OFFICIAL STATEMENT DATED JUNE 29, 2017

NEW AND REFUNDING ISSUE **S&P Rating: BBB-**
NOT BANK QUALIFIED

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in net taxable income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals and corporations. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "TAX EXEMPTION.")

$44,565,000
Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2017 (Bethel University)
(DTC Book Entry Only)

Dated Date: Date of Delivery **Interest Due: May 1 and November 1, commencing November 1, 2017**

The Bonds will mature as follows:

Term Bonds Due:	Amount	Interest Rate	Yield	CUSIP
May 1, 2032	$ 7,450,000	5.00%	3.52%†	60416H 3X 0
May 1, 2037	$ 9,500,000	5.00%	3.75%†	60416H 3Y 8
May 1, 2047	$27,615,000	5.00%	3.87%†	60416H 3Z 5

† *Priced to the first optional call date of May 1, 2027*

The Minnesota Higher Education Facilities Authority (the "Authority") Revenue and Refunding Bonds, Series 2017 (Bethel University) (the "Bonds") are subject to optional redemption prior to maturity, as described herein. See "THE BONDS – Prior Redemption – Optional Redemption." The Bonds are also subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities as described in the Loan Agreement and Indenture. The Bonds are also subject to optional redemption in whole or in part in the event of a Determination of Taxability. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption – Calamity or Condemnation" and "THE BONDS – Determination of Taxability." Term Bonds are subject to mandatory redemption in installments as described herein. See "THE BONDS – Prior Redemption – Mandatory Redemption."

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "THE BONDS – Book Entry Only System" herein). Wells Fargo Bank, National Association, Minneapolis, Minnesota will act as Trustee.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of Bethel University (the "University") pursuant to a Loan Agreement between the Authority and the University, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the University.

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA, NOR SHALL THEY CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE OF MINNESOTA, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the opinion as to validity and tax exemption of the Bonds by McGrann Shea Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Eastlund, Solstad, Cade, Hutchinson & Ysebaert, Ltd., Savage, Minnesota; and for the Underwriter by Locke Lord LLP, Boston, Massachusetts. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about July 13, 2017.

Barclays Capital Inc.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, sales representative or other person has been authorized by the Authority, the University, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the University or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee and the tax-exemption of the interest on the Bonds and document summaries has been obtained from the University and is not guaranteed as to accuracy or completeness. Information relating to DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the University since the date hereof.

References in this Official Statement to laws, rules, regulations, agreements, and any other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts of such documents have not been included as appendices hereto, they will be furnished on request.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

The Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the jurisdictions in which the Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Certain of the parties involved in this financing have agreed to indemnify certain other parties for any untrue statement of a material fact contained in this Official Statement or any omission to state a material fact necessary to be stated in this Official Statement in order to make the statements contained herein not misleading.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH

FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE UNIVERSITY NOR ANY OTHER PARTY EXPECTS OR INTENDS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, SEC rule l 5c2-12.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Authority that has been deemed final by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Nancy Sampair, Chair	Retired Banker, Resident of Saint Paul, Minnesota
Mary F. Ives, Vice Chair	Real Estate Business Owner, Resident of Grand Rapids, Minnesota
Michael D. Ranum, Secretary	Chief Financial Officer, BWBR Architects, Inc., Resident of Circle Pines, Minnesota
Gary D. Benson	Director of Project Planning & Development, Kraus-Anderson Construction Company, Resident of New Brighton, Minnesota
Kathryn Balstad Brewer	Retired Banker and Educator, Resident of New Brighton, Minnesota
Paul Cerkvenik (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Mark Misukanis	Assistant Professor, Metropolitan State University, Resident of Mendota Heights, Minnesota
David D. Rowland	Executive Vice President, The Travelers Companies, Inc., Resident of Edina, Minnesota
Raymond VinZant, Jr.	Founder, Midway Vo-Tech, Saint Paul, Resident of Wyoming, Minnesota
Poawit Yang (Ex Officio)	Account Manager, Minnesota Office of Higher Education, Saint Paul, Minnesota

Barry W. Fick, Executive Director

Bond Counsel
McGrann Shea Carnival Straughn & Lamb, Chartered

Municipal Advisor to the Authority
Springsted Incorporated

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OFFICIAL STATEMENT

$44,565,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

REVENUE AND REFUNDING BONDS, SERIES 2017
(BETHEL UNIVERSITY)

(DTC BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Bethel University (the "University"), a Minnesota nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code with its main campus located in Saint Paul, Minnesota, in connection with the issuance of the Authority's $44,565,000 Revenue and Refunding Bonds, Series 2017 (Bethel University) (the "Bonds").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, as amended, by the provisions of which the Authority was created and authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance and refinance certain projects.

The Bonds are also issued pursuant to a Trust Indenture (the "Indenture") to be dated as of July 1, 2017 between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") to be dated as of July 1, 2017 between the University and the Authority, the Authority is loaning the Bond proceeds to the University and the University will covenant as a general obligation of the University to make Loan Repayments and deposits in amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same shall become due.

The University expects to use Bond proceeds along with other funds to:

(i) refund on a current refunding basis the outstanding principal of the Authority's Revenue Bonds, Series Six-R (Bethel University) (the "Series Six-R Bonds" or "Series Six-R"), maturing on and after May 1, 2018 (the "Refunded Bonds");

(ii) fund interest due on the Refunded Bonds to the redemption date (the "Redemption Date"), which is expected to be August 14, 2017;

(iii) finance construction, repairs, renovations, and replacements to residential buildings on the University's main campus and related improvements (the "Project");

(iv) fund a debt service reserve; and

(v) pay certain costs of issuance.

The Bonds are secured by a pledge of the Loan Repayments, which are a general obligation of the University. Under the Loan Agreement, the University agrees to provide the funds necessary to make timely payment of the Loan Repayments. See "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS" herein.

The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority or the State of Minnesota or the taxing powers of the State of Minnesota are pledged. The Authority has no taxing powers.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices IV and V for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

No person should purchase Bonds without carefully reviewing the following information, which sets forth some, but not all, of the factors that may affect the Owners' receipt of payments of the principal of or interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge of amounts payable by the University under the Loan Agreement, and (b) amounts in the Reserve Account and other accounts and funds which will be held by the Trustee and applied to the payment of principal, premium, if any, and interest on the Bonds. See "ACCOUNTS – Reserve Account." The Bonds are not secured by a mortgage on or security interest in any real property or personal property. If an Event of Default occurs, there can be no assurance that security for the Bonds will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due.

Obligation of the University

No entity or person other than the University is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture, the Bonds or the other obligations of the University under such documents. Accordingly, for payment of principal of and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the University under the Loan Agreement and the Reserve Account and other funds, if any, the Trustee holds under the Indenture.

Additional Indebtedness

The University has the ability to issue additional indebtedness under certain circumstances pursuant to the provisions of the Loan Agreement. See "SOURCES OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS -- Financial Covenants" herein. There is no assurance that the University's ability to make the necessary payments to repay amounts owed under the Loan Agreement may not be materially and adversely affected upon the University incurring additional indebtedness.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made from the University's Loan Repayments. The University's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures, to invest and maintain sufficient monies in its investments and to obtain sufficient investment earnings therefrom. The University's revenues and expenditures are subject to many conditions and factors, some of which may be beyond the University's control and may change in the future to an extent that cannot be presently determined.

Except for the Negative Pledge Property, the University may grant a mortgage or security interest in any of its property to secure existing or future indebtedness and the holders of such secured indebtedness would have a claim on the property that is senior to the unsecured claim of the Bondholders. See Appendix IV – "DEFINITIONS OF CERTAIN TERMS – Negative Pledge Property" and "SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS – Negative Pledge."

Competition

There is intense competition among institutions of higher education for students both nationally and within the upper Midwest region from which the University draws the majority of its students. Universities and colleges compete principally based on location, net tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the University could be adversely affected. In addition, competitive pressures could result in tuition reductions, the inability to raise tuition, or increases in financial aid in the form of discounted tuition, which could adversely affect the University's unrestricted net assets.

Changes in demographics, such as a decrease in the overall number of high school graduates or a decrease in the number of high school graduates who elect to go to college, could adversely affect the University's efforts to attract students.

Reliance on Tuition and Fees

The adequacy of University revenues is significantly dependent on the amount of future tuition revenue received by the University. Such revenue in turn will depend primarily on the ability of the University to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the University and accepting offers of admission. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges, a change in the number of college-age students generally, and adverse general economic conditions could influence the number of applicants to the University.

Secondary Market

There can be no assurance that there will always be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for purchase or sale of the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and results of the University and the Project Facilities. The Bonds should therefore be considered long-term investments in which funds are committed to maturity.

Financial Aid

In 2016, approximately 95% of the University's undergraduate students received some form of financial assistance through scholarships, grants, loans and work study, from federal, state, University or private sources covering at least a portion of tuition, fees and living expenses. See Appendix I – "THE UNIVERSITY – Financial Aid." No assurance can be given that federal and state financial aid and private third party financing will continue to be funded at current levels or that the University will continue to fund student aid at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

Damage or Destruction

Although the University will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the University will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies. Under certain circumstances the Bonds may be subject to redemption at par upon damage to or destruction of all or substantially all or a portion of the Project Facilities. See "THE BONDS – Prior Redemption – Extraordinary Optional Redemption – Calamity or Condemnation."

Bankruptcy

The ability of the Trustee to exercise rights under the Loan Agreement and the Indenture may be limited by bankruptcy, insolvency, reorganization, or other similar laws or equitable principles related to or affecting the enforcement of creditors' rights.

Construction Risks

Construction of the various financed projects is subject to ordinary risks associated with new construction, such as risks of cost overruns, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor shortage or strife, delays in and shortages of materials, weather conditions, fire, and casualty. Any delays in construction may adversely impact the University's ability to complete the projects by the expected completion date, which may result in, among other things, cost overruns. See "USE OF PROCEEDS" herein.

Lack of Mortgage

The Bonds are secured solely by a pledge by the Authority to the Trustee of amounts payable by the University under the Loan Agreement. The Bonds are not secured by any mortgage on or security interest in any of the University's property or by any other collateral.

Endowment Portfolio Risk

Market conditions that negatively affect the University's investments may adversely affect debt service coverage and endowment spending. The University's Board of Trustees has approved an investment policy which gives specific guidance about portfolio investments. The University's investment policy defines a diversified investment portfolio utilizing an external investment advisor. The University utilizes an endowment spending smoothing formula based on the prior year's spending (weighted 70%) plus December market valuation multiplied by a spending rate of 4.0% (weighted 30%). The incremental spending rate of 4.0% was reduced from 4.5% in 2017, to better align with long term total return expectations. Recent years' spending allocations have not exceeded 4.4% of the targeted valuation. See also Appendix I – "THE UNIVERSITY – Endowment Funds."

Derivative Products

The University is not currently a party to any interest rate swap agreement or other derivative financial product. The University may enter into interest rate swaps or similar arrangements in the future. Under certain market conditions, termination of an interest rate swap agreement prior to its expiration may require the University to pay a termination fee to the counterparty to the agreement and such payment could be material to the University.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the University:

(1) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in revenues.

(2) Adoption of federal, State or local legislation or regulations, such as limits on tuition increases, having an adverse effect on the future operating or financial performance of the University.

(3) International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

(4) International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

(5) Cybersecurity risks related to breaches of the University's information technology systems or computer viruses and the inadvertent disclosure of confidential student and other information.

See also "TAX EXEMPTION" herein.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the University will enter into an undertaking (the "Undertaking") for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the University annually, and to provide notices of the occurrence of any of the events enumerated in the Rule annually, and to provide notices of the occurrence of any of the events enumerated in the Rule to the Municipal Securities Rulemaking Board (the "MSRB") not later than ten business days after the occurrence of the event. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of listed events is set forth in the Continuing Disclosure Certificate to be executed by the University (the "Continuing Disclosure Certificate") at the time the Bonds are delivered, a copy of which is available from the University or the Trustee. Appendix III – "INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE" contains a summary of the financial information and operating data to be provided annually.

The Continuing Disclosure Certificate may be amended under certain circumstances as permitted by the Rule. Furthermore, the University has reserved its right to discontinue providing information required by the Continuing Disclosure Certificate or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Certificate if a court of competent jurisdiction or the University determines that such modification is required or permitted by the Rule.

The University has not failed in the past five years to comply in all material respects with any previous undertakings under the Rule or to provide annual financial information filings or notices of material events. A failure by the University to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have other remedies at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the University pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

The Bonds will be issued in book-entry form, will be dated as their date of delivery and will have a final maturity of May 1, 2047 as set forth on the front cover of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof not exceeding the amount maturing on any principal payment date, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each May 1 and November 1, commencing November 1, 2017 to the persons in whose names the Bonds are registered at the close of business on the Regular Record Date, which is the 15^{th} day (whether or not a Business Day) of the calendar month next preceding the applicable Interest Payment Date.

Book Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for the Bonds in the aggregate principal amount of the Bonds and will be deposited with DTC.

For further detail on DTC, see Appendix VI – "THE DEPOSITORY TRUST COMPANY."

Prior Redemption

Mandatory Redemption

The Term Bonds shall be called for redemption on May 1 in the years and at the principal amounts as described immediately below, at par plus accrued interest without premium to the date fixed for redemption, from moneys in the Bond and Interest Sinking Fund Account.

Maturity Date May 1, 2032	Amount
2028	$1,350,000
2029	$1,415,000
2030	$1,485,000
2031	$1,560,000
2032†	$1,640,000

† *Stated maturity*

Maturity Date May 1, 2037	Amount
2033	$1,720,000
2034	$1,805,000
2035	$1,895,000
2036	$1,990,000
2037†	$2,090,000

† *Stated maturity*

Maturity Date May 1, 2047	Amount
2038	$2,195,000
2039	$2,305,000
2040	$2,420,000
2041	$2,540,000
2042	$2,670,000
2043	$2,805,000
2044	$2,940,000
2045	$3,090,000
2046	$3,245,000
2047†	$3,405,000

† *Stated maturity*

The Bonds or portions thereof to be so redeemed shall be selected by the Trustee by such random means as the Trustee shall determine.

The Bonds to be retired pursuant to the mandatory redemption provisions set forth above, may, at the option of the University, be reduced by the principal amount of any Bonds of such maturity which at least forty-five (45) days prior to such redemption:

(1) have been delivered to the Trustee for cancellation; or

(2) have been purchased or redeemed (other than through operation of the Bond and Interest Sinking Fund Account) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Optional Redemption

The Bonds are subject to optional redemption at the University's direction on May 1, 2027 and on any day thereafter at par plus accrued interest. Redemption may be in whole or in part and if in part in integral multiples of $5,000, at par plus accrued interest without premium. Partial redemption shall be in such order of maturity as the University directs and selected by random means within a maturity (and, in the case of Term Bonds, the University may treat the mandatory redemption amounts of Term Bonds as maturities for this purpose). In certain circumstances described in the Indenture the University may request that the notice of redemption be conditional and subject to rescission or cancellation by the University up to three Business Days prior to the redemption date.

The Bonds are also subject to optional redemption without premium in the event of a Determination of Taxability. See “Determination of Taxability” below.

Extraordinary Optional Redemption – Calamity or Condemnation

Under certain circumstances, the Bonds will be subject to optional redemption at par plus accrued interest in integral multiples of $5,000, in whole or in part, in case of damage to or destruction or condemnation of all or substantially all, or a portion, of the underlying Project Facilities, and at any time following such damage or destruction or condemnation. See Appendix V – “SUMMARY OF DOCUMENTS – The Loan Agreement – Damage or Destruction” and “ – Condemnation.”

Partial Redemption

If fewer than all Bonds of a maturity are called for redemption, the Authority and the Trustee will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed.

In the case of Bonds of denominations greater than $5,000, if less than the full denomination of such Bonds then outstanding is to be called for redemption, then for all purposes in connection with redemption, each $5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of $5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such $5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and available for the redemption of said $5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such $5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

In case of partial redemption of Term Bonds, the University may select bonds in such order of maturity as the University may direct, and may treat the mandatory redemption amounts of the Term Bonds as maturities for this purpose.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than 20 days, and if more than 60 days, then again not less than 20 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date of Taxability effective until the date on which the principal of the Bonds is paid. **If a Determination of Taxability should occur, any monetary damages or loss resulting from or incident thereto shall be limited to the increased interest rate on the Bonds.** See "TAX EXEMPTION" herein and Appendix IV, "DEFINITION OF CERTAIN TERMS."

The University will have the option to prepay the Loan on the next date for which due notice of redemption can be given, in full or in part and on any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability and without a premium).

USE OF PROCEEDS

The Authority will loan the Bond proceeds to the University that are expected to be used, along with available University funds, if necessary, and moneys held by the Series Six-R Trustee and pledged to the payment of the Series Six-R Bonds, to:

(i) refund on a current refunding basis the outstanding principal of the Refunded Bonds;

(ii) fund interest due on the Refunded Bonds to the Redemption Date;

(iii) finance construction, repairs, renovations, and replacements to residential buildings on the University's main campus and related improvements;

(iv) fund a debt service reserve; and

(v) pay certain costs of issuance.

The Refunding

On the Closing Date, a portion of the Bond proceeds will be deposited in the Refunding Account created under the Indenture and immediately transferred to Wells Fargo Bank, National Association as the Trustee for the Series Six-R Bonds for deposit into the Series Six-R Redemption Account. The amounts so deposited shall not be invested, but will be in an amount sufficient to prepay the outstanding principal of and pay the interest on the Refunded Bonds on the Redemption Date.

The Refunded Bonds to be prepaid and refunded are in the total principal amount of $39,200,000 and are identified by CUSIP as follows:

Maturity Date May 1:	Principal	CUSIP: 60416H	Maturity Date May 1:	Principal	CUSIP: 60416H
2018	$ 1,125,000	KT 0	2024	$ 1,550,000	KZ 6
2019	$ 1,185,000	KU 7	2025	$ 1,635,000	LA 0
2020	$ 1,255,000	KV 5	2026	$ 1,725,000	LB 8
2021	$ 1,315,000	KW 3	2027	$ 1,820,000	LC 6
2022	$ 1,395,000	KX 1	2037*	$24,725,000	LD 4
2023	$ 1,470,000	KY 9			

* *Term Bonds.*

The Project

On the Closing Date, a portion of the Bond proceeds will be deposited into the Construction Account to be used, along with University funds, to partially fund renovations to four of the University's seven residence halls and related improvements. The residence halls involved are Nelson Dormitory, Getsch Hall, Bodien Hall and Edgren Hall. Renovations will include new furnishings, plumbing updates, electrical and mechanical upgrades, and remodeling of bathrooms and common areas. The University will take residence halls offline beginning the summer of 2018 to make projected renovations and will expend all or most of the Bond proceeds allocated for such work by the end of summer 2018. All of the renovation projects are expected to be completed during the summer of 2019.

SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Bonds	$44,565,000.00
Premium	4,395,766.55
Total Sources	$48,960,766.55
Uses of Funds	
Deposit to the Refunding Account	$39,816,855.56
Deposit to the Construction Account	5,000,000.00
Deposit to the Reserve Account	3,579,250.00
Costs of Issuance, including Underwriter's Discount	564,660.99
Total Uses	$48,960,766.55

SOURCE OF PAYMENT FOR THE BONDS AND FINANCIAL COVENANTS

Source of Payment

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the University as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture.

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the University, and other funds the Trustee holds under the Indenture. The University will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The University agrees to make such payments out of its operating funds or any other moneys legally available.

The University will covenant and agree to charge tuition, fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the University as they become due.

The Bonds shall not be legal or moral obligations of the State, nor shall they constitute a debt for which the faith and credit of the Authority or the State, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

Financial Covenants

The University will also covenant that so long as the Bonds shall remain outstanding:

a. Rate Covenant. The University will charge and collect tuition and fees in each Fiscal Year sufficient to produce in each Fiscal Year a Debt Service Coverage Ratio equal to or greater than 1.00 with respect to all Funded Debt (the "Rate Covenant").

b. Management Consultant. If the University fails to adopt a budget that projects that the Rate Covenant will be achieved, the University will immediately engage an independent management consultant which will promptly (in no event more than sixty days after its engagement) provide a management plan for achieving said coverage ratio to the University and the Trustee, and the University will promptly implement such recommendations. So long as the University diligently implements such recommendations, the failure to meet the Rate Covenant in any year will not constitute an Event of Default; provided, however, that failure of the University to meet the Rate Covenant in two consecutive Fiscal Years will constitute an Event of Default.

c. Incurrence of Additional Indebtedness. Following the date hereof, and for so long as the Bonds remain outstanding, the University shall incur no additional Funded Debt (other than University's Line of Credit and Other Debt), with a maturity in excess of two years, except for a refunding or refinancing of Funded Debt outstanding or the incurrence of non-recourse or subordinated indebtedness which does not increase the Maximum Annual Debt Service by more than 10% and further excepting that portion of Funded Debt for capital projects for which the University has secured funds on hand or received written and signed pledges of gifts in an amount equal to at least 80% of the estimated costs of such projects, unless:

   (i) Maximum Annual Debt Service (taking into account outstanding Funded Debt and the additional Funded Debt proposed to be incurred) divided by Operating Revenues, does not exceed 0.12; and

   (ii) Cash and Marketable Securities divided by outstanding Funded Debt plus the additional Funded Debt proposed to be incurred is equal to or greater than 0.50.

d. Definitions. All capitalized terms used but not otherwise defined in this Section or elsewhere in this agreement, shall have the meanings provided by generally accepted accounting principles (GAAP) as applied by the University's auditors in the most recent annual audited financial statement. For purposes of this Section the following terms shall have the following meanings:

"Adjusted Change in Unrestricted Net Assets" means the Change in Net Assets listed in the unrestricted column of the Consolidated Statement of Activities and Changes in Net Assets adjusted for any impact of Change in Accounting Principle, unrealized gains and losses, depreciation, interest, and other noncash transactions as shown on the Consolidated Statement of Activities and Changes in Net Assets.

"Cash and Marketable Securities" means the sum of the amounts listed on the Consolidated Statement of Financial Position under the title "Cash and Cash Equivalents" and under the title "Investments, at Market".

"Debt Service Coverage Ratio" means the ratio of the Adjusted Change in Unrestricted Net Assets divided by the Maximum Annual Debt Service. Accumulated unrestricted net assets shall not be used in calculating this ratio.

"Funded Debt" means indebtedness for borrowed money having a maturity date of more than one year from the date of incurrence or assumption thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including such indebtedness whenever payable if renewable at the sole option of the University, if renewable pursuant to the terms thereof or of a revolving loan agreement for a period of more than one year from the date of creation thereof and including lease rental obligations which, under generally accepted accounting principles are shown on the balance sheet as a liability; adjusted to exclude nonrecourse or subordinated indebtedness which does not increase the Maximum Annual Debt Service and to exclude indebtedness for capital projects for which the University has secured funds on hand or written and signed pledges in an amount at least equal to 80% of the estimated cost of such projects.

"Maximum Annual Debt Service" means the largest total amount of principal of and interest on Funded Debt payable by the University in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding subject to the following:

(i) if any part of the Funded Debt is outstanding variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at the average rate of interest for the then most recent Fiscal Year or, at the election of the University, for the then current interest period; if variable rate indebtedness is proposed to be issued, the rate of interest shall be the initial variable rate as estimated by an Independent management consultant, or a placement agent or underwriter selected by the University to place or underwrite the sale of such variable rate indebtedness;

(ii) if any part of the Funded Debt outstanding or to be incurred is a guarantee by the University of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the University having borrowed money to re-lend to a third person), such Funded Debt shall be excluded to the following extent: if the third person (whose debt is guaranteed or whose payments are expected to service the University's obligations with respect to such Funded Debt) had a Debt Service Coverage Ratio (including the amount of debt proposed to be incurred in the computation of debt service) of at least 110% then 100% of such Funded Debt shall be excluded.

(iii) the amount of debt service with respect to "balloon" indebtedness may, at the option of the University, be calculated on a level debt service basis over the period commencing on the date of issuance of the proposed new Funded Debt, and ending on the date when the balloon is payable. As used herein, "balloon" indebtedness means Funded Debt 25% or more of the principal of which is due in any 12 month period.

(iv) the amount of debt service with respect to "put" indebtedness shall be calculated at the maximum amount of principal of or interest on such indebtedness which the University may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the University may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the University, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; "put" indebtedness means Funded Debt (A) which the University may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof and (B), if subject to variable rates, is then in an interest rate reset period of more than two years.

(v) there shall not be taken into account any part of the Funded Debt of the University which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from moneys and investments held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America.

(vi) if any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account.

(vii) if any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from or refinanced with the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder, a copy of which is filed with the Trustee.

(viii) the amount of any reserve fund or escrow fund for any Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve find moneys may be used without creating a default.

(ix) if and to the extent that the University has entered into an interest rate exchange, hedge, swap or similar agreement or arrangement in respect of Funded Debt, then the payments made or to be made by the University under such agreement or arrangement shall be taken into account and the debt service on such Funded Debt shall not be taken into account.

"Operating Revenues" means the unrestricted "Total Revenues and Other Additions" but excluding from the portion of "Net Assets Released from Restrictions" amounts released from restriction representing acquisition of land, buildings and equipment as shown on the Consolidated Statement of Activities and Changes in Net Assets.

"University's Line of Credit and Other Debt" means the University's unsecured operating bank line of credit with a credit limit of four million dollars, plus up to two million dollars in unsubordinated debt, plus up to two million dollars in capital lease obligations or loans incurred for the purchase of equipment.

Negative Pledge

The University covenants that, except for Permitted Encumbrances and except as otherwise permitted by the Loan Agreement, it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in or permit the creation of any encumbrance on the Negative Pledge Property.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Refunding Account, a Construction Account, a Costs of Issuance Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of the original issue and sale of the Bonds are to be deposited into the Refunding Account, the Costs of Issuance Account, the Bond and Interest Sinking Fund Account, and the Reserve Account, as described below. Following Bond closing, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due.

Refunding Account

On the Closing Date, there shall be deposited into the Refunding Account certain Bond proceeds which shall be transferred to the Series Six-R Trustee and which proceeds, together with funds in the Series Six-R Trustee's possession and available therefor and additional University funds, if necessary, shall be in an amount sufficient to pay the accrued interest on the Refunded Bonds to the Redemption Date and to fully redeem the outstanding principal of the Refunded Bonds on that date.

Construction Account

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Refunding Account, the Bond and Interest Sinking Fund Account, the Debt Service Reserve Account, and the Costs of Issuance Account. The University will agree in the Loan Agreement to provide for payment of all costs of the Project in excess of the proceeds of the Bonds available therefor and to pay out of available general funds all costs of issuance of the Bonds (including underwriter's discount) in excess of 2.00% of the Bond proceeds. Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the University costs incurred in connection with the Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Redemption Account or the Bond and Interest Sinking Fund Account under certain conditions.

Costs of Issuance Account

Initially, there shall be deposited into the Costs of Issuance Account an amount of Bond proceeds specified in the Indenture, not to exceed two percent (2%) of the Bond proceeds (less underwriter's discount) and funds contributed by the University to pay costs of issuance in excess of such 2% test. The University may present invoices to the Trustee representing costs incurred in connection with the issuance of the Bonds which the Trustee shall pay from the Costs of Issuance Account. Any moneys remaining in the Costs of Issuance Account after six months following the Bonds' delivery date shall be transferred to the Bond and Interest Sinking Fund Account.

Bond and Interest Sinking Fund Account

Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. Deposits into the Bond and Interest Sinking Fund Account shall be made at least two (2) Business Days prior to each Interest Payment Date in amounts equal to interest and, if applicable, principal due on such Interest Payment Date.

The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into the Reserve Account from Bond proceeds the Reserve Requirement for the Bonds, which shall be the least of (i) the maximum amount of principal of and interest on then outstanding Bonds that accrues and is payable in any remaining Bond Year at the time of calculation, or (ii) 10% of the original principal amount of the Bonds, or (iii) 125% of the average annual debt service of then outstanding Bonds in the Bond Years remaining at the time of calculation. The Reserve Account is irrevocably pledged to the payment of principal of and interest on the Bonds as may be required from time to time. All amounts paid by the University as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the

Reserve Account in order to maintain the Reserve Account in an amount not less than the Reserve Requirement.

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the University shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the University for amounts so withdrawn.

Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of the first day of the calendar month next preceding November 1, 2017 and as of the first day of the calendar month next preceding each Interest Payment Date thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) exceeds the Reserve Requirement, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then the University shall restore such deficiency to an amount equal to the amount of the Reserve Requirement within 30 days.

Realized interest and income in the Reserve Account shall be transferred to the Bond and Interest Sinking Fund Account to the extent the amount on deposit in the Bond and Interest Sinking Fund Account is less than the amount permitted for a bona fide debt service fund under the Arbitrage Regulations, and any excess interest and income shall be transferred to the Redemption Account. When funds on deposit in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such funds shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds in the Reserve Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the University or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

At the direction of the Authority or the University, the Trustee shall recalculate the Reserve Requirement in connection with a defeasance, redemption and prepayment or purchase of the Bonds, and, if the Reserve Requirement is reduced by reason of such calculation, the Trustee shall apply the excess funds in the Reserve Account to such defeasance, redemption and prepayment or purchase.

Redemption Account

There shall be deposited into the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

Amounts on deposit to the credit of the Redemption Account shall be used, first, to create and maintain the required balance in the Bond and Interest Sinking Fund Account; second, to create and maintain the required balance in the Reserve Account; and third, to redeem or prepay outstanding Bonds to the extent permitted by the Indenture and to purchase outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the University or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, Costs of Issuance Account, the Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by Minnesota law from time to time. Section 5.04 of the

Indenture sets forth specific parameters as to type, credit quality, and maturity of investments. See Appendix V – “SUMMARY OF DOCUMENTS – The Indenture.”

FUTURE FINANCING

The University regularly improves, expands and changes its physical plant. The University does not anticipate financing any such projects with debt within the next twelve months.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of eight members appointed by the Governor with the advice and consent of the Senate. Appointed Board members serve staggered four-year terms. A representative of the Minnesota Office of Higher Education and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

All Authority members must be residents of Minnesota. At least two members must reside outside the metropolitan area of Minneapolis-Saint Paul. At least one member must be knowledgeable in the field of municipal finance, at least one member shall be knowledgeable in the building construction field and at least one member shall be a trustee, director, officer, or employee of an institution of higher education.

The administration and overall operation of the Authority is the responsibility of its Executive Director, Barry W. Fick. Mr. Fick became the Executive Director of the Authority on July 13, 2016. He brings over 28 years of public finance and higher education finance experience to the Authority. Mr. Fick has a Bachelor of Science degree in Economics from the University of Minnesota and a Juris Doctorate from Mitchell | Hamline School of Law. He replaced Marianne T. Remedios, who retired after having been Executive Director since 2000. Prior to becoming Executive Director of the Authority, Mr. Fick served as Senior Vice President at Springsted Incorporated, Public Sector Advisors (“Springsted”). Springsted is the Municipal Advisor to the Authority. See “MUNICIPAL ADVISOR” herein.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $1.3 billion. The Authority has issued bonds totaling over $2.56 billion, of which approximately $923 million of Authority issued debt is outstanding as of June 1, 2017. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Each series of bonds or other obligations of the Authority issued for the benefit of a particular higher education institution is secured by a separate trust indenture or financing agreement (in the case of private placements). Consequently, each series of obligations of the Authority (with the exception of additional bonds with respect to that series) is separate and distinct as to security and source of payment. The Authority may authorize other series of bonds or other obligations for the financing of projects for other private nonprofit educational institutions eligible for Authority financing assistance,

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities, day-care centers, and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority and to refinance other debt for capital improvements.

The operations of the Authority are financed solely from fees paid by the participating institutions; it has no taxing power. The Authority does not receive any funds from the State of Minnesota.

Bond issuance costs, including fees of bond counsel, the Municipal Advisor and Trustee, are paid by the participating institution.

MUNICIPAL ADVISOR

The Authority has retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota, as municipal advisor (the “Municipal Advisor”) in connection with certain aspects of the issuance of the Bonds. In preparing the Official Statement, the Municipal Advisor has relied upon University officials and other sources who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

The Municipal Advisor is under common ownership with Springsted Investment Advisors, Inc. (“SIA”), an investment advisor registered in the states where services are provided. SIA may provide investment advisory services to the Authority from time to time in connection with the investment of proceeds from the Bonds as well as advice with respect to portfolio management and investment policies for the Authority. SIA pays Springsted, as Municipal Advisor, a referral fee from the fees paid to SIA by the Authority.

UNDERWRITING

The Bonds are being purchased by Barclays Capital Inc. (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a purchase price of $48,610,080.71 (representing the aggregate principal amount of the Bonds less an underwriter’s discount of $350,685.84 and adjusted for original issue premium of $4,395,766.55).

The Underwriter intends to offer the Bonds to the public initially at the offering prices that result in the yields set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

The University has agreed in the Bond Purchase Agreement to indemnify the Underwriter and the Authority against certain civil liabilities, including certain potential liabilities under federal securities laws.

RATING

As noted on the cover hereof, S&P Global Ratings ("S&P"), 55 Water Street, New York, New York, has assigned a rating of BBB- to the Bonds. The rating reflects only the view of such rating agency. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that the rating will continue for any given period of time or that it may not be raised, lowered, or withdrawn entirely by S&P if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION

The Authority and the University are unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, or materially affect the ability of the University to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by McGrann Shea Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the University by Eastlund, Solstad, Cade, Hutchinson & Ysebaert, Ltd., Savage, Minnesota; and for the Underwriter by Locke Lord LLP, Boston, Massachusetts.

TAX EXEMPTION

Federal Tax Considerations

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the University, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. (See "SUMMARY OF DOCUMENTS – The Loan Agreement – Determination of Taxability" in Appendix V). A change of law as in effect on the date of issuance of the Bonds or a determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in gross income for federal income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations. However, the interest is includable in “adjusted current earnings” for purposes of computing the federal alternative minimum taxable income of corporations.

The Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds.

In addition, interest on the Bonds is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of a property, casualty or other insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts are passive investment income.

The Code further provides that interest on the Bonds is includable in the calculation of modified adjusted gross income in determining whether Social Security or railroad retirement payments are to be included in taxable income of individuals.

Minnesota Tax Considerations

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Bonds is not includable in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota’s exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

Changes in Federal and State Tax Law

From time to time there are proposals from the President or Administration, proposals from various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Original Issue Premium

All of the maturities of the Bonds have been sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

Bondholders should consult their tax advisors with respect to collateral consequences arising from the receipt of interest on the Bonds, including without limitation the calculations of alternative minimum tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

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THE UNIVERSITY

Introduction

Bethel University (the "University") is located in the City of Arden Hills, Minnesota, approximately 10 minutes by car from downtown Minneapolis and Saint Paul. The University was first established as an institution of higher education in 1871 in Chicago, Illinois, moving to Saint Paul, Minnesota in 1914. The University began its four-year liberal arts program in 1947. In 1972, the University moved from its former campus in Saint Paul to its current 249-acre site in Arden Hills. The University's growth to nearly 3,000 undergraduate students has made it the fourth largest private University in Minnesota based on undergraduate enrollment, according to the Minnesota Private College Research Foundation.

It is the official policy and commitment of the University to comply with all laws against discrimination on the basis of race, color, national or ethnic origin, age, sex, or disability in its educational programs, admissions, or employment practices.

Description and Accreditations

The University is comprised of a College of Arts & Sciences, the College of Adult and Professional Studies, the Graduate School, and the Seminary, all located on the same campus, but each with separate facilities (the "Main Campus"), plus another seminary campus in San Diego ("Bethel Seminary San Diego"). The University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, the Council on Social Work Education (at the undergraduate level), the Commission on Collegiate Nursing Education, the Commission on Accreditation of Allied Health Education Programs, and the Accreditation Council for Business Schools and Programs (at the undergraduate level). Undergraduate teacher preparation programs leading to licensure for pre-kindergarten, kindergarten, elementary, and secondary teaching, as well as graduate programs leading to licensure in special education and middle school teaching, are approved by the Minnesota Board of Teaching and accredited by the Teacher Education Accreditation Council. The nursing program is approved by the Minnesota Board of Nursing.

The academic program at the University is enriched by its membership and participation in the following programs: the Minnesota Private College Fund, the Minnesota Private College Council, the Christian College Consortium, the Council for Christian Colleges and Universities, the Upper Midwest Association for Intercultural Education, the Institute of Holy Land Studies, Council of Independent Colleges, National Association of Independent Colleges and Universities and the AuSable Institute of Environmental Studies.

In 2017, the University was ranked 22nd among regional universities in the Midwest by *U.S. News and World Report: America's Best Colleges*. For the past decade, The University has been highly ranked within its peer group by *U.S. News and World Report*.

Governance

In August 1996, the University became a Minnesota 501(c)(3) nonprofit corporation, an action coinciding with a reorganization of Converge Worldwide (formerly the Baptist General Conference), an Illinois nonprofit corporation of which the University previously had been a department. The University is governed by a 33-member Board of Trustees. Except for two representatives of the district executive ministers' council, members of the Board of Trustees are elected or confirmed by delegates from the churches of the Converge meeting in biennial session. The University's president and the president of Converge are ex-officio members of the Board of Trustees. The Board of Trustees meets three times a year to carry out its responsibilities.

Board of Trustees

Administration

The University is led by its President and the President's Cabinet consisting of seven leaders of the primary divisions of the institution. The Cabinet meets weekly to manage the affairs of the University. The President has also organized an Executive Leadership Team consisting of twenty-five managers and directors that meet monthly to share information and collaborate on major decisions facing the University.

President

James H. Barnes III became the University's fifth president on July 1, 2008, after serving as executive vice president and provost of the College of Arts and Sciences, College of Adult and Professional Studies, and the Graduate School at the University for 13 years. Prior to his tenure at the University, Dr. Barnes served as the dean for student development and vice president for student development for 15 years at Messiah College in Pennsylvania. He was a residence director at Wheaton College in Wheaton, Illinois for four years, and served as teacher, vice principal, and then principal at Black Forest Academy in Kandern, Germany, in the early-mid 1970s. Dr. Barnes has a B.S. from Wheaton College, an M.A. in Educational Counseling from the University of Connecticut, and an Ed.D in College Student Personnel Work from Loyola University (Chicago).

Executive Vice President and Provost

Debra Harless was named Executive Vice President and Provost of the University in January 2013. She moved to her current duties from her position as vice president and dean of the University's College of Arts and Sciences, a position she held since 2009. Prior to that, she served the University as an instructor in the psychology department, the co-director of the Academic Enrichment & Support Center, and a counselor in the University's Counseling Services. Dr. Harless received a Bachelor's degree from the University in educational psychology and French, and has a master's and a doctorate degree in educational psychology from the University of Minnesota.

Chief Financial Officer

Patrick Brooke became Chief Financial Officer at the University in August 2014. He came to the University from Wheaton College in Wheaton, Illinois where he had 30 years of experience as controller and senior director of financial operations. Mr. Brooke has a Bachelor of Business Administration in accounting from the University of Texas (Arlington) and an M.B.A. in finance from DePaul University.

Senior Vice President for Strategic Planning and Operational Effectiveness

Joe LaLuzerne was named Senior Vice President for Strategic Planning and Operational Effectiveness at the University in 2008. Mr. LaLuzerne is a former associate partner at Accenture, where he worked for 14 years. Mr. LaLuzerne also served as vice president for alumni and parent services at the University from 2002-2006 and as senior director for corporate strategy at FICO from 2006-2008. Mr. LaLuzerne received a Bachelor's degree in mathematics from Bethel University and is currently pursuing his M.B.A. from the Carlson School of Management at the University of Minnesota.

Senior Vice President for Advancement

Mark Miles, Senior Vice President for University Advancement, has 25 years of progressive fundraising experience in Christian higher education and the non-profit sector. Mr. Miles began his career with World Vision as a financial analyst and later as a grant and finance manager for their domestic programs. He then worked for Seattle Pacific University in Seattle, Washington, as the director of advancement services and director of annual giving. From 2011-2015, Mr. Miles worked at Biola University as the senior director of development.

Facilities

The 231-acre main campus borders Lake Valentine in Arden Hills. The majority of the original campus buildings were constructed in the 1970s. Much of the campus is interconnected by a system of skyways, tunnels and breezeways, providing access in all weather conditions. Multi-use buildings provide centers for the sciences, humanities, physical education, learning resources and the arts.

In 1994, the Lundquist Community Life Center (the "CLC") was completed. The CLC includes Benson Great Hall, a 1,700-seat auditorium. The CLC also provides classroom facilities and a general information area which provides a "front door" for the campus. In 1999, Heritage Hall, a 264-bed residence facility, was completed along with additions to science and academic buildings. Lissner Hall, a 288-bed residential unit, was added in 2005.

The University Library collection includes over 150,000 volumes, and students have computerized access to nine other Twin Cities libraries through membership in the Cooperating Libraries in Consortium, the Twin Cities' private university inter-library loan group.

The University's Sports and Recreation Center was constructed in 1984. In 1997, the University constructed a new football and soccer complex. In 2003, the University completed the Ona Orth Athletic Complex which includes a women's softball field, a soccer field, and six intercollegiate level tennis courts.

In 2014 the University purchased a five-story office building on 40 acres of land 1.2 miles from the main campus, now known as the Anderson Center. The Anderson Center houses the Graduate School and the College of Adult and Professional Studies, along with a number of administrative offices, including the Institutional Advancement Division.

In 2015 the University completed construction of The Wellness Center, a complete workout center with cardio and weight training equipment, including free weights and weight machines. The two-story facility was completely funded by donations from friends of the University.

In addition to the Main Campus, in 1977 the University established Bethel Seminary San Diego in San Diego, California. Bethel Seminary San Diego offers post-graduate theological study with six degree programs taught by 20 faculty members. Bethel Seminary San Diego's operations are consolidated with the University's. In 1990, a $2 million seminary complex was completed for Bethel Seminary San Diego. This facility houses offices, classrooms, a student center and library facilities with more than 75,000 volumes. Bethel Seminary San Diego is accredited by the Association of Theological Schools and the North Central Association of Colleges and Schools. Enrollment for the 2016-17 academic year is 173 students.

The University is in the planning stages of a comprehensive capital campaign that will provide funding for new offices and classrooms for the Department of Business and Economics and a new three-story science structure, along with significant new endowments for student scholarships, academic chairs and facility maintenance. The new science structure will be an addition to the main campus building that will expand the existing facility into a coordinated Science Center to house all of the undergraduate sciences in a central location. See "Fundraising."

The University plans to use the refunding savings over the next three years to partially fund the renovations for four of its seven residence halls. The savings from the reduced debt service burden will provide capital to complete those renovations, a project with an estimated total cost of approximately $9.8 million over three years.

University Faculty and Academic Programs

More than 79% of full-time University faculty members hold a terminal degree (doctorate or equivalent). As of fall 2016, there were 220 full-time University faculty members and 251 part-time University faculty members. The faculty-student ratio is approximately 1/12.8. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

The University offers 88 undergraduate academic programs within 64 majors and 19 graduate majors. In addition to course work in a selected major, all undergraduate students must take 49–50 semester credit hours in the General Education Program. The General Education Program is a group of common courses intended to develop the following skills in its students: (i) the ability to think and work cross-culturally; (ii) marketable skills for a service and information, rather than a manufacturing, society; (iii) interpersonal skills; (iv) a knowledge of the roots of Western civilization; and (v) an education about Christianity.

The University operates on an early semester calendar with two 15-week semesters and a three-week interim in January. A minimum of 122 credits are required for graduation.

The following table shows application and enrollment statistics for the colleges, graduate school and seminary at the University for the last five academic years.

BETHEL UNIVERSITY
STATISTICAL SUMMARY

	2012-13	2013-14	2014-15	2015-16	2016-17
Fall Enrollment					
College of Arts and Sciences (CAS)	2,793	2,643	2,619	2,517	2,548
College for Adult and Professional Studies (CAPS)	675	637	433	469	417
Total Undergraduates	3,468	3,280	3,052	2,986	2,965
Graduate School (GS)	998	1,265	1,177	1,258	1,153
Total CAS/CAPS/GS Enrollment	4,466	4,545	4,229	4,244	4,118
Seminary	889	829	688	604	535
BUILD	0	0	0	12	21
Grand Total University Enrollment	5,355	5,374	4,917	4,860	4,674
College of Arts and Sciences (CAS) Detail:					
Matriculation Ratio (Enrolled/Accepted)	37.0%	34.2%	35.4%	45.9%	43.3%
Selectivity Ratio (Accepted/Applications)	68.0%	71.8%	75.5%	76.0%	68.8%
Average ACT Score	25.0	25.2	24.8	24.8	24.5
High School Class Rank Percentile	74.6%	74.6%	73.3%	73.9%	71.7%
High School G.P.A.	3.51	3.52	3.50	3.44	3.48
Faculty Full-time Equivalent	223.3	223.3	213.0	212.0	218.7
% Entering from Top 20% of H.S. Class	49.5%	52.1%	48.7%	47.9%	46.1%
FTE Students/FTE Faculty	12	12	12	12	11
Tuition	$30,700	$31,620	$32,840	$33.990	$35,010
Percentage Increase	4.7%	3.0%	3.9%	3.5%	3.0%

Student Enrollment (Excludes Seminary)

The University enrolled 4,118 students in the fall of 2016. Headcount enrollment by category compared with fall of the previous four academic years is as follows:

College of Arts & Sciences (CAS)	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
New Freshmen	658	662	662	669	623
Transfers	166	107	115	106	132
Re-admits	14	22	17	11	9
Sub-total New	838	791	794	786	764
Continuing	1,955	1,852	1,825	1,731	1,784
TOTAL CAS	2,793	2,643	2,619	2,517	2,548
College of Adult & Professional Studies (CAPS)	675	637	433	469	417
TOTAL UNDERGRADUATES	3,468	3,280	3,052	2,986	2,965
Graduate School (GS)	998	1,265	1,177	1,258	1,153
GRAND TOTAL	4,466	4,545	4,229	4,244	4,118

The University's 2,965 undergraduate student (headcount) enrollment for fall 2016 represents a wide range of national and international cultures and 30 religious denominations. Approximately 18% of the undergraduate students are from outside the state of Minnesota. The first-to-second year undergraduate retention rate for the most recent class was 88%, up from 84% the year prior.

Full-Time Equivalent ("FTE") enrollment for the fall of the past five academic years is set forth below.

	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
College of Arts and Sciences (CAS)	2,747	2,599	2,577	2,470	2,495
College of Adult and Professional Studies (CAPS)	451	428	293	302	259
Sub-total Undergraduate	3,198	3,027	2,871	2,772	2,754
Graduate School (GS)	776	899	906	923	814
Seminary (includes Bethel Seminary San Diego)	736	652	537	493	442
Sub-total Graduate	1,512	1,551	1,443	1,416	1,256
Grand Total FTE	4,710	4,578	4,313	4,188	4,009

Applications, Acceptances and Enrollments (Undergraduate Only)

	2012	2013	2014	2015	2016	2017*
Total Applicants	3,330	3,218	2,971	2,254	2,565	2,201
Total Accepted	2,264	2,310	2,244	1,712	1,764	1,648
Enrolled	838	791	794	786	764	N/A
Ratios:						
Accepted to Applied	68.0%	71.8%	75.5%	76.0%	68.8%	74.9%
Enrolled to Accepted	37.0%	34.2%	35.4%	45.9%	43.3%	N/A

* Preliminary

As of June 1, 2017, the University had received 729 deposits for the incoming Fall 2017 class. This is in line with the Fall 2016 class, which had received 724 deposits at the same point in the admission cycle.

Bethel Theological Seminary Enrollment

Enrollment By Degree	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
Masters	723	661	554	497	457
Doctoral	93	102	86	69	52
Certificate	33	13	13	9	7
Special	12	10	9	3	4
Auditor	28	43	26	26	15
Total	889	829	688	604	535

Enrollment History (Headcount)

Enrollment by Location	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
St Paul	579	516	458	386	354
San Diego	212	223	200	206	173
East	98	90	30	12	0
Total	889	829	688	604	527

Overview of University Teaching Faculty [(a)]

	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
FT Teaching Faculty	220	222	211	215	220
PT Teaching Faculty	336	318	293	302	251
Total Teaching Faculty	556	540	504	517	471
Total FTE Faculty	332	328	309	316	304
FTE Students	4,439	4,335	4,148	3,954	3,877
FTE Faculty / FTE Students	1/13.4	1/13.2	1/13.4	1/12.5	1/12.8

[(a)] Excludes faculty on sabbatical; includes one-year replacement instructors and private music instructors.

Employee Retirement Plans

The University has a defined benefit pension plan which covers some full-time employees of the University. No new plan participants were allowed to enter the plan after January 1, 2006. Benefits are based on years of service and each employee's highest average compensation during five consecutive years of employment. The University's policy is to annually fund pension cost accrued.

The University follows the recognition provision of Employers' Accounting for Defined Pension and Other Postretirement Plans, which requires that the funded status of defined benefit pension and other postretirement plans be fully recognized in the consolidated statements of financial position.

As of June 1, 2013, the University froze its defined benefit plan for all participants such that no participant shall accrue any additional benefit on or after June 1, 2013. This change did not impact either current retirees' pensions benefits nor terminated vested participants' future pension benefits. There are approximately 261 active employees in this plan that had their accruals frozen. Consequently, all accrued years of service and pay for these employees remained intact; however, no additional years of service or pay will be accumulated and added to the plan.

For further information concerning the plan's status as of May 31, 2016, see Note 12 to the University's audited financial statements for fiscal year end 2016, attached as Appendix VII to the Official Statement.

Tuition and Fees (Excludes Seminary)

The University meets the cost of educational programs primarily through tuition and fees. The following table lists the tuition and mandatory fees charged to full-time undergraduate students in the University's major programs for the academic years listed:

Undergraduate (full-time) per academic year	2013-14	2014-15	2015-16	2016-17	2017-18
Tuition and Fees	$31,760	$32,990	$34,140	$35,160	$36,210
Room	5,250	5,400	5,590	5,700	5,830
Full Board	3,950	4,040	4,180	4,410	4,510
Total	$40,960	$42,430	$43,910	$45,270	$46,550

The Board of Trustees reserves the right to revise charges from time to time. Although the Board of Trustees anticipates that it will be able to raise current tuition and fees without adversely affecting future enrollment, there can be no assurance that it will be able to do so. Future economic and other conditions may affect the ability to increase tuition and fees while sustaining current levels of enrollment.

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Comparison of Undergraduate Charges for Minnesota Private Universities (2017-18)

College / University	Tuition and Fees	Room and Board	Comprehensive Charges*
Carleton College	$52,782	$13,632	$66,414
Macalester College	$52,464	$11,672	$64,193
St. Olaf College	$46,000	$10,430	$56,430
College of Saint Benedict	$43,738	$10,742	$54,480
Gustavus Adolphus College	$44,273	$9,670	$53,943
Saint John's University	$43,356	$10,116	$53,472
University of St. Thomas	$41,133	$10,054	$51,187
Hamline University	$40,332	$10,156	$50,448
St. Catherine University**	$40,740	$9,196	$49,936
Augsburg College**	$37,615	$9,939	$47,554
Bethel University**	**$36,210**	**$10,340**	**$46,550**
Concordia College (Moorhead)	$38,378	$8,040	$46,418
The College of St. Scholastica**	$36,212	$9,522	$45,734
Minneapolis College of Art and Design	$37,812	$7,550	$45,362
Saint Mary's University of Minnesota**	$33,360	$8,810	$42,440
Bethany Lutheran College	$26,960	$8,100	$35,060
Concordia University, St. Paul**	$21,750	$8,750	$30,500
Average	**$39,611**	**$9,807**	**$49,416**

*These are standard charges for first-time, full time, full-year undergraduate students, including fees assessed on all undergraduates. Some charges may vary depending on room, board and program choices.

**Six colleges have non-traditional programs for which a separate tuition applies.

Source: Minnesota Private College Council

Financial Aid

Approximately 95% of the full-time students enrolled at the University receive scholarships or grants. The following table is a summary of financial aid from University and non-University sources for the past five academic years. These figures include both need-based and merit-based financial aid.

	2011-2012	2012-2013	2013-2014	2014-15	2015-16
Unrestricted Institutional Scholarships and Grants	$27,350,387	$28,791,601	$29,519,573	$30,674,419	$32,895,526
Endowed and Restricted Scholarships	712,113	762,387	839,657	969,247	1,011,428
Federal Pell and SEOG	3,444,156	3,269,875	3,095,444	2,927,526	2,889,878
Minnesota State Grants	2,955,651	2,929,160	3,193,630	3,302,572	3,619,225
Other Scholarships and Grants	2,656,445	2,600,388	2,300,025	2,261,135	2,115,274
Total Scholarships and Grants	37,118,752	38,353,411	38,948,329	40,134,899	42,531,331
Student Loans	25,136,124	24,393,335	23,272,481	23,537,437	23,712,621
Student Work	3,166,583	2,635,542	2,880,794	2,796,612	3,044,378
Total Financial Aid	$65,421,459	$65,382,288	$65,101,604	$66,468,948	$69,288,330

Strategic Plan

The University's Board of Trustees has approved the current strategic plan, with a goal of becoming, "The Christ-Centered University of Choice for This Century." The Plan calls for initiatives in five areas, all focused on building on the University's strengths and expanding its offerings to reach a broader pool of students. The five initiative areas are:

- Pathways, Partnerships, and Structures
  - Foster a "University to Career" culture
  - Create marketplace-focused centers for partnerships with businesses and healthcare

- Reposition CAPS, Seminary, and GS into a single organizational structure

- Expand Service to Underrepresented and Underserved Student Groups
  - Grow targeted scholarship program to 40 scholars
  - Grow BUILD (Bethel University Inclusive Learning and Development) – a comprehensive educational initiative for individuals with intellectual disabilities – to 32 students

- Expand Post Traditional Education
  - Build up the University's online infrastructure
  - Expand online programs in the adult market (CAPS, Seminary, GS) – Grow from 1,000 to 5,000 students

- Create a Sustainable Financial Model
  - Build endowment to $250 million
  - Increase Bethel Annual Fund to $5 million annually

The Bethel Foundation

The Bethel Foundation (the "Foundation") was established in 1971 to manage the University's endowment and to provide investment management and trust services to individuals and families with ties to the University. Since 2013, it has also managed the assets of the University's defined benefit plan. The Foundation's services include investment management, retirement income management, trust management, charitable gift planning and asset management (real estate, businesses, farms, stocks, and bonds). Over 100 individuals and families have entrusted the Foundation with the investment and management of all or a portion of their assets. The Foundation allows individuals the chance to plan ultimate distribution of those assets to other individuals and to the University, their church or other organizations. The Foundation seeks to maintain the flexibility individuals need to meet a diversity of circumstances and needs. The Foundation, as of the end of its most recent fiscal year, April 30, 2017, had assets under management of approximately $131.9 million. Revenues and assets of the Foundation are not available for payment of the Bonds.

Fundraising

Over the past five fiscal years, the University has averaged annual contributions of approximately $8.8 million. For the fiscal year ended May 31, 2017, as of April 30, 2017, the University has received over $10.5 million in current gifts, over $4 million in new deferred gift agreements and an additional $5 million in written pledges.

The University is in the second year of the quiet phase of a new capital campaign with a working goal of $150 million and a target end date of May 31, 2021. Strong fund raising efforts, including the completion of a new Wellness Center, have yielded over $66.1 million in campaign receipts to date. Even in difficult economic times, the University's fundraising results have been steady. See "Facilities."

The University has invested in two new development officers (for a total of five) and one new planned giving officer (for a total of two). A planned giving marketing officer and a new mid-level donor specialist have also been added to the fundraising team.

Gifts and Grants

The University reports gifts and grants in accordance with FASB 116. Gifts are recorded as pledges are received:

Fiscal Year	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2012	$ 5,477,306	$1,684,536	$ 645,640	$ 7,807,482
2013	4,962,070	6,288,291	1,396,162	12,646,523
2014	3,532,269	1,738,006	918,382	6,188,657
2015	2,999,179	5,880,306	3,103,839	11,983,324
2016	3,414,244	2,694,310	822,330	6,930,884

Endowment Funds

The endowment funds and deferred gift funds (excluding those of the Foundation) listed below are shown at market value:

Fiscal Year	Endowment Funds	Gift Annuity Funds	Total Funds
2012	$28,873,064	$5,666,940	$35,540,004
2013	34,395,566	6,479,577	40,875,143
2014	37,529,157	6,664,682	44,193,839
2015	40,103,477	6,991,434	47,094,911
2016	41,752,459	6,695,565	48,448,024

As of April 1, 2017, the University's endowment funds totaled $48.5 million. The University utilizes an endowment spending smoothing formula based on the prior year's spending (weighted 70%) plus December market valuation multiplied by a spending rate of 4.0% (weighted 30%). The incremental spending rate of 4.0% was reduced from 4.5% in 2017, to better align with long term total return expectations. Recent years' spending allocations have not exceeded 4.4% of the targeted valuation.

The endowment is well diversified across asset classes and remains very liquid, with approximately 85% accessible in 30 days, and the other 15% within a year. The asset allocation for the University's endowment as of April 30, 2017 is as follows:

Asset Classification	Asset Allocation (%)
Domestic Equity	27.3
Foreign and Emerging Equity	27.0
Fixed Income	21.7
Alternative Investments	22.7
Short-Term Securities/Cash/Other	1.3
	100.0

Statements of Financial Position and Activities for Fiscal Years 2012 through 2016

The following table sets forth the University's and the University's Foundation's consolidated statements of financial position and for the fiscal years ended May 31, 2012 through 2016 and should be read in conjunction with the consolidated audited financial statements in Appendix VII.

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
YEARS ENDED MAY 31

Assets	**2012**	**Restated 2013**	**2014**	**2015**	**2016**
Current Assets					
Cash and Cash Equivalents	$13,239,320	$14,783,644	$19,025,403	$32,261,596	$25,802,912
Accounts Receivable, Net	4,024,578	3,592,140	4,664,669	4,273,316	4,564,793
Contributions Receivable, Net	686,300	283,950	256,350	128,100	586,209
Student Loans Receivable	2,913,551	2,818,421	2,727,268	2,603,650	2,584,439
Inventories	1,032,598	931,846	940,587	930,546	941,744
Prepaids and Other Assets	1,788,790	1,778,965	1,863,434	1,161,241	265,854
Total Current Assets	23,685,137	24,188,966	29,477,711	41,358,449	34,745,951
Other Assets					
Investments, at Market	43,136,362	50,608,535	48,570,335	53,315,307	53,855,995
Trust Assets	14,154,967	12,949,688	13,868,420	15,701,088	15,167,903
Other Real Estate Investments	260,000	252,000	240,000	280,000	253,000
Contributions Receivable, Net of Allowance	468,618	268,364	30,441	377,197	247,158
Property and Equipment, Net	97,735,546	100,470,079	100,328,713	104,514,998	110,966,606
Total Other Assets	155,755,493	164,548,666	163,037,909	174,188,590	180,490,662
Total Assets	**$179,440,630**	**$188,737,632**	**$192,515,620**	**$215,547,039**	**$215,236,613**
Liabilities					
Current Liabilities					
Accounts Payable	4,085,265	5,264,387	3,985,788	4,881,286	3,824,599
Accrued Interest	201,667	201,667	193,554	189,177	184,548
Accrued Salaries and Vacation	2,940,774	3,077,545	2,888,509	2,636,008	2,951,437
Current Maturities of Long Term Debt	875,245	913,809	955,000	1,010,000	1,264,361
Student Deposits	1,325,072	1,167,208	1,173,001	1,144,491	1,087,600
Deferred Tuition Revenue	224,274	298,933	208,359	299,539	304,672
Liability for self-insurance	756,226	748,954	397,803	685,842	685,772
Total Current Liabilities	10,408,523	11,672,503	9,802,014	10,846,343	10,302,989
Long-Term Liabilities					
Gift Annuity Contracts	3,451,959	3,380,538	3,374,049	3,304,253	3,237,439
Trust Liabilities	9,711,691	9,010,096	9,577,621	10,678,568	10,250,736
Long-Term Debt, Net of Current Maturities	43,142,943	42,229,941	41,275,000	46,265,000	44,823,507
Perkins Loan Refundable	2,229,789	1,972,935	1,944,754	1,897,955	1,845,898
Postretirement Benefits Liability	40,745,799	25,574,510	27,685,856	38,900,664	42,568,426
Other Liabilities	297,693	312,875	328,832	345,602	363,228
Total Long-Term Liabilities	99,579,874	82,480,895	84,186,112	101,392,042	103,089,234
Total Liabilities	**$109,988,397**	**$94,153,398**	**$93,988,126**	**$112,238,385**	**$113,392,223**
Net Assets					
Total Unrestricted	23,376,643	44,100,488	44,653,112	41,397,651	49,577,758
Temporarily Restricted	20,148,746	22,825,206	24,581,338	29,467,229	18,962,921
Permanently Restricted	25,926,844	27,658,540	29,293,044	32,443,774	33,303,711
Total Net Assets	**69,452,233**	**94,584,234**	**98,527,494**	**103,308,654**	**101,844,390**
Total Liabilities and Net Assets	**$179,440,630**	**$188,737,632**	**$192,515,620**	**$215,547,039**	**$215,236,613**

The following table sets forth the University's and the University's Foundation's consolidated statement of activities and changes in net assets for the fiscal years ended May 31, 2012 through 2016 and should be read in conjunction with the consolidated audited financial statements in Appendix VII.

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED MAY 31

		Restated			
Unrestricted revenues and other additions	**2012**	**2013**	**2014**	**2015**	**2016**
Tuition and instructional fees, net of aid	$ 71,721,759	$ 72,203,926	$ 70,251,658	$ 70,822,149	$ 69,679,905
Contributions, gifts, and bequests	5,476,258	4,961,070	3,532,269	2,999,179	3,414,244
Grants, primarily federal and state financial aid	2,008,129	2,409,496	2,278,319	2,644,833	1,730,503
Auxiliary services	19,701,951	19,422,389	20,007,050	20,883,098	20,934,591
Endowment income	1,055,140	924,024	973,463	1,340,938	1,304,336
Other sources, primarily student charges	4,790,298	4,797,614	4,858,042	3,880,206	6,409,562
Investment income, net	(12,251)	731,979	27,632	89,536	(6,663)
Net assets released from restrictions	1,341,554	5,838,617	696,934	700,505	10,203,756
Total Unrestricted Revenues and Other Additions	**106,082,838**	**111,289,115**	**102,625,367**	**103,360,444**	**113,670,234**
Expenditures and Other Deductions					
Instructional	39,031,740	41,911,563	39,822,738	37,283,901	40,060,764
General Operating					
Academic support	8,841,124	8,971,068	8,425,545	8,721,170	10,732,514
Institutional support	28,337,399	28,925,783	24,386,886	24,577,593	31,055,972
Public service	1,147,486	1,219,263	1,189,089	1,104,600	1,163,133
Student services	7,682,251	8,070,544	8,492,307	7,799,520	8,745,349
Auxiliary services	18,524,016	18,090,964	19,443,860	20,224,126	17,319,378
Total Expenditures and Other Deductions	**103,564,016**	**107,189,185**	**101,760,425**	**99,710,910**	**109,077,110**
Net Surplus (Deficit) From Operating Activity	**2,518,822**	**4,099,930**	**864,942**	**3,649,534**	**4,593,124**
Nonoperating Activities					
Contributions, gifts and bequests	1,048	1,000	10,640	19,350	7,180,489
Other sources (uses)	368,544	(95,950)	(1,722)	4,050,126	1,763,485
Undistributed endowment earnings	-	(873,009)	(758,522)	(118,663)	(1,369,432)
Investment income (loss)	(780,263)	1,551,620	401,300	358,994	(319,797)
Net assets releases from restrictions	-	-	2,147,332		
Net Surplus (Deficit) from Nonoperating Activities	**(410,671)**	**583,661**	**1,799,028**	**4,309,807**	**7,254,745**
Change in net assets before pension liability	2,108,151	4,683,591	2,663,970	7,959,341	11,847,869
Change in pension liability	(16,510,543)	15,171,289	(2,111,346)	(11,214,802)	(3,667,762)
Change in net assets	**(14,402,392)**	**19,854,880**	**552,624**	**(3,255,461)**	**8,180,107**
Unrestricted net assets beginning of year	37,779,035	24,245,608	44,100,488	44,653,112	41,397,651
Unrestricted net assets end of year	**$ 23,376,643**	**$ 44,100,488**	**$ 44,653,112**	**$ 41,397,651**	**$ 49,577,758**

Source: Audited financial statements of the University

Management Discussion of Financial Performance

The University's balance sheet maintains positive growth despite the general volatility in the higher education industry. As of May 31, 2017 (unaudited), the University had net assets of $101.8 million, representing an increase of $32.4 million or 46.6 percent over fiscal year 2012 net assets of $69.5 million. Over the past five fiscal years, the University's non-pension liabilities have remained relatively flat, increasing only $1.5 million or 2.3 percent, while total assets increased approximately 20 percent or $35.7

million over that same time period. Cash and investments totaled roughly $95.1 million as of May 31, 2017, more than 2 times the University's outstanding long term debt.

The University has also achieved positive net surpluses from unrestricted operating activities in each of the past five fiscal years. For fiscal year 2016, total net surplus from operating activities was $4.6 million, an increase of more than $900 thousand from fiscal year 2015. Over the past five years, net surplus from operating activities has averaged $3.1 million. The University's steady operating performance reflects management's conservative budgeting practices.

Long-Term Debt

The University had the following long-term debt outstanding as of May 31, 2017:

> Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-R, dated August 2, 2007 in the original amount of $44,000,000, fixed rate bonds with all maturities bearing a rate of 5.50%. Principal outstanding is $39,200,000 with a final maturity of May 1, 2037. The Series Six-R Bond proceeds were used to (i) finance the acquisition, construction, furnishing and equipping of the University Commons, (ii) refund the Authority's outstanding Series Four-S Bonds and Series Five-V Bonds, (iii) fund capitalized interest during construction, and (iv) fund costs of issuance. The Series Six-R Bonds will be redeemed with Bond proceeds.
>
> US Bank Term Note, dated May 31, 2015 in the original amount of $6,000,000, bearing a rate of 2.25% plus the daily reset LIBOR rate. Principal outstanding is $6,000,000 with a final maturity of July 31, 2018.

Insurance

The University purchases comprehensive insurance coverage in the traditional categories of worker's compensation, property and general liability and in categories unique to higher education such as intercollegiate and club sports, educator's legal liability and fine arts coverage.

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PROPOSED FORM OF BOND COUNSEL OPINION

MCGRANN SHEA CARNIVAL STRAUGHN & LAMB, CHARTERED

ATTORNEYS AT LAW

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CHRISTY E. LAWRIE

OF COUNSEL
ROBERT O. STRAUGHN

RETIRED
ANDREW J. SHEA

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$44,565,000
Minnesota Higher Education Facilities Authority
Revenue and Refunding Bonds, Series 2017
(Bethel University)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Revenue and Refunding Bonds, Series 2017 (Bethel University), in the aggregate principal amount of $44,565,000 (the "Bonds"), dated as of their date of delivery, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to Bethel University, a Minnesota nonprofit corporation and institution of higher education (the "University"), in order to finance or refinance educational facilities owned or to be owned and operated by the University and located on its campus in the city of Arden Hills, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University and the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"), each dated as of July 1, 2017, one or more opinions of Eastlund, Solstad, Cade, Hutchinson & Ysebaert, Ltd., as counsel to the University, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Eastlund, Solstad, Cade, Hutchinson & Ysebaert, Ltd., as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax-exempt status and unrelated trade or business activities, good standing, and powers of the University. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, title insurance policies or commitments, or title opinions, provided to us by the University or by counsel engaged by it, and have not undertaken any examination of the records of the University or original title records or abstracts of title.
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We have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only matters set forth as our opinion in the Official Statement).

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Authority is an agency of the State of Minnesota duly organized and existing under the laws of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, to issue the Bonds, to loan the proceeds thereof to the University and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

2. The Loan Agreement and the Indenture are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.

3. The Bonds are valid and binding limited obligations of the Authority payable from the loan repayments payable by the University under the Loan Agreement which have been assigned to the Trustee, scheduled to be made in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and are further secured by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payments held by the Trustee, as assignee, under the Loan Agreement. The Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit, but are payable solely from amounts pledged thereto in accordance with the provisions of the Indenture.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of federal income taxation or in net taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for purposes of the computation of "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. The Authority has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code. The opinion set forth in this paragraph is subject to the conditions that the Authority, the Trustee and the University comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in federal gross income or Minnesota taxable net income retroactive to the date of

issuance of the Bonds. The Authority, the Trustee and the University have covenanted to comply with such requirements.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership or disposition of the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium, receivership proceedings and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in accordance with general principles of law.

Dated at Minneapolis, Minnesota, July 13, 2017.

McGrann Shea Carnival
Straughn & Lamb, Chartered

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INFORMATION TO BE PROVIDED AS CONTINUING DISCLOSURE

Annual Reporting

The Annual Report Date will be the date that is 270 days after the fiscal year end, commencing with the fiscal year ended May 31, 2017. The Annual Report will contain:

1. Audited financial statements for the most recent complete fiscal year.

2. The following financial and operating data contained in Appendix I to the Official Statement, which shall be information as of the end of the most recently completed academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:

   - Bethel University Statistical Summary
   - Student Enrollment
   - Applications, Acceptance and Enrollments (Undergraduate)
   - Bethel Theological Seminary Enrollment
   - Overview of University Teaching Faculty
   - Tuition and Fees (Excludes Seminary)
   - Financial Aid
   - Fundraising
   - Gifts and Grants
   - Endowment Funds

Events to be Disclosed

The events enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, which are to be disclosed are as follows:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults, if material;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed issue (IRS Form 5701-TEB) or other material notices or determinations with the tax-exempt status of the security;
(vii) Modifications to rights of security holders, if material;
(viii) Bond calls, if material, and tender offers;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities, if material;
(xi) Rating changes.
(xii) Bankruptcy, insolvency, receivership or similar event of the Reporting Party (when such event is considered to have occurred under the Rule);
(xiii) The consummation of a merger, consolidation, or acquisition involving the Reporting Party or the sale of all or substantially all of the assets of the Reporting Party, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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DEFINITIONS OF CERTAIN TERMS

Following are definitions of certain words and terms as used in the Indenture and Loan Agreement related to the Bonds. Definitions of some of the words and terms below may also appear elsewhere in this Official Statement.

Account or *Accounts:* One or more of the Accounts created under Articles IV or V of the Indenture.

Act: Sections 136A.25 through and including 136A.42, Minnesota Statutes, as amended.

Alternate Project Supervisor: The Alternate Project Supervisor appointed as provided in the Indenture and the Loan Agreement.

Arbitrage Regulations: All Regulations and Proposed Regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 103(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulations Sections 1.148-1 to 1.150-1.

Authority: The Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota, in Saint Paul, Minnesota.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the Corporation and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates and in that case, specimen signatures for the alternates shall be provided as well.

Authorized Denominations: $5,000 and any integral multiple of $5,000.

Authorized Institution Representative: The President or the Chief Financial Officer or any other person at the time designated to act on behalf of the Corporation by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the Chair or the Secretary of the Board of Trustees of the Corporation. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the Accounts created under Articles IV and V of the Indenture and described in the Indenture.

Beneficial Owner: With respect to any authorized denomination of a Bond in Book-Entry Form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf, directly or indirectly, such authorized denomination of Bond is held by the Depository pursuant to the Book-Entry System.

Board of Trustees: The Board of Trustees of the Corporation, and includes any Executive Committee or any other committee authorized to act for such board.

Bond and Interest Sinking Fund Account: The Bond and Interest Sinking Fund Account established pursuant to the Indenture.

Bond Closing: The date of the original issuance, sale and delivery of the Bonds.

Bond Counsel: Any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt state and municipal bonds acceptable to the Authority.

Bond Purchase Agreement: The Bond Purchase Agreement dated June 29, 2017, among the Authority, the Underwriter and the Corporation, relating to the Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on June 21, 2017, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: With respect to the Bonds, (a) the period from the Issue Date to the close of business on May 1, 2018, and (b) each succeeding 12-month period ending at the close of business on May 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

Bonds: The Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2017 (Bethel University), described in the Indenture.

Book-Entry Form: All the Bonds, if such Bonds, are all held (i) in the name of the Depository (or its nominee) with each Stated Maturity evidenced by a single Bond certificate or (ii) with the approval of the Corporation, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates evidencing their beneficial ownership in any of the Bonds.

Book-Entry System: A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its Participants (or Indirect Participants).

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the Corporation and located on the Project Site acquired from funds other than the proceeds of the Bonds, the Series Six-R Bonds, the Series Four-S Bonds and the Series Five-V Bonds.

Business Day: Any day other than Saturday, Sunday, a legal holiday in the State of Minnesota or any other day that the Depository (as defined in the Indenture) or banks in Minnesota are not open for business.

Certificate: A certification in writing required or permitted by the provisions of the Loan Agreement or the Indenture to be signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions of the Indenture, each Certificate shall include the statements provided for in said Indenture.

Certified Resolution: A copy of a resolution of the Authority, certified by its Secretary or other officer authorized to act for the Secretary to have been duly adopted by said Authority and to be in full force and effect on the date of such certification.

Completion Date: The date set forth in the Certificate of the Project Supervisor furnished pursuant to the Loan Agreement.

Conditional Redemption: Conditional Redemption shall have the meaning ascribed to such term in the Indenture.

Construction Account: The Construction Account established under the Indenture.

Construction Period: The period between the date of commencement of the acquisition, construction, furnishing and equipping the Project and the Completion Date.

Continuing Disclosure Certificate: The Continuing Disclosure Certificate delivered by the Corporation, dated as of the date of the Bond Closing, relating to the Bonds.

Corporation: Bethel University, a Minnesota nonprofit corporation, as owner and operator of the Institution, its successors and assigns.

Costs of Issuance Account: The Costs of Issuance Account established under the Indenture.

Date of Taxability: The date as of which the interest on the Bonds shall be determined to be includable in the gross income of the Owners thereof; provided, that no Bond shall bear additional interest for any period for which the statute of limitations shall be a bar to the assertion or collection of a deficiency of federal income taxes from the Owner of such Bond.

Default: A default on the part of the Corporation in performance of any covenant or condition of the Loan Agreement which, with notice or passage of time or both, would or has become an Event of Default.

Defaulted Interest: Defaulted Interest shall have the meaning ascribed to such term in the Indenture.

Depository: DTC or any other person who shall be a Holder of all the Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, the Corporation and the Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

Determination of Taxability: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest on the Bonds is includable in gross income of the recipient under Section 103 of the Internal Revenue Code, related sections and regulations thereunder, as in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

DTC: The Depository Trust Company in New York, New York, its successors or assigns.

EMMA: The Electronic Municipal Market Access System maintained by the Municipal Securities Rulemaking Board or such successor municipal finance electronic filing system.

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in this Official Statement in the sections entitled "SUMMARY OF DOCUMENTS – THE INDENTURE – Events of Default" and "SUMMARY OF DOCUMENTS – THE LOAN AGREEMENT – Events of Default."

Financial Journal: The Bond Buyer, Finance & Commerce, The Wall Street Journal, or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or Saint Paul, Minnesota, or in the City of New York, New York.

Fiscal Year: The Corporation's fiscal year, and shall initially mean the 12-month period commencing on June 1 in each year.

Holder, Bondholder or Owner: The person in whose name a Bond shall be registered, except if any Bond is in Book-Entry Form, with respect to any consent or approval of a Holder of Bonds, the terms shall mean the Beneficial Owner.

Indenture: The Trust Indenture between the Authority and Wells Fargo Bank, National Association, as Trustee, to be dated as of July 1, 2017, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Independent: When used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the Corporation or the Institution or the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Authority or the Corporation or the Institution as an officer, employee or member of the Authority, the Corporation or the Institution or the Board of Trustees of the Corporation.

Independent Counsel: An Independent attorney duly admitted to practice law before the highest court of any state.

Independent Management Consultant: An Independent certified public accountant, Independent financial consultant or Independent management consultant having a favorable reputation for skill and experience in studying and reporting on operations of private nonprofit institutions of higher education satisfactory to the Authority.

Indirect Participant: Any person who is not a Participant, who clears securities through or maintains a custodial relationship with a Participant, either directly or indirectly, and who has access to the Book-Entry System.

Institution: Bethel University, a Minnesota institution of higher education with its main campus located in the city of Arden Hills, Minnesota, owned and operated by the Corporation. The Institution is also referred to as the "University" elsewhere in this Official Statement.

Interest Payment Date: May 1 and November 1 of each year, commencing November 1, 2017, and any other date on which the principal of or interest on the Bonds shall be due and payable.

Interest Rate: With respect to the Bonds, the interest rate per annum specified in the Indenture, in the column entitled "Interest Rate" for the Bonds of the respective year of maturity.

Internal Revenue Code: The Internal Revenue Code of 1986 and amendments thereto.

Issue Date: The date on which the Bonds are delivered to the original purchaser thereof upon original issuance.

Letter of Representations: The Letter of Representations from the Authority to the Depository, any amendments thereto, and any other agreement between the Authority, the Depository or the Trustee governing the obligations of such parties (or their successors) in respect of beneficial ownership (and the recording and transfer thereof), and payment and notices concerning the Bonds; provided no such amendment or other agreement shall be entered into unless the Authority or Corporation shall certify that the same shall not materially prejudice the rights of any Beneficial Owner who has not consented thereto.

Loan: Loan shall have the meaning ascribed to such term in the Loan Agreement.

Loan Agreement: The Loan Agreement between the Authority and the Corporation, to be dated as of July 1, 2017, as from time to time amended or supplemented.

Loan Repayments: Payments required to be made by the Corporation to the Trustee pursuant to the Loan Agreement.

Net Proceeds: When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the Corporation as owner or lessee and the Trustee as secured party pursuant to the Indenture, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority, plus investment earnings thereon.

Negative Pledge Property: The real property and interests in real property and improvements subsisting thereon as they may exist from time to time constituting the Institution's main campus, the principal street address of which is 3900 Bethel Drive, in the city of Arden Hills, Minnesota. The Negative Pledge Property specifically does not extend to the Institution property commonly known as the Anderson Center, which is not a part of the Institution's main campus, and has an address of 2 Pine Tree Drive, Saint Paul, Minnesota, nor to the Institution's Seminary property located in the State of California, with an address of 6166 Arosa Street, San Diego, California.

Opinion of Counsel: A written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the Corporation or Authority, and acceptable to the Trustee, and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in said section of the Indenture.

Outstanding: When used as of any particular time with reference to Bonds, without regard to capitalization of such term, means (subject to the provisions of the Indenture pertaining to Bonds held by the Authority and the Corporation) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which funds or direct obligations of or obligations fully guaranteed by the United States of America in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of the Indenture pertaining to replacement of Bonds.

Participant: Any securities broker or dealer, bank, trust company, clearing corporation or other organization entitled to directly record, clear and settle the transfers of beneficial ownership interest of the Bonds directly through the Depository and the Book-Entry System.

Permitted Encumbrances: As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an Independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities (including, with respect to Project Equipment, purchase money security interests and equipment leases), and as do not in the aggregate, in the opinion of Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Corporation, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement and (v) liens granted by the Corporation to secure Funded Debt (as defined in the Loan Agreement) allowed under the Loan Agreement, but excluding liens on any Negative Pledge Property.

Predecessor Bonds: Predecessor Bonds shall have the meaning ascribed to such term in the Indenture.

Principal Trust Office: For the Trustee originally appointed under the Indenture, the designated corporate trust office of the Trustee, which at the date of the Indenture is specified in the Loan Agreement, and for any successor Trustee, shall mean its designated corporate trust office.

Prior Bond Documents: Prior Bond Documents means, collectively, the Series Six-R Indenture and the Series Six-R Loan Agreement.

Prior Bonds Trustee: Wells Fargo Bank, National Association, as trustee with respect to the Series Four-S Bonds and the Series Five-V Bonds, and in its capacity as the trustee under the Series Six-R Indenture.

Project: The Project consists of the renovation of four residence halls, Nelson Dormitory, Getsch Hall, Bodien Hall and Edgren Hall, which will include new furnishings, plumbing, electrical and mechanical upgrades as well as remodeled bathrooms and common areas, and related improvements, all located on the Institution's main campus, the principal street address of which is 3900 Bethel Drive, Arden Hills, Minnesota. Proceeds of the Bonds will also be used for the refunding of all of the outstanding Series Six-R Bonds.

Project Buildings: The buildings and facilities or other improvements described in the Indenture and acquired, improved or constructed, furnished and equipped, or refinanced, with proceeds of the Bonds, including investment earnings, and any other building or buildings, facilities or improvements constructed or improved, or refinanced, with the proceeds of the Series Six-R Bonds, the Series Four-S Bonds or the Series Five-V Bonds (except any such buildings, facilities or improvements, or portions thereof to be deconstructed, demolished or removed in furtherance of the Project), including investment earnings.

Project Costs: Project Costs shall have the meaning ascribed to such term in the Indenture.

Project Equipment: All fixtures, equipment, and other personal property of a capital nature acquired, or refinanced, with proceeds of the Series Six-R Bonds, the Series Four-S Bonds, the Series Five-V Bonds or the Bonds (except any such fixtures, equipment, or other personal property of a capital nature to be removed in furtherance of the Project), including investment earnings and, with respect to such personal property acquired, or refinanced with proceeds of the Series Six-R Bonds, the Series Four-S Bonds or the Series Five-V Bonds, generally described in the Prior Bond Documents and Exhibit B to the Loan Agreement and described in the Certificate of the Project Supervisor furnished pursuant to the Prior Bond Documents and to be furnished pursuant to the Loan Agreement.

Project Facilities: The Project Site, the Project Buildings and the Project Equipment as the same may at any time exist.

Project Site: The land or interests in land described on Exhibit A to the Loan Agreement, which are owned by the Corporation and on which any Project Buildings are or will be located or otherwise improved or to be improved as part of the Project or the Series Six-R Project, the Series Four-S Project, or the Series Five-V Project.

Project Supervisor: The Project Supervisor appointed as provided in the Loan Agreement.

Redeem or redemption: Includes “prepay” or “prepayment” as the case may be, without regard to capitalization of such terms.

Redemption Account: The Redemption Account created under the Indenture.

Reference Rate: The interest rate per annum announced from time to time by Wells Fargo Bank, National Association, as its prime or reference rate, regardless of whether that interest rate is actually charged to any customer of said bank.

Regular Record Date: The 15th day (whether or not a Business Day) of the calendar month next preceding an Interest Payment Date.

Refunding Account: The Refunding Account established under the Indenture.

Reserve Account: The Reserve Account established under the Indenture.

Reserve Requirement: The Reserve Requirement shall have the meaning ascribed to such term in the Indenture. (See “ACCOUNTS – Reserve Account” in the body of this Official Statement.)

Responsible Officer: The chairman of the board of directors or trustees, the president, every vice president, every assistant vice president, every corporate trust officer, and every officer and assistant officer of any Trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of such person’s knowledge of, and familiarity with, a particular subject.

Series Five-V Bonds: The Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Five-V (Bethel College & Seminary), dated May 20, 2004, issued in the original principal amount of $8,500,000 to finance the Series Five-V Project.

Series Five-V Project: The use of the proceeds of the Series Five-V Bonds to finance the construction and equipping of a student housing facility, including appurtenant site improvements.

Series Four-S Bonds: The Minnesota Higher Education Facilities Authority Adjustable Demand Revenue Bonds, Series Four-S (Bethel College & Seminary), dated June 11, 1998, issued in the original principal amount of $22,865,000 to finance the Series Four-S Project.

Series Four-S Project: The use of the proceeds of the Series Four-S Bonds (i) to finance the (a) construction and equipping of a new four-story residence hall, (b) an addition to the Fine Arts Center, (c) remodeling of spaces in various campus buildings, (d) upgrade of campus wiring network and electronics infrastructure, (e) construction of a baseball field to NCAA Division III standards, (f) parking expansion and improvements, (g) acquisition of an existing office building to provide space for the Institution's Development Office and Continuing Studies Offices; (ii) to refund the Authority's Mortgage Revenue Bonds, Series W (Bethel College), dated August 1, 1978, originally issued to finance the construction and equipping of two housing residences on the main campus of the Institution; and (iii) to refinance indebtedness originally incurred to finance an addition to Nelson Dormitory and a classroom and office addition to the Robertson Building.

Series Six-R Bond Account: The Bond and Interest Sinking Fund Account created under the Series Six-R Indenture.

Series Six-R Bonds: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Six-R (Bethel University), dated August 2, 2007, issued in the original principal amount of $44,000,000 to finance the Series Six-R Project, and outstanding on the date hereof in the aggregate principal amount of $39,200,000.

Series Six-R Indenture: The Trust Indenture between the Authority and the Prior Bonds Trustee, dated as of August 1, 2007, relating to the Series Six-R Bonds.

Series Six-R Loan Agreement: The Loan Agreement between the Authority and the Corporation dated as of August 1, 2007, relating to the Series Six-R Bonds.

Series Six-R Project: The use of the proceeds of the Series Six-R Bonds to finance (a) the acquisition, construction, furnishing and equipping of an approximately 110,000 square foot University Commons, including dining facilities, a campus store, offices, a casual student assembly and other meeting areas as well as appurtenant site improvements, and (b) the refunding of (i) the Series Four-S Bonds, and (ii) the Series Five-V Bonds.

Series Six-R Redemption Account: The Redemption Account created under the Series Six-R Indenture.

Sinking Fund Installment: Sinking Fund Installment shall have the meaning ascribed to such term in the Indenture.

Special Record Date: The Special Record Date established pursuant to the Indenture.

Stated Maturity: When used with respect to any Bond or any installment of interest thereon, the date specified in such Bond as the fixed date on which principal of such Bond or such installment of interest is due and payable.

Term Bonds: Term Bonds shall have the meaning ascribed to such term in the Indenture.

Trust Estate: The interest of the Authority in the Loan Agreement assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

Trustee: The trustee at the time serving as such under the Indenture, and initially the Trustee will be Wells Fargo Bank, National Association.

Underwriter: Barclays Capital Inc., as original purchaser of the Bonds.

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SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the full text of the Loan Agreement for a complete recital of its terms. Certain words and terms used in this summary are defined in Appendix IV -- "DEFINITIONS OF CERTAIN TERMS."

Construction of Project

The Corporation represents that construction, acquisition and installation of the Project will be substantially completed by no later than August 31, 2019, and all amounts in the Construction Account will be expended by no later than September 30, 2019, subject only to "force majeure," as provided in the Loan Agreement. The Corporation may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the Corporation, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax-exempt status of interest on the Bonds and an Opinion of Counsel who is Bond Counsel to the Authority to such effect is furnished to the Corporation, the Authority and the Trustee. The Corporation has agreed that it has previously paid or will itself pay all costs relating to the acquisition, construction, furnishing and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

Redemption of Series Six-R Bonds

The Corporation represents that it will cause the principal of and interest due on the Series Six-R Bonds to be paid through August 14, 2017, and will prepay and redeem the outstanding Series Six-R Bonds maturing on and after May 1, 2018, on August 14, 2017.

Loan Repayments

Under the Loan Agreement, the Corporation agrees to make Loan Repayments in amounts and at times sufficient to provide for payment in full of all principal of and interest and premium, if any, on the Bonds when due. To provide for such payments the Corporation covenants to pay for the account of the Authority the following amounts:

(a) at least two Business Days prior to each May 1 and November 1, commencing November 1, 2017, the Corporation shall deposit into the Bond and Interest Sinking Fund Account, a sum which will be equal to the amount payable as interest on the Bonds on such interest payment date, and, at least two Business Days prior to each May 1, commencing on May 1, 2028, a sum equal to the amount payable as principal (whether at maturity or mandatory sinking fund redemption) of the Bonds on such principal payment date; provided however, that there shall be credited against such obligations (A) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account (including amounts transferred from the Construction Account pursuant to the Indenture), and (B) any credits permitted by the Indenture; and

(b) on or prior to a date established for the optional redemption or mandatory redemption and prepayment of any Bonds pursuant to the Loan Agreement, into the Redemption

Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; and

(c) forthwith into the Bond and Interest Sinking Fund Account or the Redemption Account, as appropriate, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal of, premium, if any and interest on the Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) into the Reserve Account any amounts required to be deposited therein by the Indenture; and

(e) into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of the Loan Agreement and the Indenture, relating to arbitrage rebate.

Each payment under the Loan Agreement shall be made directly to the Trustee at its Principal Trust Office for the account of the Authority for deposit as provided in the Indenture. The Corporation shall furnish to the Authority, if the Authority so requests, advice of the transmittal of such payments at the time of transmittal of payment.

There is reserved to the Corporation the right to prepay all or part of the Loan and to redeem the Bonds prior to their maturity in certain events as described under "THE BONDS."

As additional payments, the Corporation agrees to pay the annual fee of the Authority, fees and expenses of the Trustee, rebate of certain excess investment earnings to the United States, and certain other expenses.

Use of Project Facilities

The Corporation will own, use and operate the Project Facilities at all times as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with any part of a program of a school or department of divinity for any religious denomination. The Corporation agrees not to use or permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

The Corporation agrees that, so long as there are Bonds outstanding, and subject to certain exceptions, the Corporation will keep the Project Facilities in good repair and good operating condition at its own cost. The Corporation will make such repairs, modifications and replacements as are necessary so that the Project Facilities will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation, and may make such repairs, modifications and replacements as in the Corporation's judgment are desirable, subject to the same conditions. The Corporation may sell, transfer, convey, lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities so long as (i) the tax-exempt status of the Bonds will not be affected thereby, (ii) no such transaction or agreement shall be inconsistent with the Loan Agreement, the Indenture, or the Act, (iii) the Corporation shall remain fully obligated under the Loan Agreement as if such transaction or agreement had not been made, and (iv) in the case of any such sale, transfer or conveyance, or in the case of any lease to or occupancy by persons who are not students, employees or faculty, an opinion of Bond Counsel is provided to the Trustee to the effect that tax exemption of the interest on the Bonds is not adversely affected. The Corporation may demolish any of the Project Facilities which in the Corporation's judgment are worn out, obsolete or require replacement, are no longer used, or the Corporation, by resolution of the Board of Trustees, has determined in its judgment are no longer useful.

Operating Expenses and Liens

The Corporation will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities, and will not permit to be established or to remain unsatisfied any mechanics' lien for labor or materials furnished in connection with the acquisition and construction of the Project or with any remodeling, additions, modifications, improvements, repairs, renewals or replacements; provided, that the Corporation may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or Trustee shall notify the Corporation that, in the opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the Corporation shall promptly pay and cause to be satisfied and discharged all such unpaid items.

Taxes and Other Governmental Charges

The Corporation will pay, as the same respectively become due, all taxes, special assessments, license fees and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the operations of the Corporation, or the Project Facilities or any improvements, equipment or related property installed or brought by the Corporation therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein. The Corporation may, at its expense, in good faith contest any such taxes, assessments, license fees and other governmental charges and, in the event of any such contest, may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the Corporation that, in the Opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof, or the revenue therefrom will be subject to loss or forfeiture, in which event such items shall be paid promptly.

Insurance

The Corporation is required to maintain, or cause to be maintained, at its cost and expense, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities and contents under a policy or policies covering such risks as are ordinarily insured against by similar institutions, including (without limiting the generality of the foregoing) fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, but any such policy may have a deductible amount of not more than $250,000. No policy of insurance shall be so written that the proceeds thereof will produce less than the minimum coverage required by the preceding sentence, by reason of co-insurance provisions or otherwise, without the prior consent thereto in writing by the Trustee. The term "full insurable replacement value" shall mean the actual replacement cost of the Project Buildings (excluding foundation, excavation costs and costs of underground flues, pipes, drains and other uninsurable items) and contents and the Project Equipment. All policies evidencing insurance required by this subparagraph (a) with respect to the Project Facilities shall be carried in the names of the Corporation and the Trustee as their respective interests may appear and include a lender's loss payable endorsement with the Trustee named as loss payee.

(b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, including owned, non-owned and hired automobiles, against liability for injuries to persons in the minimum amount for each occurrence of $5,000,000 and aggregate for each year of $10,000,000, with a deductible amount of not more than $250,000 per occurrence, and against liability for injury to property in the minimum amount for each occurrence of $250,000.

(c) Workers' compensation insurance respecting all employees of the Corporation in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure; provided that the Corporation may be self-insured with respect to all or any part of its liability for workers' compensation.

All insurance required under the Loan Agreement shall be taken out and maintained in responsible insurance companies selected by the Corporation. Each policy shall contain a provision that the insurer shall not cancel or modify it in any manner which would cause the Corporation to no longer be in compliance with the Loan Agreement without giving written notice to the Corporation and the Trustee at least 30 days before the cancellation or modification becomes effective. The Corporation may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein. The Corporation, on or before October 1 of each year, shall provide the Trustee a Certificate of Insurance Compliance in the form attached to the Loan Agreement.

Upon the written request of the Corporation, the Trustee shall permit modifications to the insurance requirements and deductible amounts, including permission for the Corporation to be self-insured in whole or in part for any comprehensive general liability, if consistent with recommendations of an Independent insurance consultant.

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed, there shall be no abatement or reduction in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than $1,000,000, the Corporation (i) will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Corporation and as will not impair the character or significance of the Project Facilities as educational facilities, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance policies resulting from claims for such losses not in excess of $1,000,000, or any additional moneys of the Corporation necessary therefor. All Net Proceeds of insurance resulting from claims for losses up to such amounts shall be paid to the Corporation. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the Corporation shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

The Bonds may be redeemed in whole if all or substantially all of the Project Facilities are damaged or destroyed to such extent that (i) they cannot be reasonably restored within six months or (ii) normal use and operation of the Project Facilities are interrupted for a six-month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement. The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the Corporation determines that such Project Facilities are not needed in its operations, (iii) the Corporation has elected not to repair, rebuild, restore or replace such Project Facilities, and (iv) the Corporation elects that available Net Proceeds shall be deposited in the Redemption Account and used for the redemption or purchase of outstanding Bonds on the next date for which due notice of redemption can be given. (Also see "THE BONDS – Prior Redemption – Extraordinary Optional Redemption – Calamity or Condemnation" in the body of this Official Statement.)

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, there shall be no abatement or reduction in the Loan Repayments payable by the Corporation under the Loan Agreement. All Net Proceeds of awards not in excess of $1,000,000 shall be paid to the Corporation. All Net Proceeds of awards over $1,000,000 shall be paid to and held by the Trustee and the Corporation shall either redeem and prepay the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed in whole or in part, such redemption shall be as described in the second paragraph under the caption "Damage or Destruction" above.

Removal of Project Equipment and Building Equipment

The Corporation may remove Project Equipment and Building Equipment from the Project Facilities if no Default exists and upon the following conditions:

(a) the Corporation may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance or value of the Project Facilities;

(b) the Corporation may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor provided that the Corporation pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the Corporation, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value on the records of the Corporation of the equipment so released was less than $100,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent Engineer or an Authorized Institution Representative upon such showing by the Corporation as may be satisfactory to the Trustee; and

(c) the Corporation may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance or value of the Project Facilities.

In connection with (a) and (b) above, if the depreciated book value on the records of the Corporation of the Project Equipment or in connection with (c) above, the depreciated value of Building Equipment to be substituted, released or removed equals or exceeds $100,000 the Corporation will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, release or removal of such equipment will not materially impair the character or revenue producing significance or value of the Project Facilities.

Indemnification

The Corporation agrees to hold the Authority and the Trustee and their respective members, directors, officers and employees, harmless against, any claim, cause of action, suit or liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project Facilities and the use thereof, including that caused by any negligence of the Authority (but not the Trustee) or anyone acting on its behalf.

The Corporation agrees to indemnify and hold harmless the Authority against any and all losses, claims, damages or liability to which the Authority may become subject under law, and to reimburse the Authority for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Authority in connection with investigating any such losses, claims, damages, or liabilities or in connection with defending any actions, insofar as the same relate to information furnished to the Authority by the Corporation in connection with the sale of the Bonds.

Corporation to Maintain its Existence and Accreditation

The Corporation agrees that, so long as the Bonds are outstanding, it will maintain its existence as a nonprofit corporation and maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee corporation or institution, as the case may be, is other than the Corporation, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the Corporation in the Loan Agreement, and be either a state university or college or a nonprofit corporation operating or authorized to operate an Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; (b) the Corporation shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder and (c) the surviving, resulting or transferee corporation or institution, as the case may be, shall be in compliance with the financial covenants of the Corporation included in the Loan Agreement, immediately after such consolidation or merger.

Federal Income Tax Status

The Corporation represents that it presently is and agrees that it shall take all appropriate measures to assure that it remains an organization described in Section 501(c)(3) of the Internal Revenue Code, exempt from Federal income taxes under Section 501(a) of such Code.

Institution to be Nonsectarian

Except for the Seminary, which will continue to be separable from the general undergraduate and graduate programs of the Corporation for which Project Facilities have been and are to be completed, the Corporation agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect. Except with respect to the Seminary, all courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest on the Bonds is includable in gross income of the recipient for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole or in part on the next date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability. If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the additional interest rate on the Bonds, as more fully set forth in the Loan Agreement.

Other Covenants

The Corporation further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate as prohibited by Minnesota Statutes, Section 363A.13 (except with respect to the Seminary); to provide and file such financing statements and other instruments of further assurance as the Authority or Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority, the Department of Education and the Minnesota Office of Higher Education, subject to the right of contest. The Corporation agrees to indemnify the Authority and the Trustee from losses arising from certain representations made by the Corporation regarding the absence of hazardous waste on the Project Facilities.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148 of the Internal Revenue Code with respect (but only with respect) to amounts paid by the Corporation to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

Events of Default

Following are Events of Default under the Loan Agreement:

(a) If the Corporation shall fail to make any Loan Repayment when due, and either (i) on a Bond principal or interest payment date or redemption date (established or required to be established), the available moneys on deposit in the Bond and Interest Sinking Fund Account, the Reserve Account and Redemption Account are insufficient to pay when due principal of and interest on the Bonds, or (ii) such failure shall continue for five Business Days after notice from the Trustee or the Authority to the Corporation that such payment has not been made; or

(b) If the Corporation shall fail to comply with the provisions of the Loan Agreement relating to arbitrage calculation and rebate requirements; or

(c) If the Corporation shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement as defined in the Indenture, provided failure to comply with this provision of the Loan Agreement shall not become an Event of Default unless the Corporation fails to restore the deficiency within a period of 30 days after written notice specifying such deficiency and requesting that it be remedied is given to the Corporation by the Authority or the Trustee; or

(d) If the Corporation shall fail to observe and perform for reasons other than force majeure, any other covenant, condition or agreement on its part under the Loan Agreement for a period of 30 days after written notice, specifying such default and requesting that it be remedied, is given to the Corporation by the Authority or the Trustee; or

(e) If the Corporation files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the Corporation; or

(f) If a court of competent jurisdiction shall enter an order, judgment or decree against the Corporation in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the property of the Corporation, and such order, judgment or decree shall not be vacated or set aside or stayed within 90 days from the date of the entry thereof; or

(g) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Corporation or of the whole or any substantial part of the property of the Corporation, and such custody or control shall not be terminated within 90 days from the date of assumption of such custody or control.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Corporation. The provisions of paragraph (d) above, are subject to the further limitation that if the default can be remedied but not within a period of 30 days after notice and if the Corporation has taken all action reasonably possible to remedy such default within such 30-day period, the Default shall not become an Event of Default for so long as the Corporation shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The Corporation agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Corporation from carrying out its agreements.

Remedies on Default

Whenever any Event of Default shall have happened, and be subsisting, the Loan Agreement provides that any one or more of the following steps may be taken:

(a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due and payable under the Loan Agreement for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Trustee (or the Authority with respect to certain Sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due.

(c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision or covenant of the Loan Agreement or the Indenture.

Any amounts collected by the Trustee pursuant to the actions set forth above shall be applied first to advances, fees and expenses, and then to payment of the Bonds (interest, principal and premium, if any), as provided in the Indenture, and any excess to the Corporation.

Amendments

Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the Bonds and so long as any Bonds are outstanding, the Loan Agreement may not be amended without the prior written consent of the Trustee.

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THE INDENTURE

The following constitutes a summary of certain provisions of the Trust Indenture (the “Indenture”). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in Appendix IV – “DEFINITIONS OF CERTAIN TERMS” contained herein.

Granting Clauses

Pursuant to the Indenture, the Authority grants to the Trustee, as security for the Holders of the Bonds, the following:

(a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and all other sums due under the Loan Agreement, except the rights of the Authority relating to fees, expenses, indemnity and advances;

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be created, paid and maintained under the Indenture; provided, however the funds deposited in the Refunding Account shall be held for the exclusive benefit of the holders of the Series Six-R Bonds; (ii) the moneys and investments in the Construction Account not paid out for Project Costs; and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

(c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the Corporation or by anyone on behalf of them or with their written consent, to the Trustee.

Accounts

Bond proceeds, revenues and other funds derived under the Loan Agreement or Indenture shall be deposited into accounts held by the Trustee as described in “ACCOUNTS,” in the body of this Official Statement.

Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Reserve Account and the Redemption Account shall be invested by the Trustee as directed in writing by the Authorized Institution Representative only in investments authorized by the Act, as amended from time to time, and subject to the additional restrictions generally described as follows: (i) direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; (ii) general obligations of states or local governments with taxing powers rated “A” or better by a national bond rating service, or revenue obligations of any state or local government rated “AA” or better by a national bond rating service; (iii) certain commercial paper maturing in 270 days or less; (iv) time deposits fully insured by the Federal Deposit Insurance Corporation or bankers’ acceptances of United States banks; (v) certain types of repurchase agreements; (vi) units of certain short-term investment funds and shares of certain money market funds and certain other investment companies; and (vii) certain guaranteed investment contracts issued by a bank or insurance company rated at least in one of the two highest rating categories of a nationally recognized rating agency.

Trustee’s Right to Payment

The Trustee shall have a first lien, with right of payment prior to payment on account of interest or principal of the Bonds for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee).

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; to take such action or cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or money in the Accounts.

Events of Default

The following are Events of Default under the Indenture:

(a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or

(b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or

(c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of 60 days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the Corporation (giving the Corporation the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

(d) If any "event of default" on the part of the Corporation, as that term is defined in the Loan Agreement, shall occur and be continuing.

Remedies

If an Event of Default shall exist, the Trustee may, and upon written request of the Holders of a majority in aggregate principal amount of the Bonds outstanding shall, by notice in writing delivered to the Authority and the Corporation, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of the Bonds then outstanding, by written notice to the Authority and to the Trustee, to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured by the Indenture (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last Interest Payment Date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

In the case of the breach of any of the covenants or conditions of the Loan Agreement or the Indenture, the Trustee, anything therein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however to its rights to indemnity and notice provided in the Indenture), shall be obligated to take such action or actions as are necessary for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Loan Agreement.

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of the outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce the Loan Agreement and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate, which advances are given priority of payment. The Trustee also has a first lien with right of payment prior to payment on account of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers under the Indenture unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the Corporation to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum combined capital, surplus and undivided profits of $10,000,000 in event of merger, resignation or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the Corporation, provided that the Authority may, but is not required to, remove the Trustee, with or without the request of the Corporation if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

Concerning the Bondholders

No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for any remedy under the Loan Agreement, unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders of the Bonds shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Holders of all Bonds outstanding.

The Trustee, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, shall waive any default under the Indenture and its consequences, except a default in the payment of the principal of the Bonds at the date of maturity specified therein; provided, however, that a default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any such waiver, the Authority, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights respectively. No waiver of any default or Event of Default, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Provision is made for meetings of Bondholders, proof of ownership of Bonds and execution of consents and other instruments by Bondholders.

Defeasance

If the Authority and the Corporation and their respective successors or assigns shall:

(a) pay or cause to be paid the principal of and premium, if any, and interest on the outstanding Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) provide for the payment of principal and premium, if any, of the outstanding Bonds and interest thereon by depositing with the Trustee at or at any time before maturity an amount of (i) government obligations described in the Indenture in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (ii) cash, to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived as provided in the Indenture, or that arrangements satisfactory to the Trustee have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Corporation for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all of such outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in the Indenture, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, of (i) government obligations described in the Indenture in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (ii) cash, to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any Interest Payment Dates, or

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay or provide for the payment of the unpaid fees and expenses of the Trustee (and its counsel) and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and the Arbitrage Regulations, then and in that case, at the request of the Authority or the Corporation all the Trust Estate shall revert to the Authority and the Corporation as their interests appear, and the entire estate, right, title and interest of the Trustee, and of the Owners of the Bonds in respect thereof, shall thereupon cease, determine and become void; unless otherwise expressly stated herein, rights granted by provisions relating to optional redemption of Bonds shall thereupon terminate; and the Trustee in such case, upon the cancellation of all Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an Opinion of Counsel as to compliance with conditions precedent (and, in the case of defeasance under paragraph (b) above, as to effect on tax exempt status), and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

When the Authority or the Corporation shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or government obligations sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and it shall be the duty of the Trustee to hold the funds so deposited for the benefit of the Holders of such Bonds, as the case may be, and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

The Authority and the Trustee may enter into such supplemental indentures as shall by them be deemed necessary or desirable for any one or more of the following purposes, among others:

(a) To correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over unto the Trustee, additional property for the benefit and security of the Holders of all Bonds under the Indenture;

(b) To add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority or to or upon any successor;

(c) To evidence the succession of any other department, agency, body or corporation to the Authority;

(d) To cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indentures, or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which could have been contained in the Indenture or any supplemental indenture and which shall not impair the security of the same; and

(e) To modify the Indenture as authorized by the Bondholders.

In addition and subject to the provisions set forth below, the Holders of not less than a majority in aggregate principal amount of the Bonds under the Indenture then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all Bonds outstanding (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement.

Amendments to the Loan Agreement

The Authority and the Trustee shall without the consent of or notice to the Bondholders consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions of the Loan Agreement, or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee shall consent to or execute any other amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the

Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Registration

The Bonds shall be fully registered as to principal and interest at the designated corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds, aggregate principal amount, maturity and interest rate of any authorized denominations. Payment of principal will be at the Principal Trust Office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at the address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.

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THE DEPOSITORY TRUST COMPANY

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If fewer than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2016 AND 2015

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CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Bethel University
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bethel University and Bethel University Foundation (collectively known as Bethel), a nonprofit Minnesota corporation, sponsored by the churches of the Baptist General Conference (dba: Converge Worldwide), which comprise the consolidated statements of financial position as of May 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bethel as of May 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of Bethel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bethel's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 19, 2016

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MAY 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 25,802,912	$ 32,261,596
Accounts Receivable, Net	4,564,793	4,273,316
Contributions Receivable, Net	586,209	128,100
Student Loans Receivable	2,584,439	2,603,650
Inventories	941,744	930,546
Prepaids and Other Assets	265,854	1,161,241
Total Current Assets	34,745,951	41,358,449
OTHER ASSETS		
Investments, at Market	53,855,995	53,315,307
Trust Assets	15,167,903	15,701,088
Other Real Estate Investments	253,000	280,000
Contributions Receivable, Net of Allowance and Current Portion	247,158	377,197
Property and Equipment, Net	110,966,606	104,514,998
Total Other Assets	180,490,662	174,188,590
Total Assets	$ 215,236,613	$ 215,547,039
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 3,824,599	$ 4,881,286
Accrued Interest	184,548	189,177
Accrued Salaries and Vacation	2,951,437	2,636,008
Current Maturities of Long-Term Debt	1,264,361	1,010,000
Student Deposits and Advance Registration Fees	1,087,600	1,144,491
Deferred Tuition Revenue	304,672	299,539
Liability for Self-Insurance	685,772	685,842
Total Current Liabilities	10,302,989	10,846,343
LONG-TERM LIABILITIES		
Gift Annuity Contracts	3,237,439	3,304,253
Obligations Under Trust Liabilities	10,250,736	10,678,568
Long-Term Debt, Net of Current Maturities	44,823,507	46,265,000
Perkins Loan Refundable	1,845,898	1,897,955
Pension Liability	-	-
Postretirement Benefits Liability	42,568,426	38,900,664
Other Liabilities	363,228	345,602
Total Long-Term Liabilities	103,089,234	101,392,042
Total Liabilities	113,392,223	112,238,385
NET ASSETS		
Unrestricted	49,577,758	41,397,651
Temporarily Restricted	18,962,921	29,467,229
Permanently Restricted	33,303,711	32,443,774
Total Net Assets	101,844,390	103,308,654
Total Liabilities and Net Assets	$ 215,236,613	$ 215,547,039

See accompanying Notes to Consolidated Financial Statements.

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER ADDITIONS				
Tuition and Instructional Fees, Net of Institutionally Funded Aid of $35,714,492 for 2016	$ 69,679,905	$ -	$ -	$ 69,679,905
Contributions, Gifts, and Bequests	3,414,244	-	-	3,414,244
Grants, Primarily Federal and State Financial Aid	1,730,503	-	-	1,730,503
Auxiliary Services	20,934,591	-	-	20,934,591
Endowment Income	1,304,336	-	-	1,304,336
Other Sources, Primarily Student Charges	6,409,562	-	-	6,409,562
Investment Loss, Net	(6,663)	-	-	(6,663)
Net Assets Released from Restrictions	10,203,756	(10,203,756)	-	-
Total Revenues and Other Additions	113,670,234	(10,203,756)	-	103,466,478
EXPENDITURES AND OTHER DEDUCTIONS				
Instructional	40,060,764	-	-	40,060,764
General Operating:				
Academic Support	10,732,514	-	-	10,732,514
Institutional Support	31,055,972	-	-	31,055,972
Public Service	1,163,133	-	-	1,163,133
Student Services	8,745,349	-	-	8,745,349
Auxiliary Services	17,319,378	-	-	17,319,378
Total Expenditures and Other Deductions	109,077,110	-	-	109,077,110
NET SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES	4,593,124	(10,203,756)	-	(5,610,632)
NONOPERATING ACTIVITIES				
Contributions, Gifts, and Bequests	7,180,489	2,694,310	822,330	10,697,129
Endowment Income	-	402,372	-	402,372
Change in Gift Annuity Contracts	-	307,887	-	307,887
Other Sources (Uses)	1,763,485	(848,052)	-	915,433
Undistributed Endowment Earnings	(1,369,432)	(2,372,258)	-	(3,741,690)
Investment Income (Loss)	(319,797)	256	-	(319,541)
Change in Present Value of Remainder Interests in Trusts	-	(485,067)	37,607	(447,460)
Net Surplus from Nonoperating Activities	7,254,745	(300,552)	859,937	7,814,130
INCREASE IN NET ASSETS BEFORE CHANGE IN PENSION LIABILITY	11,847,869	(10,504,308)	859,937	2,203,498
CHANGE IN PENSION LIABILITY	(3,667,762)	-	-	(3,667,762)
INCREASE (DECREASE) IN NET ASSETS	8,180,107	(10,504,308)	859,937	(1,464,264)
Net Assets - Beginning of Year	41,397,651	29,467,229	32,443,774	103,308,654
NET ASSETS - END OF YEAR	$ 49,577,758	$ 18,962,921	$ 33,303,711	$ 101,844,390

See accompanying Notes to Consolidated Financial Statements.

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER ADDITIONS				
Tuition and Instructional Fees, Net of Institutionally Funded Aid of $34,053,322 for 2015	$ 70,822,149	$ -	$ -	$ 70,822,149
Contributions, Gifts, and Bequests	2,999,179	-	-	2,999,179
Grants, Primarily Federal and State Financial Aid	2,644,833	-	-	2,644,833
Auxiliary Services	20,883,098	-	-	20,883,098
Endowment Income	1,340,938	-	-	1,340,938
Other Sources, Primarily Student Charges	3,880,206	-	-	3,880,206
Investment Income, Net	89,536	-	-	89,536
Net Assets Released from Restrictions	700,505	(700,505)	-	-
Total Revenues and Other Additions	103,360,444	(700,505)	-	102,659,939
EXPENDITURES AND OTHER DEDUCTIONS				
Instructional	37,283,901	-	-	37,283,901
General Operating:				
Academic Support	8,721,170	-	-	8,721,170
Institutional Support	24,577,593	-	-	24,577,593
Public Service	1,104,600	-	-	1,104,600
Student Services	7,799,520	-	-	7,799,520
Auxiliary Services	20,224,126	-	-	20,224,126
Total Expenditures and Other Deductions	99,710,910	-	-	99,710,910
NET SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES	3,649,534	(700,505)	-	2,949,029
NONOPERATING ACTIVITIES				
Contributions, Gifts, and Bequests	19,350	5,880,306	3,103,839	9,003,495
Endowment Income	-	115,197	-	115,197
Change in Gift Annuity Contracts	-	(444,384)	-	(444,384)
Other Sources (Uses)	4,050,126	(47,917)	-	4,002,209
Undistributed Endowment Earnings	(118,663)	(671,846)	-	(790,509)
Investment Income	358,994	509,205	-	868,199
Change in Present Value of Remainder Interests in Trusts	-	245,835	46,891	292,726
Net Surplus (Deficit) from Nonoperating Activities	4,309,807	5,586,396	3,150,730	13,046,933
INCREASE (DECREASE) IN NET ASSETS BEFORE CHANGE IN PENSION LIABILITY	7,959,341	4,885,891	3,150,730	15,995,962
CHANGE IN PENSION LIABILITY	(11,214,802)	-	-	(11,214,802)
INCREASE (DECREASE) IN NET ASSETS	(3,255,461)	4,885,891	3,150,730	4,781,160
Net Assets - Beginning of Year	44,653,112	24,581,338	29,293,044	98,527,494
NET ASSETS - END OF YEAR	$ 41,397,651	$ 29,467,229	$ 32,443,774	$ 103,308,654

See accompanying Notes to Consolidated Financial Statements.

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus (Deficit) from Operating Activities	$ (5,610,632)	$ 2,949,029
Adjustments to Reconcile Net Surplus from Operating Activities to Net Cash Provided by Operating Activities:		
Total Nonoperating Activity	4,146,368	1,832,131
Depreciation and Amortization	5,283,410	4,797,601
Cash Contributions with Donor Restrictions	(3,516,640)	(8,984,145)
Realized/Unrealized (Gain)/Loss on Investments	3,065,865	(102,745)
Increase in Trust Activity	105,353	(731,721)
Realized (Gain) Loss on Sale of Property	451,874	(4,381,182)
Change in Operating Assets and Liabilities:		
Prepaids and Other Assets	895,387	702,193
Receivables	(600,336)	296,465
Inventories	(11,198)	10,041
Accounts Payable	(1,056,687)	895,498
Accrued Faculty Salaries and Interest	310,800	(256,878)
Student Deposits and Advance Registration Fees	(56,891)	(28,510)
Gift Annuity Contracts	(66,814)	(69,796)
Deferred Tuition Revenue	5,133	91,180
Perkins Loans Refundable	(52,057)	(46,799)
Liability for Self Insurance	(70)	288,039
Postretirement Benefits Liability	3,667,762	11,214,808
Other Liabilities	17,626	16,770
Net Cash Provided by Operating Activities	6,978,253	8,491,979
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(12,930,235)	(9,489,961)
Proceeds from Sales of Investments	74,683,624	9,435,327
Purchase of Investments	(78,269,120)	(14,833,263)
Net Cash Used by Investing Activities	(16,515,731)	(14,887,897)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Sale of Property	749,286	5,602,966
Long-Term Debt Borrowings	-	6,000,000
Payments on Long-Term Debt	(1,187,132)	(955,000)
Cash Contributions with Donor Restrictions	3,516,640	8,984,145
Net Cash Provided by Financing Activities	3,078,794	19,632,111
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,458,684)	13,236,193
Cash and Cash Equivalents - Beginning of Year	32,261,596	19,025,403
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 25,802,912	$ 32,261,596
SUPPLEMENTAL DATA		
Interest Paid	$ 2,437,057	$ 2,345,287

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Bethel University (Bethel) has one great mission:

Boldly informed and motivated by the Christian faith, Bethel University educates and energizes men and women for excellence in leadership, scholarship, and service.

This has been Bethel's calling since it was founded as a seminary for Swedish immigrants in 1871, and throughout its history as a seminary, institute, academy, junior college, as Bethel College & Seminary, and now renamed and reorganized as Bethel University. The institution is committed to being a world-class Christian university preparing women and men to serve in strategic capacities to renew minds, live out biblical truth, transform culture, and advance the gospel.

As a university, Bethel is positioned to carry out this vision as never before. To Christians around the world who seek the finest preparation for work and witness, the name "Bethel University" better conveys a broad scope of faith-based undergraduate, masters, and doctoral programs. In addition, an efficient governance structure improves our ability to serve specialized students such as working adults and executive leaders.

Bethel is a leading resource for Christian higher education. Undergraduate, graduate, and seminary students represent 48 states, the District of Columbia, Puerto Rico, and 38 countries. The university offers a strong international studies program and partners with racially diverse institutions and churches around the world, both urban and rural.

Based in St. Paul, Minnesota with an additional seminary location in San Diego, California, Bethel offers majors, minors, and advanced degrees in nearly 100 relevant fields. Programs are taught by faculty within a distinctly Christian framework, equipping women and men for culturally sensitive leadership, scholarship, and service around the world. Opportunities for spiritual growth occur via chapels, spiritual formation and Bible study groups, pastoral counseling, faculty and peer mentoring, and an outstanding emphasis on outreach ministries.

Bethel is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools and the Association of Theological Schools and is a member of the Christian College Consortium and the Council for Christian Colleges and Universities. It also has specialized accreditations in teacher education, nursing, social work, and athletic training. For the fiscal year ended May 31, 2016, Bethel University served more than 5,700 students including 2,698 in the College of Arts & Sciences, 760 in the Seminary, 1,635 in the Graduate School, and 676 in the College of Adult & Professional Studies. We also provided instruction to 186 high school students through the "College in the Schools" program in Minnesota, and enrolled 12 students in the inaugural year of the Bethel University Inclusive Learning and Development (BUILD) program.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

Bethel is a Minnesota nonprofit corporation. The University is controlled by a 35-member board of trustees who are approved by the delegates from the churches of the Baptist General Conference doing business as Converge Worldwide.

Bethel University Foundation (the Foundation) is incorporated as a nonprofit organization. The Foundation exists for the purpose of enhancing the financial strength of Bethel by supporting endowment growth, facilitating major noncash gifts, and encouraging major gifts through its deferred gift program. The Foundation's year-end is April 30, which differs from the University's year-end of May 31.

Bethel is required to consolidate within its financial statements the net assets of entities that meet certain control considerations. Since the members of the Foundation's Board of Governors are ratified by the Board of Trustees of Bethel, the consolidated financial statements of Bethel include the accounts of the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation. Collectively, the two entities are referred to herein as Bethel.

Accrual Basis

The consolidated financial statements of Bethel have been prepared on the accrual basis of accounting.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Bethel and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets consist primarily of long-lived property and equipment, long-term debt and assets held by the Foundation.

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

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they may be maintained permanently. Generally, the donors of these assets permit Bethel to use all, or part of, the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Investment income, gains and losses on investments, and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily restricted net assets whose restrictions are met in the year the gift is received are recorded as unrestricted revenues in the year received. Temporarily restricted net assets from prior years for which donor-imposed restrictions are met in the current reporting period are reported as net assets released from restrictions. Net assets which have no donor-imposed restrictions are recognized as unrestricted revenues in the year received.

Endowment Funds

Bethel follows the provisions of *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. This provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance 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. Another key component of the Topic is a requirement for expanded disclosures about all endowment funds.

Bethel's endowment consists of approximately 465 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

This law and the related accounting pronouncements affect how Bethel records and reports its endowment funds. Following are disclosures explaining how these new legal and accounting rules impact Bethel:

Interpretation of Relevant Law

The Uniform Prudent Management Institutional Funds Act as enacted in Minnesota (UPMIFA) does not establish a level below which an endowment fund may not fall. Instead, UPMIFA requires that endowment fund investment and spending policies be designed with the aim of preserving the amount of each endowment fund which is prudent for the uses, benefits, purposes, and duration for which each endowment fund was established.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

Interpretation of Relevant Law (Continued)

For accounting purposes only and without any implication for Bethel's legal obligations for administering its endowment funds, Bethel has classified as permanently restricted net assets the following: (a) the original value of gifts donated to its endowment funds, (b) the original value of subsequent gifts to such endowment funds, and (c) accumulations to such endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-restricted endowment fund that is not classified in permanently restricted new assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies

Because UPMIFA does not establish a fixed level below which an endowment fund is not permitted to fall, there are no "deficiencies" in the endowment funds held by Bethel. However, Bethel maintains records of the sum of: (a) the original value of gifts donated to each endowment fund, (b) the original value of subsequent gifts to each endowment fund, and (c) accumulations to each such endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The amounts by which the endowment funds have fallen below such recorded values were $1,655,809 and $286,379 as of May 31, 2016 and 2015, respectively. These differences resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions to endowment funds and continued appropriation for certain programs that was deemed prudent by the board of trustees.

Return Objectives and Risk Parameters

Bethel 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 University must hold indefinitely 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 selected benchmarks for each investment asset class while assuming a moderate level of investment risk. Bethel expects its endowment funds, over time, to provide an average annual rate of return greater than the corresponding benchmark index. Actual returns in any given year may vary from this amount.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Bethel 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). Bethel targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending from endowment funds is intended to benefit Bethel in perpetuity; therefore, the spending policy is intended to achieve a balance between the need to preserve the purchasing power of the endowment principal at the time of the donation and the need to maximize current distribution to support the programs designated by the donors.

In developing its spending policy, Bethel considers certain of the following factors which it determines relevant:

1. The duration and preservation of the fund,
2. The purpose of Bethel and the donor-restricted 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 Bethel, and
7. The investment policies of Bethel.

Spending Policy (Effective June 1, 2016)

The spending formula is set to maintain the long-term purchasing power (or better) of the invested funds while providing a stable source of support for the designated purpose. The current spending allocation formula is:

- Prior fiscal year's spending allocation (adjusted for inflation) (70% weighting), plus
- Current fair market value X 4.5% (30% weighting) and is reset annually each December.

True endowment funds are subject to the Minnesota UPMIFA provisions, while quasi-endowment funds are not. "Underwater" funds (FMV below original gift value) will not have their spending allocation constrained, provided the underwater condition is temporary.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sending Policy (Effective for the Year Ending May 31, 2016)

General Endowment

The spending rate shall not exceed 4.5% of the average fair market value of the fund from the preceding three years and will be used to determine the following fiscal year distribution. If the General Endowment Fund is determined to be "underwater" at the time of the spending calculation, no distribution will be made for that year.

Scholarship Endowment

The spending rate shall not exceed 4.5% of the average fair market value of the fund from the preceding three years. This calculation will be performed at the end of each calendar year and will be used to determine the following fiscal year distribution. If an endowed scholarship is determined to be "underwater" at the time of the spending calculation, then only the accumulated interest and dividend income will be distributed to make scholarship awards for that year. However, the spending rate for specific endowed scholarships may be required to deviate from this spending rate if the governing agreement between the donor and Bethel so necessitates. "Underwater endowment funds" are those where the market value of the endowment is less than its historic dollar value.

Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment nature, including:

- permanently restricted private gifts which are invested in perpetuity
- temporarily restricted private gifts whose use is restricted
- change in gift annuity contracts and change in present value of remainder interest in trusts
- endowment investment earnings reinvested, and restricted as to use
- endowment investment earnings above the spending policy
- investment income from the Foundation

Nonoperating expenses include items that are of a long-term nature or non-recurring types of expenses. For the years ended May 31, 2016 and 2015, there was $-0- and $36,207, respectively, of non-recurring expenses included within nonoperating activities. These expenses are classified functionally as Institutional Support.

Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds and certificates of deposit to be used for Bethel's short-term needs, with maturities at the time of purchase of three months or less, and are recorded at cost, which approximates market value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Receivables are stated at net realizable value. Bethel provides an allowance for doubtful accounts using the allowance method, which is based on management judgment considering historical information. Accounts that are past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for doubtful accounts for the years ended May 31, 2016 and 2015 were $1,292,459 and $1,051,794, respectively.

Contributions Receivable

Pledges receivable represent unconditional promises to give to Bethel. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the pledges are received.

Student Loans Receivable

Student loans consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition, therefore, no allowance for uncollectible accounts is recorded.

Inventories

Inventories consist of books, clothing, and other bookstore merchandise held for resale and are stated at the lower of cost or market with cost determined by the first-in, first-out or specific identification method.

Investments

Money market funds and certificates of deposit are recorded at cost, which approximates fair value. Investments in securities are stated at quoted market prices. Investments in real estate are stated at cost or at estimated fair value. Changes in market values are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and recorded based on trade dates.

Bethel invests in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position. Investments in debt securities and marketable securities are carried at fair value, based upon quoted market prices or values provided by external investment managers.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest in Trust Assets

Bethel is the ultimate beneficiary of certain funds held in trust by the Foundation. The Foundation, as a trustee, has entered into various trust agreements which provide that the trustee shall make specified annual payments to the grantors or other income beneficiaries. Upon the death of the grantors or other designated beneficiaries, the remaining assets in the trusts shall be disposed of by the Foundation in accordance with the terms of the agreements.

Bethel's interest is recorded at present value, calculated based on a formula involving (a) specified annual payments to the grantors or other income beneficiaries, (b) mortality of grantors or beneficiaries, (c) assumed investment return of 8%, and (d) a present value factor reflecting a risk-weighted rate at the date of the gift, 6% for trusts established during fiscal year 2003 and thereafter, 8% for trusts established during fiscal years 1997 through 2002 and 10% for trusts established prior to 1997. These assets are classified as either permanently or temporarily restricted, depending on donor-imposed restrictions for the use of the funds upon maturity of the trust.

Bethel does not record any net interest in trusts which are revocable or in which it does not have defined remainder interest.

Property and Equipment

Property and equipment are stated at cost, except those received as gifts or bequests which are stated at estimated fair market value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings (30-50 years), land improvements (15 years), equipment (5-10 years), and library books (15-25 years). The University capitalizes individual expenditures of at least $5,000 unless smaller expenditures are part of a larger capital project.

Collections

Bethel's collections, which were acquired through purchases and contributions since Bethel's inception, are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the consolidated financial statements. Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Bethel's collections are made up of pottery, prints, musical instruments, and paintings that are held for educational and performance purposes. Each of the items are cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gift Annuity Contracts

Gift annuity contracts represent Bethel's liability under annuity contracts with donors. The liability is established at the time of the contribution using actuarial tables and revalued at the end of each fiscal year. Actuarial gains and losses resulting from the annual re-evaluation of annuity obligations are included in the other sources (uses) in nonoperating activities and reflected as temporarily restricted or permanently restricted, consistent with the method used to initially record the contributions.

Government Grants and Contract Funds

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as grant advances. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Bethel will record such disallowances at the time the determination is made.

Deferred Revenue

Bethel records cash received for future services as deferred revenue. The revenue is recognized when services are provided. At May 31, 2016 and 2015, deferred revenue consists primarily of unearned tuition and student deposits.

Fair Value Measurements

Bethel follows the provisions of *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. *Fair Value Measurements* established a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date.

Bethel accounts for its investments at fair value. In accordance with *Fair Value Measurements*, Bethel has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. Government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumption market participants would use in pricing the asset.

Federal Income Taxes

Bethel has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. Contributions are also tax deductible. Bethel has no obligation for unrelated business income tax. Accordingly, no provisions for federal or state income taxes are required.

Bethel has adopted Accounting for Uncertainty in Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible those changes in the values will occur in the near term and that such changes could materially affect the consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The majority of Bethel's cash and cash equivalents are concentrated in one bank.

Functional Expenses

Expenses are directly coded to programs or support services whenever possible. Expenses which are not directly identifiable by program or support service are allocated based on square footage or the best estimates of management.

Program expenses are categorized as Instructional, Academic Support, Public Service, Student Services, and Auxiliary Services. General and administrative and fundraising expenses are included in Institutional Support. Fundraising expenses approximated $2,000,000 and $1,900,000 for the years ended May 31, 2016 and 2015, respectively.

Advertising Expense

Advertising is expensed as incurred. Advertising expense for the years ended May 31, 2016 and 2015 was $2,229,559 and $2,080,882, respectively.

Subsequent Events

In preparing these financial statements, Bethel has evaluated events and transactions for potential recognition or disclosure through October 19, 2016, the date the financial statements were available to be issued.

NOTE 3 ACCOUNTS RECEIVABLE

Receivables as of May 31 are as follows:

	2016	2015
Student Tuition and Fees	$ 5,857,252	$ 5,325,110
Less: Allowance for Doubtful Accounts - Students	(1,292,459)	(1,051,794)
Total	$ 4,564,793	$ 4,273,316

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at May 31:

	2016	2015
Unconditional Promises Expected to be Collected in:		
Less Than One Year	$ 623,141	$ 128,100
One to Five Years	278,467	418,000
Total Contributions Receivable	901,608	546,100
Allowance	(36,932)	(37,289)
Discount (4% for 2016 and 2015)	(31,309)	(3,514)
Total Contributions Receivable, Net	$ 833,367	$ 505,297

The allowance is determined based on management's best estimate of collectability. The allowance was $36,932 and $37,289 as of May 31, 2016 and 2015, respectively.

NOTE 5 STUDENT LOANS RECEIVABLE

Bethel issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At May 31, 2016 and 2015, student loans represented 1.3% and 1.3% of total assets, respectively.

At May 31, student loans consisted of the following:

	2016	2015
Federal Government Programs	$ 2,584,439	$ 2,603,650

There was no allowance for doubtful accounts related to the student loans as of May 31, 2016 and 2015.

Funds advanced by the Federal government of $3,031,786 and $3,055,083 at May 31, 2016 and 2015, respectively, for Perkins Loans are partially refundable to the government and are classified as liabilities in the consolidated statement of financial position.

At May 31, 2016 and 2015, the following amounts were past due under student loan programs:

	1 - 60 Days Past Due	60 - 90 Days Past Due	90+ Days Past Due	Total Past Due
2016	$ 3,576	$ 1,843	$ 140,127	$ 145,545
2015	$ 1,897	$ 1,028	$ 117,776	$ 120,701

NOTE 6 INVESTMENTS

Investments consist of the following at May 31:

	2016		2015	
	Cost	Market	Cost	Market
Certificates of Deposit and Money Market Funds	$ 3,150,655	$ 3,150,655	$ 2,503,447	$ 2,503,447
Stocks, Principally Common	1,127,150	1,219,820	1,018,610	1,101,817
Mutual Funds - Domestic Equity	7,355,000	7,764,909	7,309,604	7,857,488
Mutual Funds - Domestic Fixed	3,939,058	4,171,065	4,010,243	4,322,799
Mutual Funds - Balanced	12,001,065	12,659,935	8,563,971	9,753,552
Mutual Funds - International Equity	5,256,005	5,307,953	9,781,907	10,419,320
Mutual Funds - International Bonds	2,247,772	2,114,025	-	-
Hedge Funds	16,733,295	17,467,633	15,149,904	17,356,884
Real Estate Investments	170,002	253,000	260,002	280,000
Total Investments	$ 51,980,002	$ 54,108,995	$ 48,597,688	$ 53,595,307

The components of investment earnings are summarized below:

	2016	2015
Realized Gains (Losses)	$ (197,239)	$ 815,141
Unrealized (Losses)	(2,868,626)	(712,396)
Interest and Dividends	704,679	1,520,616
Total	$ (2,361,186)	$ 1,623,361

Investment income consists of the following items from the consolidated statement of activities: investment income, endowment income, and undistributed endowment earnings.

NOTE 7 FAIR VALUE MEASUREMENTS

Bethel uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how Bethel values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies.

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis for the year ended May 31:

	2016			
	Level 1	Level 2	Level 3	Total
University Investments:				
Stocks, Principally Common	$ 1,219,820	$ -	$ -	$ 1,219,820
Mutual Funds - Domestic Equity	6,833,289	-	-	6,833,289
Mutual Funds - Domestic Fixed	3,754,566	-	-	3,754,566
Mutual Funds - Balanced Fund	12,314,548	-	-	12,314,548
Mutual Funds - International Equity	4,618,158	-	-	4,618,158
Mutual Funds - International Bond	2,000,433	-	-	2,000,433
Total University	30,740,814	-	-	30,740,814
Foundation General Fund Investments:				
Mutual Funds - Domestic Equity	931,620	-	-	931,620
Mutual Funds - Domestic Fixed	416,499	-	-	416,499
Mutual Funds - Balanced Fund	345,387	-	-	345,387
Mutual Funds - International Equity	689,795	-	-	689,795
Mutual Funds - International Bond	113,592			113,592
Real Estate Investments	-	-	253,000	253,000
Total Foundation	2,496,893	-	253,000	2,749,893
Foundation Trust Fund Investments:				
Stocks, Principally Common	687,386	-	-	687,386
Mutual Funds - Balanced	13,708,450	-	-	13,708,450
Land and Other Real Estate	-	-	-	-
Total Foundation Trust Fund	14,395,836	-	-	14,395,836
Total Foundation	16,892,729	-	253,000	17,145,729
Total University and Foundation Fund Investments	$ 47,633,543	$ -	$ 253,000	$ 47,886,543

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis for the year ended May 31:

	2015			
	Level 1	Level 2	Level 3	Total
University Investments:				
Stocks, Principally Common	$ 1,101,817	$ -	$ -	$ 1,101,817
Mutual Funds - Domestic Equity	6,808,112	-	-	6,808,112
Mutual Funds - Domestic Fixed	3,829,178	-	-	3,829,178
Mutual Funds - Balanced	9,753,552	-	-	9,753,552
Mutual Funds - International Equity	9,218,015	-	-	9,218,015
Hedge Funds	-	-	-	-
Total University	30,710,674	-	-	30,710,674
Foundation General Fund Investments:				
Mutual Funds - Domestic Equity	1,049,376	-	-	1,049,376
Mutual Funds - Domestic Fixed	493,621	-	-	493,621
Mutual Funds - International Equity	1,201,305	-	-	1,201,305
Hedge Funds	-	-	-	-
Real Estate Investments	-	-	280,000	280,000
Total Foundation	2,744,302	-	280,000	3,024,302
Foundation Trust Fund Investments:				
Stocks, Principally Common	739,424	-	-	739,424
Mutual Funds - Balanced	14,043,185	-	-	14,043,185
Total Foundation Trust Fund	14,782,609	-	-	14,782,609
Total Foundation	17,526,911	-	280,000	17,806,911
Total University and Foundation Fund Investments	$ 48,237,585	$ -	$ 280,000	$ 48,517,585

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

The totals above do not include certain amounts as they are not measured on a recurring basis at fair value. The table below reconciles total University and Foundation investments and interest in trust assets as of May 31:

	2016			
		Foundation		
	University	General Fund	Trust Fund	Total
Total Investments and Interest in Trust Assets	$ 49,447,145	$ 4,661,850	$ 15,167,903	$ 69,276,898
Investments not Measured at Fair Value on a Recurring Basis:				
Cash and Cash Equivalents	(3,150,656)	-	(524,054)	(3,674,710)
Investment Contract	-	-	-	-
Annuity Contracts	-	-	(248,013)	(248,013)
Hedge Funds Measured at Net Asset Value	(15,555,675)	(1,911,957)	-	(17,467,632)
Total Investments and Interest in Trust Assets Measured at Fair Value on a Recurring Basis	$ 30,740,814	$ 2,749,893	$ 14,395,836	$ 47,886,543

The table below reconciles total University and Foundation investments and interest in trust assets as of May 31:

	2015			
		Foundation		
	University	General Fund	Trust Fund	Total
Total Investments and Interest in Trust Assets	$ 48,513,215	$ 5,082,092	$ 15,701,088	$ 69,296,395
Investments Not Measured at Fair Value on a Recurring Basis:				
Cash and Cash Equivalents	(2,503,447)	-	(102,797)	(2,606,244)
Investment Contract	-	-		-
Annuity Contracts	-	-	(815,682)	(815,682)
Hedge Funds Measured at Net Asset Value	(15,299,094)	(2,057,790)	-	(17,356,884)
Total Investments and Interest in Trust Assets Measured at Fair Value on a Recurring Basis	$ 30,710,674	$ 3,024,302	$ 14,782,609	$ 48,517,585

<u>Assets Measured Using Net Asset Value per Share (or it's Equivalent)</u>

Bethel values certain investment holdings at fair value using their net asset value and has the ability to redeem its investments with the investee at the net asset value per share (or its equivalent) at the measurement date.

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured Using Net Asset Value per Share (or its Equivalent) (Continued)

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of May 31, 2016:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Acadian Non-US All Cap Equity Fund	$ 3,227,972	$ -	90 days	Monthly
Aurora Offshore Fund Ltd II	1,450,093	-	90-120 days	Monthly
Blackstone Resources Select Offshore Fund Ltd	1,712,901	-	90 days	Monthly
Forester Offshore Ltd	2,411,803	-	90 days	Monthly
GAM Unconstrained Bond Fund	2,451,050	-	90 days	Monthly
Prisma Spectra Fund	1,435,398	-	90 days	Monthly
SSGA S&P 500 R Index NL CTF	3,014,572	-	90 days	Monthly
UBP Selectinvest MultiStrategy Ltd	2,596	-	N/A	Liquidating 100%
Wellington Trust Company (WTC) Small Cap Value	1,761,246	-	90 days	Monthly
Total	$ 17,467,631	$ -		

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of May 31, 2015:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
AQR Grp El Offshore Fund Ltd	$ 4,111,640	$ -	90 days	Monthly
Aurora Offshore Fund Ltd II	1,991,348	-	90-120 days	Monthly
Blackstone Resources Select Offshore Fund Ltd	1,556,089	-	90 days	Monthly
Forester Offshore Ltd	4,144,616	-	90 days	Monthly
GAM Unconstrained Bond Fund	2,449,706	-	90 days	Monthly
Prisma Spectra Fund	2,002,104	-	90 days	Monthly
UBP Selectinvest MultiStrategy Ltd	89,235	-	N/A	Liquidating 100%
Wellington Trust Company (WTC) Small Cap Value	1,012,146	-	90 days	Monthly
Total	$ 17,356,884	$ -		

Acadian Non-US All Cap Equity Fund – Hedged seeks to provide institutional clients with the opportunity to capture long-term capital appreciation by investing in a portfolio non-US equity securities across the full range of market capitalization. The strategy invests in developed markets and opportunistically within emerging markets, and employs currency hedging in an effort to reduce the impact of currency movements relative to the US dollar.

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured Using Net Asset Value per Share (or its Equivalent) (Continued)

Aurora Offshore Fund Ltd II is a Fund of Funds which diversifies its holdings among broad categories of investment strategies including relative value arbitrage, opportunistic, distressed assets, merger/event driven arbitrage, and short selling. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Blackstone Resources Select Offshore Fund Ltd. is a global alternative asset manager and provider of financial advisory services. It is a long-biased, multi-manager commodity fund, designed to outperform traditional commodity index products. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Forester Offshore, LTD generally invests with Fund Managers that employ a classic hedge fund approach by taking short positions as well as long positions typically in equity securities and may utilize leverage to magnify the effects of stock selection. The fair value of the fund in this category has been estimated using the net asset value per share of the investments.

GAM Unconstrained Bond Fund focuses on capturing the inherent inefficiencies that exist in global fixed income markets. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Prisma Spectra Fund, through advanced portfolio construction techniques and an integrated, quantitative approach to risk management, seeks to deliver superior performance to the global institutional investor community. They offer moderate and low-volatility commingled products and separate accounts to meet a range of risk/return objectives. The unobservable inputs used to determine the fair value of the fund in this category has been estimated using the net asset value per share of the investments.

SSGA S&P 500 R Index NL CTF seeks to replicate as closely as possible, before expenses, the performance of the Standard & Poor's® 500 Index. The funds seeks to achieve its investment objective by investing substantially all of its assets in the Portfolio, the "master fund" that has the same investment objective as, and investment policies strategies and risks that are substantially similar to those of, the fund. It will not invest less than 80% of its total assets in stocks in the index.

UBP Selectinvest MultiStrategy Ltd. is a Fund of Funds whose investments include distressed asset funds, equity long/short funds, event driven funds, and global macro funds. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investment. Selectinvest is currently being liquidated.

Wellington Trust Company (WTC) – Small Cap Value Fund, investment objective is long-term total return in excess of the Russell 2000 Value Index on a total return basis. The fair value of the fund has been estimated using the net asset value per share of the investments.

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Measured Using Net Asset Value per Share (or its Equivalent) (Continued)

The following tables provide a summary of changes in fair value of the University and Foundation's Level 3 financial assets for the years ended May 31:

2016	University	Foundation	Total
Balances as of June 1, 2015	$ -	$ 280,000	$ 280,000
Addition	-	-	-
Net Realized and Unrealized Losses on Investments	-	(27,000)	(27,000)
Distributions	-	-	-
Balances as of May 31, 2016	$ -	$ 253,000	$ 253,000

2015	University	Foundation	Total
Balances as of June 1, 2014	$ -	$ 252,000	$ 252,000
Addition	-	-	-
Net Realized and Unrealized Gains on Investments	-	28,000	28,000
Distributions	-	-	-
Balances as of May 31, 2015	$ -	$ 280,000	$ 280,000

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment as of May 31 are as follows:

	2016	2015
Land and Land Improvements	$ 9,793,067	$ 9,820,067
Buildings and Building Improvements	152,966,556	140,992,020
Furniture and Equipment	35,517,164	30,779,608
Construction in Progress	-	5,416,695
Subtotal	198,276,787	187,008,390
Less: Accumulated Depreciation	(87,310,181)	(82,493,392)
Total	$ 110,966,606	$ 104,514,998

Depreciation expense totaled $5,283,410 and $4,797,601 for the years ended May 31, 2016 and 2015, respectively.

NOTE 9 BANK LINE OF CREDIT AND DEMAND NOTES PAYABLE

Bethel has an annually renewable $6,000,000 revolving credit agreement with a bank. This agreement expired on March 25, 2015 and Bethel did not renew the agreement.

On May 28, 2015, Bethel entered into a $6,000,000 term loan with a bank. This agreement expires on July 31, 2017. Interest on the outstanding term loan balance is payable monthly at the Daily Reset LIBOR Rate plus 2.25% (2.4% at May 31, 2016). At May 31, 2016 and May 31, 2015, the balance outstanding on the loan was $6,000,000.

NOTE 10 LONG-TERM DEBT

Long-term debt payable consists of the following at May 31:

Description	Collateral	2016	2015
Minnesota Higher Education Facilities Authority, Revenue Bonds, Series Six-R, 5.5% fixed rate, due in annual installments of $860,000 to $3,110,000 starting May 2013 to May 2037	Gross Revenues of the University	$ 40,265,000	$ 41,275,000
US Bank Term Note, 2.25% plus the Daily Reset LIBOR Rate, due on July 31, 2017	N/A	6,000,000	6,000,000
Less: Unamortized Debt Issuance Costs		(809,585)	(847,835)
Total Long-Term Debt		$ 45,455,415	$ 46,427,165

The balance of accrued interest on outstanding long-term debt was $184,548 and $189,177 as of May 31, 2016 and 2015, respectively.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt for the next five years aggregate:

Fiscal Year	Long-Term Debt
2017	$ 1,264,361
2018	7,335,606
2019	1,407,486
2020	1,255,000
2021	1,315,000
Thereafter	34,320,000
Unamortized Debt Issuance Costs	(809,585)
Total	46,087,868
Less: Cumulative Scheduled Payments on Capitalized Lease Obligations	(632,453)
Total	$ 45,455,415

The US Bank Term Note and the Series Six-R Revenue Bonds require Bethel to comply with various covenants. Management is not aware of any violations of the covenants.

NOTE 11 SELF FUNDED HEALTH INSURANCE

Bethel has a self-funded health care plan which provides medical benefits to its employees. Health care cost is expensed as incurred. The health care expense is based upon actual claims paid, reinsurance premiums, administrative fees and unpaid claims at year-end. An accrual for claims outstanding of $685,772 and $685,842 has been recorded at May 31, 2016 and 2015, respectively. Management believes this liability is sufficient to cover estimated claims including claims incurred but not yet reported.

NOTE 12 RETIREMENT PLANS

Bethel has a defined benefit pension plan which covers substantially all full-time employees. No new plan participants may enter the plan after January 1, 2006. Benefits are based on years of service and each employee’s highest average compensation during five consecutive years of employment. Bethel’s policy is to annually fund pension cost accrued.

Bethel follows the recognition provisions of *Employers’ Accounting for Defined Pension and Other Postretirement Plans*, which requires that the funded status of defined benefit pension and other postretirement plans be fully recognized in the consolidated statements of financial position.

NOTE 12 RETIREMENT PLANS (CONTINUED)

As of June 1, 2013 Bethel froze its defined benefit plan for all participants such that no participant shall accrue any additional benefit on or after June 1, 2013. This change will not impact either current retirees' pension benefits nor terminated vested participants' future pension benefits. There are approximately 220 active employees in this plan that had their accruals frozen. Consequently, all accrued years of service and pay for these employees will remain intact; however no additional years of service or pay will be accumulated and added to the plan.

The changes in the projected benefit obligation are as follows:

	2016	2015
Change in Projected Benefit Obligation		
Benefit Obligation - Beginning of Year	$ 94,432,736	$ 92,297,812
Service Cost	-	-
Interest Cost	3,699,337	3,616,633
Benefits Paid	(3,990,378)	(12,156,064)
Actuarial Loss	682,378	12,727,983
Effect of Curtailment	-	(2,053,628)
Benefit Obligation - End of Year	$ 94,824,073	$ 94,432,736
Change in Plan Assets		
Fair Value of Plan Assets - Beginning of Year	$ 56,008,826	$ 65,223,501
Employer Contributions	2,700,000	1,000,000
Benefits Paid	(3,990,378)	(12,156,064)
Actual Return on Plan Assets	(2,287,006)	1,941,389
Fair Value of Plan Assets - End of Year	$ 52,431,442	$ 56,008,826
Funded Status - End of Year	$ (42,392,631)	$ (38,423,910)
Components of Net Periodic Pension Cost		
Service Cost	$ -	$ -
Interest Cost	3,699,337	3,616,633
Expected Return on Plan Assets	(4,327,240)	(4,753,816)
Amortization of Unrecognized Transition Asset	-	-
Amortization of Unrecognized Prior Service Cost	-	-
Amortization of Unrecognized Net Actuarial Loss	2,701,991	1,451,540
Settlement/Curtailment Loss	-	3,162,213
Net Periodic Pension Cost	$ 2,074,088	$ 3,476,570
Funded Status of Benefit Obligations		
Projected Benefit Obligation	$ 94,824,073	$ 94,432,736
Accumulated Benefit Obligation	94,824,073	94,432,736
Fair Value of Plan Assets	52,431,442	56,008,820

NOTE 12 RETIREMENT PLANS (CONTINUED)

Basis Used to Determine Expected Long-Term Rate of Return

The determination of the long-term rate of return on assets was developed based on the mix of assets in the portfolio. Based on an overall mix of approximately 50% of plan assets invested in equities, 25% in fixed income, 10% in global asset allocations, and 15% in other investments, the overall expected long-term rate of return is assumed to be 7.5%. The investment policy for the plan is to mirror the above mix percentages.

The percentage of the fair value of total plan assets held as of May 31 (the measurement date) by asset category is as follows:

	2016	2015
Equity Securities	44.0%	45.0%
Fixed Income	28.0	24.0
Global Asset Allocation	9.0	9.0
Other Investments	19.0	22.0
Total	100.0%	100.0%

The plan uses fair value measurement to record fair value adjustments to certain assets and to determine fair value disclosures. The following tables present the fair value hierarchy for the balances of the assets of the plan measured at fair value on a recurring basis as of May 31:

2016	Level 1	Level 2	Level 3	Total
Bonds	$ 5,897,888	$ -	$ -	$ 5,897,888
Mutual Funds	22,831,122	-	-	22,831,122
Other Investments	.	23,702,432	-	23,702,432
Total	$ 28,729,010	$ 23,702,432	$ -	$ 52,431,442

2015	Level 1	Level 2	Level 3	Total
Bonds	$ 5,132,089	$ -	$ -	$ 5,132,089
Mutual Funds	31,341,806	-	-	31,341,806
Other Investments	-	19,534,925	-	19,534,925
Total	$ 36,473,895	$ 19,534,925	$ -	$ 56,008,820

Bethel's investment policy requires that the assets of the plan are invested in a manner consistent with the fiduciary standard of Employee Retirement Income Security Act of 1974 (ERISA); namely, (a) the safeguards and diversity to which a prudent investor would adhere must be present and (b) all transactions undertaken on behalf of the plan must be for the sole interest of plan participants and their beneficiaries, to provide benefits in a prudent manner. The primary investment emphasis is to attain or improve upon the surplus of assets over the present value of liabilities.

NOTE 12 RETIREMENT PLANS (CONTINUED)

Basis Used to Determine Expected Long-Term Rate of Return (Continued)

The plan shall provide the highest possible return consistent with prudent diversification. The investment assumption of the plan is to earn a long-term total return of 7.5%. The actual mix shown above is within targeted ranges of the asset mix that Bethel believes will support the long-term objective.

Bethel has budgeted to contribute $3,000,000 to the plan during fiscal year 2017.

The following benefit disbursements are expected:

Fiscal Year	Amount
2017	$ 4,346,927
2018	4,649,301
2019	4,860,993
2020	5,051,566
2021	5,273,547
2022-2026	28,270,721
Total	$ 52,453,055

Weighted average assumptions used to determine net periodic benefit costs are as follows:

	2016	2015
Economic Assumptions - Used to Determine 05/31 Benefit Obligations		
Discount Rate	3.75%	4.00%
Rate of Compensation Increase	N/A	N/A
`		
Economic Assumptions - Used to Determine Net Periodic Pension Cost		
Discount Rate	4.00%	4.00%
Rate of Compensation Increase	N/A	N/A
Expected Long-Term Return on Plan Assets	7.50%	7.50%

Bethel also has a noncontributory defined contribution retirement plan which covers substantially all employees. Bethel contributes amounts, determined by management, based on participant's annual compensation level. Expense for this plan was $1,154,123 and $1,142,880 during the fiscal years 2016 and 2015, respectively.

Both Bethel's defined benefit plan and defined contribution retirement plans are qualified as "church plans" by the Internal Revenue Service and thus are generally exempt from the provisions of ERISA unless management makes an election to adhere to its regulations. Management does not currently intend to make that election.

NOTE 13 POSTRETIREMENT BENEFITS

Bethel has a Retiree Medical Plan with 44 active participants, four retirees and surviving spouses, and two dependents.

The following is the annual expense for the plan recognized on Bethel's consolidated statement of activities and changes in net assets:

	2016	2015
Postretirement Welfare Benefit Cost		
Service Cost	$ 1,766	$ 3,182
Interest Cost	16,327	21,326
Amortization of Unrecognized Prior Service Cost	(25,255)	(17,919)
Amortization of Unrecognized Net Actuarial Loss (Gain)	(43,742)	(3,416)
Special Termination Benefits	-	-
Curtailment Loss (Gain)	-	-
Net Periodic Pension Cost	$ (50,904)	$ 3,173
Assumptions Used to Determine Net Periodic Pension Cost for Years Ended May 31		
Discount Rate	3.75%	4.00%
Plan Trend Prior to Age 65:		
First Year	5.00%	7.20%
Ultimate	3.80%	4.30%
Years to Reach Ultimate	55	55

The funded status of the plan as of May 31:

	2016	2015
Accumulated Postretirement Benefit Obligation		
Fully Eligible Actives	$ (94,489)	$ (270,864)
Other Actives	-	(54,523)
Retirees	(81,306)	(151,361)
Total	(175,795)	(476,748)
Fair Value of Assets	-	-
Funded Status	$ (175,795)	$ (476,748)

NOTE 13 POSTRETIREMENT BENEFITS (CONTINUED)

The following is the amount recognized in the consolidated statement of financial position as of May 31:

	2016	2015
Amounts Recognized in the Statement		
Postretirement Benefits Liability	$ (175,795)	$ (476,748)

NOTE 14 NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or satisfying time expirations. Releases in 2016 and 2015 were $10,203,756 and $700,505, respectively.

Total temporarily restricted net assets as of May 31 were as follows:

	2016	2015
Trusts	$ 3,954,669	$ 4,097,629
Scholarships and Other Programs	15,008,252	25,369,600
Total Temporarily Restricted Net Assets	$ 18,962,921	$ 29,467,229

Total permanently restricted net assets as of May 31 were as follows:

	2016	2015
Scholarship Endowments	$ 21,513,928	$ 20,782,157
General and Program Endowments	8,725,285	8,634,726
Endowment for Advancement of Children's Ministries	2,102,000	2,102,000
Trusts	962,498	924,891
Total Permanently Restricted Net Assets	$ 33,303,711	$ 32,443,774

NOTE 15 ENDOWMENT

Endowment by Net Asset Class for the Years Ended

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Donor-Restricted Endowment Funds	$ (1,655,809)	$ 6,342,306	$ 32,341,213	$ 37,027,710
Board-Designated Endowment Funds	4,724,749	-	-	4,724,749
Total Funds	$ 3,068,940	$ 6,342,306	$ 32,341,213	$ 41,752,459

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Donor-Restricted Endowment Funds	$ (286,379)	$ 8,460,322	$ 31,518,883	$ 39,692,826
Board-Designated Endowment Funds	410,651	-	-	410,651
Total Funds	$ 124,272	$ 8,460,322	$ 31,518,883	$ 40,103,477

Changes in Endowment Net Assets for the Years Ended

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Endowment Investments, May 31, 2015	$ 124,272	$ 8,460,322	$ 31,518,883	$ 40,103,477
Investment Income (Loss)	(1,284,862)	(755,210)	-	(2,040,072)
Contributions	4,229,530	-	822,330	5,051,860
Appropriations of Endowment Assets for Expenditure	-	(1,362,806)	-	(1,362,806)
Endowment Transfer	-	-	-	-
Endowment Investments, May 31, 2016	$ 3,068,940	$ 6,342,306	$ 32,341,213	$ 41,752,459

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Endowment Investments, May 31, 2014	$ 242,935	$ 8,871,179	$ 28,415,043	$ 37,529,157
Investment Income (Loss)	(118,663)	783,602	-	664,939
Contributions	-	-	3,103,840	3,103,840
Appropriations of Endowment Assets for Expenditure	-	(1,194,459)	-	(1,194,459)
Endowment Transfer	-	-	-	-
Endowment Investments, May 31, 2015	$ 124,272	$ 8,460,322	$ 31,518,883	$ 40,103,477

NOTE 16 RELATED PARTY TRANSACTIONS

Bethel received $660,939 and $272,676 in contributions from trustee members during the years ended May 31, 2016 and 2015, respectively.

Bethel also had $360,208 in pledges outstanding from trustee members as of the year ended May 31, 2016.

Bethel University has agreed to provide certain support services to the Foundation including providing office space and associated expenses at no cost. These operating costs were paid by Bethel University. The value of such services was $391,389 and $370,697 for fiscal years ended May 31, 2016 and 2015, respectively. Employees of the Foundation also participate in Bethel's insurance and health benefit plans.

Bethel also receives distributions of funds from the Foundation to be used for various purposes. The total value of such distributions was $6,021 and $4,048,612 for fiscal years ended May 31, 2016 and 2015, respectively. Distributions have been eliminated in the consolidation of the financial statements of Bethel University and the Foundation.

NOTE 17 COMMITMENTS

During the 2008 fiscal year, Bethel entered into an agreement for ice rink and dedicated locker room use for a period of 20 years. The agreement ends in November 2026 and includes a monthly fee of $9,058 in addition to allocated operating expenses. The outstanding commitment as of May 31, 2016 was $1,032,612.

During the 2010 fiscal year, Bethel entered into an agreement to lease classroom and office space in Bloomington, Minnesota. The lease previously required monthly rental payments of $11,463 to $13,612 through August of 2019. The lease was terminated in fiscal year 2016 and paid a lease termination fee totaling $307,180. The outstanding commitment as of
May 31, 2016 is $-0-. The University was also required to pay monthly operating expenses.

Bethel also has a lease agreement for a maintenance shop near the Arden Hills campus. This lease requires monthly rental payments of approximately $2,500 and ends in 2018. The outstanding commitment as of May 31, 2016 was $51,100.

During the 2014 fiscal year, Bethel entered into a lease agreement for a building in which Bethel uses for office and general education purposes and sub leases a portion of the building to other tenants. During the 2016 fiscal year the University purchased the building from a Bethel University related party. This lease previously required monthly rental payments of $15,000, but was amended to $7,500 due to the building being partially purchased by the University in fiscal year 2015. The outstanding commitment as of May 31, 2016 was $-0-.

NOTE 17 COMMITMENTS (CONTINUED)

During 2016, Bethel entered into an equipment lease that qualifies as a capital lease. The total amount capitalized was $855,670 and is being depreciated over four years. Annual lease payments are required in the amount $235,036 through September 1, 2018. Principal payments due are included in the long-term debt Note 10.

The following is a schedule of future minimum lease payments due through the terms of these leases:

Year Ending May 31,	Amount
2017	$ 139,196
2018	129,296
2019	108,696
2020	108,696
2021	108,696
Thereafter	489,132
Total	$ 1,083,712

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Bethel University
St. Paul, Minnesota

We have audited the consolidated financial statements of Bethel University, a nonprofit Minnesota corporation, sponsored by the churches of the Baptist General Conference (dba: Converge Worldwide) for the years ended May 31, 2016 and 2015, and our report thereon dated October 19, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 36 through 38, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 19, 2016

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
DETAIL SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MAY 31, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED MAY 31, 2015)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2016							2015
	Unrestricted							
	General	Long-Lived Assets	Release From Temporarily Restricted	Total	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND OTHER ADDITIONS								
Tuition and Instructional Fees, Net of Institutionally Funded aid of $35,714,492 and $34,053,322 for 2016 and 2015, Respectively	$ 69,679,905	$ -	$ -	$ 69,679,905	$ -	$ -	$ 69,679,905	$ 70,822,149
Contributions, Gifts and Bequests	3,414,244	-	-	3,414,244	-	-	3,414,244	2,999,179
Grants, Primarily Federal and State Financial Aid	1,730,503	-	-	1,730,503	-	-	1,730,503	2,644,833
Auxiliary Services	20,934,591	-	-	20,934,591	-	-	20,934,591	20,883,098
Endowment Income	1,304,336	-	-	1,304,336	-	-	1,304,336	1,340,938
Other Sources, Primarily Student Charges	6,860,526	(450,964)	-	6,409,562	-	-	6,409,562	3,880,206
Investment Loss, Net	(6,593)	(70)	-	(6,663)	-	-	(6,663)	89,536
Net Assets Released from Restrictions	251,478	9,498,578	453,700	10,203,756	(10,203,756)	-	-	-
Total Revenues and Other Additions	104,168,990	9,047,544	453,700	113,670,234	(10,203,756)	-	103,466,478	102,659,939
EXPENDITURES AND OTHER DEDUCTIONS								
Instructional	38,212,111	1,720,016	128,637	40,060,764	-	-	40,060,764	37,283,901
General Operating:								
Academic Support	10,289,635	438,523	4,356	10,732,514	-	-	10,732,514	8,721,170
Institutional Support	29,396,014	1,630,969	28,989	31,055,972	-	-	31,055,972	24,577,593
Public Service	1,141,999	21,134	-	1,163,133	-	-	1,163,133	1,104,600
Student Services	7,810,058	644,576	290,715	8,745,349	-	-	8,745,349	7,799,520
Auxiliary Services	15,044,504	2,273,871	1,003	17,319,378	-	-	17,319,378	20,224,126
Total Expenditures and Other Deductions	101,894,321	6,729,089	453,700	109,077,110	-	-	109,077,110	99,710,910
NET SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES	2,274,669	2,318,455	-	4,593,124	(10,203,756)	-	(5,610,632)	2,949,029
NONOPERATING ACTIVITIES								
Contributions, Gifts and Bequests	-	7,180,489	-	7,180,489	2,694,310	822,330	10,697,129	9,003,495
Endowment Income	-	-	-	-	402,372	-	402,372	115,197
Change in Gift Annuity	-	-	-	-	307,887	-	307,887	(444,384)
Other Sources (Uses)	8,489	1,754,996	-	1,763,485	(848,052)	-	915,433	4,002,209
Undistributed Endowment Earnings	-	(1,369,432)	-	(1,369,432)	(2,372,258)	-	(3,741,690)	(790,509)
Investment Income	-	(319,797)	-	(319,797)	256	-	(319,541)	868,199
Change in Present Value of Remainder Interests in Trusts	-	-	-	-	(485,067)	37,607	(447,460)	292,726
Allocation Among Unrestricted Funds:								
Plant Facilities Allocation	(540,982)	540,982	-	-	-	-	-	-
Long-Term Debt Reduction	(1,010,000)	1,010,000	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-
Net Surplus from Nonoperating Activities	(1,542,493)	8,797,238	-	7,254,745	(300,552)	859,937	7,814,130	13,046,933
INCREASE (DECREASE) IN NET ASSETS BEFORE CHANGE IN PENSION LIABILITY	732,176	11,115,693	-	11,847,869	(10,504,308)	859,937	2,203,498	15,995,962
CHANGE IN PENSION LIABILITY	(3,667,762)	-	-	(3,667,762)	-	-	(3,667,762)	(11,214,802)
INCREASE (DECREASE) IN NET ASSETS	(2,935,586)	11,115,693	-	8,180,107	(10,504,308)	859,937	(1,464,264)	4,781,160
Net Assets - Beginning of Year	(8,500,638)	49,898,289	-	41,397,651	29,467,229	32,443,774	103,308,654	98,527,494
NET ASSETS - END OF YEAR	$ (11,436,224)	$ 61,013,982	$ -	$ 49,577,758	$ 18,962,921	$ 33,303,711	$ 101,844,390	$ 103,308,654

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION – UNIVERSITY, EXCLUDING THE ACTIVITIES OF BETHEL UNIVERSITY FOUNDATION
MAY 31, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF MAY 31, 2015)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2016						2015
	Unrestricted						
	General	Long-Lived Assets	Total	Temporarily Restricted	Permanently Restricted	Total	Total
CURRENT ASSETS							
Cash and Cash Equivalents	$ 30,823,223	$ (8,498,463)	$ 22,324,760	$ 3,345,016	$ -	$ 25,669,776	$ 32,195,148
Receivables, Net	4,538,553	-	4,538,553	-	-	4,538,553	4,240,024
Contributions Receivable, Current Portion	-	-	-	586,209	-	586,209	128,100
Student Loans Receivable	2,584,439	-	2,584,439	-	-	2,584,439	2,603,650
Inventories	941,744	-	941,744	-	-	941,744	930,546
Prepaids and Other Assets	265,854	-	265,854	-	-	265,854	1,161,241
Total Current Assets	39,153,813	(8,498,463)	30,655,350	3,931,225	-	34,586,575	41,258,709
OTHER ASSETS							
Investments, at Market	304,252	2,734,372	3,038,624	14,067,308	32,341,213	49,447,145	48,513,215
Contributions Receivable, Net of Allowance and Current Portion	-	-	-	247,158	-	247,158	377,197
Property and Equipment, Net	-	110,966,606	110,966,606	-	-	110,966,606	104,514,998
Total Other Assets	304,252	113,700,978	114,005,230	14,314,466	32,341,213	160,660,909	153,405,410
Total Assets	$ 39,458,065	$ 105,202,515	$ 144,660,580	$ 18,245,691	$ 32,341,213	$ 195,247,484	$ 194,664,119
CURRENT LIABILITIES							
Accounts Payable	$ 3,527,745	$ 43,854	$ 3,571,599	$ -	$ -	$ 3,571,599	$ 4,599,453
Accrued Interest	184,548	-	184,548	-	-	184,548	189,177
Accrued Salaries and Vacation	2,951,437	-	2,951,437	-	-	2,951,437	2,636,008
Student Deposits and Advance Registration Fees	1,087,600	-	1,087,600	-	-	1,087,600	1,144,491
Current Maturities of Long-Term Debt	-	1,264,361	1,264,361	-	-	1,264,361	1,010,000
Deferred Tuition Revenue	304,672	-	304,672	-	-	304,672	299,539
Liability for Self-Insurance	685,772	-	685,772	-	-	685,772	685,842
Total Current Liabilities	8,741,774	1,308,215	10,049,989	-	-	10,049,989	10,564,510
LONG-TERM LIABILITIES							
Gift Annuity Contracts	-	-	-	3,237,439	-	3,237,439	3,304,253
Long-Term Debt, Net of Current Maturities	6,000,000	38,823,507	44,823,507	-	-	44,823,507	46,265,000
Perkins Loan Refundable	1,845,898	-	1,845,898	-	-	1,845,898	1,897,955
Postretirement Benefits Liability	42,568,426	-	42,568,426	-	-	42,568,426	38,900,664
Other Liabilities	-	363,228	363,228	-	-	363,228	345,602
Total Long-Term Liabilities	50,414,324	39,186,735	89,601,059	3,237,439	-	92,838,498	90,713,474
Total Liabilities	59,156,098	40,494,950	99,651,048	3,237,439	-	102,888,487	101,277,984
NET ASSETS							
Unrestricted:							
General Unrestricted	(19,698,033)	61,723,193	42,025,160	-	-	42,025,160	35,324,768
Unspent Endowment Earnings	-	(1,740,377)	(1,740,377)	-	-	(1,740,377)	(286,379)
Board Designated Endowment	-	4,724,749	4,724,749	-	-	4,724,749	410,651
Total Unrestricted	(19,698,033)	64,707,565	45,009,532	-	-	45,009,532	35,449,040
Temporarily Restricted	-	-	-	15,008,252	-	15,008,252	26,418,212
Permanently Restricted	-	-	-	-	32,341,213	32,341,213	31,518,883
Total Net Assets	(19,698,033)	64,707,565	45,009,532	15,008,252	32,341,213	92,358,997	93,386,135
Total Liabilities and Net Assets	$ 39,458,065	$ 105,202,515	$ 144,660,580	$ 18,245,691	$ 32,341,213	$ 195,247,484	$ 194,664,119

BETHEL UNIVERSITY AND
BETHEL UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES – UNIVERSITY, EXCLUDING THE ACTIVITIES OF BETHEL UNIVERSITY FOUNDATION
YEAR ENDED MAY 31, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED MAY 31, 2015)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2016							2015
	Unrestricted							
	General	Long-Lived Assets	Release From Temporarily Restricted	Total	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND OTHER ADDITIONS								
Tuition and Instructional Fees, Net of Institutionally Funded aid of $35,714,492 and $34,053,322 for 2016 and 2015, Respectively	$ 69,679,905	$ -	$ -	$ 69,679,905	$ -	$ -	$ 69,679,905	$ 70,822,149
Contributions, Gifts and Bequests	3,414,244	-	-	3,414,244	-	-	3,414,244	2,999,179
Grants, Primarily Federal and State Financial Aid	1,730,503	-	-	1,730,503	-	-	1,730,503	2,644,833
Auxiliary Services	20,934,591	-	-	20,934,591	-	-	20,934,591	20,883,098
Endowment Income	1,304,336	-	-	1,304,336	-	-	1,304,336	1,340,938
Other Sources, Primarily Student Charges	6,860,526	(450,964)	-	6,409,562	-	-	6,409,562	3,880,206
Investment Loss, Net	(6,593)	(70)	-	(6,663)	-	-	(6,663)	89,536
Net Assets Released from Restrictions	251,478	10,553,211	453,700	11,258,389	(11,258,389)	-	-	-
Total Revenues and Other Additions	104,168,990	10,102,177	453,700	114,724,867	(11,258,389)	-	103,466,478	102,659,939
EXPENDITURES AND OTHER DEDUCTIONS								
Instructional	38,207,899	1,720,016	128,637	40,056,552	-	-	40,056,552	37,258,334
General Operating:								
Academic Support	10,289,635	438,523	4,356	10,732,514	-	-	10,732,514	8,721,170
Institutional Support	29,396,014	1,630,969	28,989	31,055,972	-	-	31,055,972	24,577,593
Public Service	1,141,999	21,134	-	1,163,133	-	-	1,163,133	1,104,600
Student Services	7,810,058	644,576	290,715	8,745,349	-	-	8,745,349	7,799,520
Auxiliary Services	15,044,504	2,273,871	1,003	17,319,378	-	-	17,319,378	20,224,126
Total Expenditures	101,890,109	6,729,089	453,700	109,072,898	-	-	109,072,898	99,685,343
NET SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES	2,278,881	3,373,088	-	5,651,969	(11,258,389)	-	(5,606,420)	2,974,596
NONOPERATING ACTIVITIES								
Contributions, Gifts and Bequests	-	7,176,289	-	7,176,289	2,358,224	822,330	10,356,843	12,604,612
Endowment Income	-	-	-	-	402,372	-	402,372	115,197
Change in Gift Annuity	-	-	-	-	307,887	-	307,887	(444,384)
Other (Uses)	14,432	1,754,996	-	1,769,428	(848,052)	-	921,376	(84,124)
Undistributed Endowment Earnings	-	(1,369,432)	-	(1,369,432)	(2,372,258)	-	(3,741,690)	(790,509)
Investment Income	-	-	-	-	256	-	256	530,886
Change in Present Value of Remainder Interests in Trusts	-	-	-	-	-	-	-	-
Allocations Among Unrestricted Funds:								
Plant Facilities Allocation	(540,982)	540,982	-	-	-	-	-	-
Long-Term Debt Reduction	(1,010,000)	1,010,000	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-
Net Surplus (Deficit) from Nonoperating Activities	(1,536,550)	9,112,835	-	7,576,285	(151,571)	822,330	8,247,044	11,931,678
INCREASE IN NET ASSETS	742,331	12,485,923	-	13,228,254	(11,409,960)	822,330	2,640,624	14,906,274
CHANGE IN PENSION LIABILITY	(3,667,762)	-	-	(3,667,762)	-	-	(3,667,762)	(11,214,802)
INCREASE (DECREASE) IN NET ASSETS	(2,925,431)	12,485,923	-	9,560,492	(11,409,960)	822,330	(1,027,138)	3,691,472
Net Assets - Beginning of Year	(16,772,602)	52,221,642	-	35,449,040	26,418,212	31,518,883	93,386,135	89,694,663
NET ASSETS - END OF YEAR	$ (19,698,033)	$ 64,707,565	$ -	$ 45,009,532	$ 15,008,252	$ 32,341,213	$ 92,358,997	$ 93,386,135

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