition, the College has outstanding commitments under a development agreement relating to the project for approximately $700,000.

Beloit College and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2018

	Beloit College	Beloit Powerhouse Holdings, Inc.	Beloit Powerhouse Holdings II, LLC	Beloit Powerhouse, LLC and Affiliates	Eliminations	Total
Assets						
Cash and cash equivalents	$ 12,940,706	$ -	$ -	$ 14,182,446	$ -	$ 27,123,152
Accounts receivable, net	1,472,243	-	-	-	(3,324)	1,468,919
Contributions receivable, net	8,157,374	-	-	-	-	8,157,374
Student loans receivable, net	5,371,735	-	-	-	-	5,371,735
Other assets	744,753	-	-	-	-	744,753
Investments	145,464,018	-	-	-	-	145,464,018
Property, plant and equipment, net	63,776,901	-	-	5,316,141	-	69,093,042
Funds held in trust by others	641,721	-	-	-	-	641,721
Beneficial interest in perpetual trusts	3,063,167	-	-	-	-	3,063,167
Note receivable, affiliate	10,111,700	-	-	-	(10,111,700)	-
Investment in subsidiaries	3,784,363	188,371	3,595,074	-	(7,567,808)	-
Total assets	$ 255,528,681	$ 188,371	$ 3,595,074	$ 19,498,587	$ (17,682,832)	$ 261,127,881
Liabilities and Net Assets						
Liabilities:						
Accounts payable and other accrued liabilities	$ 3,008,754	$ -	$ -	$ 3,324	$ (3,324)	$ 3,008,754
Deferred revenue	1,525,959	-	-	-	-	1,525,959
Student deposits and deferred grant revenue	490,893	-	-	-	-	490,893
Other liabilities	155,795	-	-	-	-	155,795
Refundable advance from U.S. government	1,773,389	-	-	-	-	1,773,389
Swap liability	5,057,023	-	-	-	-	5,057,023
Annuities payable	3,649,938	-	-	-	-	3,649,938
Long-term debt	53,812,864	-	-	-	(225,674)	53,587,190
Notes payable, affiliates	-	-	-	9,886,026	(9,886,026)	-
Historic tax credit obligation	-	-	-	1,623,414	-	1,623,414
New market tax credit obligation	-	-	-	4,863,300	-	4,863,300
Total liabilities	69,474,615	-	-	16,376,064	(10,115,024)	75,735,655
Net assets:						
Unrestricted	41,477,634	188,371	3,595,074	3,784,363	(7,567,808)	41,477,634
Temporarily restricted	53,203,979	-	-	-	-	53,203,979
Permanently restricted	91,372,453	-	-	-	-	91,372,453
Non-controlling interests	-	-	-	(661,840)	-	(661,840)
Total net assets	186,054,066	188,371	3,595,074	3,122,523	(7,567,808)	185,392,226
Total liabilities and net assets	$ 255,528,681	$ 188,371	$ 3,595,074	$ 19,498,587	$ (17,682,832)	$ 261,127,881

Beloit College and Subsidiaries
Consolidating Statement of Activities
Year Ended June 30, 2018

	Unrestricted						Temporarily Restricted	Permanently Restricted	
	Beloit College	Beloit Powerhouse Holdings, Inc.	Beloit Powerhouse Holdings II, LLC	Beloit Powerhouse, LLC and Affiliates	Eliminations	Total	Beloit College	Beloit College	Total
Operating revenues:									
Student tuition and fees	$ 61,084,974	$ -	$ -	$ -	$ -	$ 61,084,974	$ -	$ -	$ 61,084,974
Less:									
Funded student financial assistance	(2,214,570)	-	-	-	-	(2,214,570)	-	-	(2,214,570)
Unfunded student financial assistance	(34,431,383)	-	-	-	-	(34,431,383)	-	-	(34,431,383)
Net student tuition and fees	24,439,021	-	-	-	-	24,439,021	-	-	24,439,021
Auxiliary enterprises	9,468,928	-	-	-	-	9,468,928	-	-	9,468,928
Contributions	2,640,233	-	-	-	-	2,640,233	300,651	-	2,940,884
Return on investments	38,948	-	-	-	-	38,948	-	-	38,948
Government contracts and grants	1,609,850	-	-	-	-	1,609,850	-	-	1,609,850
Investment income allocated for operations	2,550,260	-	-	-	-	2,550,260	4,892,140	-	7,442,400
Other income	1,035,957	-	-	-	(3,324)	1,032,633	331,000	-	1,363,633
Net assets released from restrictions	5,899,840	-	-	-	-	5,899,840	(5,899,840)	-	-
Total operating revenues	47,683,037	-	-	-	(3,324)	47,679,713	(376,049)	-	47,303,664
Operating expenses:									
Instruction	19,165,191	-	-	-	-	19,165,191	-	-	19,165,191
Institutional support	9,559,128	-	-	-	-	9,559,128	-	-	9,559,128
Auxiliary enterprises	8,145,513	-	-	-	-	8,145,513	-	-	8,145,513
Student services	9,389,279	-	-	-	-	9,389,279	-	-	9,389,279
Academic support	5,580,602	-	-	-	-	5,580,602	-	-	5,580,602
Other operating expenses	834,943	-	-	2,206,089	(3,324)	3,037,708	-	-	3,037,708
Total operating expenses	52,674,656	-	-	2,206,089	(3,324)	54,877,421	-	-	54,877,421
Net decrease from operations	(4,991,619)	-	-	(2,206,089)	-	(7,197,708)	(376,049)	-	(7,573,757)
Non-operating activities:									
Investment income (loss):									
Interest income	2,651,775	-	-	-	-	2,651,775	1,496,010	-	4,147,785
Net gains on investments	257,691	-	-	-	-	257,691	5,567,218	-	5,824,909
Total investment income (loss)	2,909,466	-	-	-	-	2,909,466	7,063,228	-	9,972,694
Investment income allocated for operations	(2,550,260)	-	-	-	-	(2,550,260)	(4,892,140)	-	(7,442,400)
	359,206	-	-	-	-	359,206	2,171,088	-	2,530,294
Endowment gifts	14,158	-	-	-	-	14,158	-	1,051,772	1,065,930
Capital gifts and grants	-	-	-	-	-	-	12,335,062	-	12,335,062
Contributions	-	-	-	-	-	-	-	35,000	35,000
Adjustments to actuarial liability for annuities payable	(179,732)	-	-	-	-	(179,732)	92,185	(6,108)	(93,655)
Change in fair value of swap liability	1,759,130	-	-	-	-	1,759,130	-	-	1,759,130
Loss from subsidiaries	(1,542,799)	(77,140)	(1,465,505)	-	3,085,444	-	-	-	-
Other non-operating activities	29,961	-	-	-	-	29,961	44,754	116,487	191,202
Total non-operating activities	439,924	(77,140)	(1,465,505)	-	3,085,444	1,982,723	14,643,089	1,197,151	17,822,963
Change in net assets	(4,551,695)	(77,140)	(1,465,505)	(2,206,089)	3,085,444	(5,214,985)	14,267,040	1,197,151	10,249,206
Net assets at beginning of period	46,029,329	-	-	-	-	46,029,329	38,936,939	90,175,302	175,141,570
Contributions of net assets and members' equity	-	265,511	5,060,579	5,328,612	(10,653,252)	1,450	-	-	1,450
Net assets at end of period	$ 41,477,634	$ 188,371	$ 3,595,074	$ 3,122,523	$ (7,567,808)	$ 40,815,794	$ 53,203,979	$ 91,372,453	$ 185,392,226

Beloit Powerhouse, LLC and Affiliates
Consolidating Statement of Financial Position
June 30, 2018

	Beloit Powerhouse, LLC	Powerhouse Master Tenant, LLC	Chase NMTC Beloit Powerhouse Investment Fund, LLC	Sub-CDEs **	Eliminations	Total
Assets						
Cash and cash equivalents	$ 12,541,184	$ 1,639,812	$ -	$ 1,450	$ -	$ 14,182,446
Other assets	-	-	-	5,034	(5,034)	-
Property, plant and equipment, net	5,316,141	-	-	-	-	5,316,141
Notes receivable, affiliate	-	-	-	14,310,000	(14,310,000)	-
Investment in subsidiaries	-	-	14,315,052	-	(14,315,052)	-
Total assets	$ 17,857,325	$ 1,639,812	$ 14,315,052	$ 14,316,484	$ (28,630,086)	$ 19,498,587
Liabilities and Equity						
Liabilities:						
Accounts payable and other accrued liabilities	$ 5,034	$ -	$ 3,324	$ -	$ (5,034)	$ 3,324
Notes payable, affiliates	14,084,326	-	10,111,700	-	(14,310,000)	9,886,026
Historic tax credit obligation	-	1,623,414	-	-	-	1,623,414
New market tax credit obligation	-	-	4,863,300	-	-	4,863,300
Total liabilities	14,089,360	1,623,414	14,978,324	-	(14,315,034)	16,376,064
Equity:						
Beloit Powerhouse, LLC members' equity	3,767,965	16,398	-	-	-	3,784,363
Noncontrolling interest	-	-	(663,272)	14,316,484	(14,315,052)	(661,840)
Total equity	3,767,965	16,398	(663,272)	14,316,484	(14,315,052)	3,122,523
Total liabilities and equity	$ 17,857,325	$ 1,639,812	$ 14,315,052	$ 14,316,484	$ (28,630,086)	$ 19,498,587

** The Sub-CDE column includes the balances of BH New Markets Sub-CDE 18, LLC, Brownfield Revitalization 48, LLC and CNMC Sub-CDE 165, LLC, which are variable interest entities of Beloit Powerhouse, LLC.

Beloit Powerhouse, LLC and Affiliates
Consolidating Statement of Income
Year Ended June 30, 2018

	Beloit Powerhouse, LLC	Powerhouse Master Tenant, LLC	Chase NMTC Beloit Powerhouse Investment Fund, LLC	Sub-CDEs **	Eliminations	Total
Operating revenues:						
Other income	$ -	$ -	$ -	$ 5,034	$ (5,034)	$ -
Total operating revenues	-	-	-	5,034	(5,034)	-
Operating expenses:						
Other operating expenses	1,542,799	-	478,324	190,000	(5,034)	2,206,089
Loss from subsidiaries	-	-	184,948	-	(184,948)	-
Total operating expenses	1,542,799	-	663,272	190,000	(189,982)	2,206,089
Net income (loss)	$ (1,542,799)	$ -	$ (663,272)	$ (184,966)	$ 184,948	$ (2,206,089)

** The Sub-CDE column includes the activity of BH New Markets Sub-CDE 18, LLC, Brownfield Revitalization 48, LLC and CNMC Sub-CDE 165, LLC, which are variable interest entities of Beloit Powerhouse, LLC.

Beloit College
Operating Expenses by Natural Classification
Years Ended June 30, 2018 and 2017 (Unaudited)

	2018	2017
Salaries and Wages	$ 22,336,361	$ 22,102,184
Benefits	7,365,324	7,713,033
Student Employment	1,460,855	1,587,885
Supplies	1,427,824	1,914,087
Services	9,344,240	11,028,268
Travel and Meals	1,927,751	1,864,609
Depreciation	3,856,081	4,022,096
Interest (Including Swap)	2,603,800	2,378,673
Utilities	1,329,870	1,298,230
Collections	562,946	602,328
Other	459,604	329,267
	$ 52,674,656	$ 54,840,660

Beloit College
Schedule of Investments Held
June 30, 2018 (Unaudited)

	Cost	Market	Unrealized Gain (Loss)
Mutual Funds			
U.S. Equities	$ 2,892,742	$ 3,508,587	$ 615,845
Non-U.S. Equities	915,103	1,046,506	131,403
Mutual Funds - Diversified	98,041,702	116,749,671	18,707,969
Mutual Funds - Commodity	158,686	167,058	8,372
Total Mutual Funds	102,008,233	121,471,822	19,463,589
Common Stock	26,929	26,929	-
Fixed Income Funds			
Government Bonds	6,900	6,841	(59)
U.S. High Yield Fixed Income	111,743	106,758	(4,985)
U.S. Treasury Inflation Protected	187,086	183,190	(3,896)
Other Fixed Income	1,057,203	1,011,823	(45,380)
Total Fixed Income Funds	1,362,932	1,308,612	(54,320)
Other Funds			
Certificates of Deposit	7,500	7,500	-
Money Market	4,102,001	4,102,001	-
Real Estate Investment	16,300	16,300	-
Private Equity Funds	6,759,051	7,741,722	982,671
Investment Companies	8,974,342	10,762,708	1,788,366
Total Other Funds	19,859,194	22,630,231	2,771,037
Accrued Interest and Pending Trades	26,424	26,424	-
Total	$ 123,283,712	$ 145,464,018	$ 22,180,306