CARLETON COLLEGE

FINANCIAL STATEMENTS AND SINGLE AUDIT COMPLIANCE REPORTS

YEARS ENDED JUNE 30, 2016 AND 2015

CARLETON COLLEGE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2016 AND 2015

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Carleton College
Northfield, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Carleton College, which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Trustees
Carleton College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carleton College as of June 30, 2016 and 2015, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The expanded balance sheets and the expanded statements of activities and change in net assets, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the financial statements and, accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016, on our consideration of Carleton College'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 Carleton College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 22, 2016

CARLETON COLLEGE
BALANCE SHEETS
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	$ 29,038,528	$ 41,525,089
Receivables, Net:		
Contributions	14,638,536	3,711,275
Government	623,399	630,477
Other	1,603,454	1,200,691
Inventories and Prepaid Expenses	1,704,896	2,763,495
Loans to Students	8,354,379	8,035,438
Deposits with Bond Trustee	414,184	426,850
Trusts Held by Others	10,709,623	11,806,913
Investments	877,939,816	905,705,144
Property, Plant, and Equipment, Net of Depreciation	197,292,961	190,739,885
Total Assets	$ 1,142,319,776	$ 1,166,545,257
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 5,094,156	$ 3,718,520
Accrued Expenses	10,613,190	8,979,323
Deferred Income and Deposits	5,228,516	4,584,214
Annuities Payable	21,953,884	23,717,939
Asset Retirement Obligation	1,139,803	1,109,628
Fair Value of Interest Rate SWAP	961,270	1,197,690
Bonds Payable, Net	82,393,033	86,258,511
Refundable Government Grants for Student Loans	4,534,626	4,912,110
Total Liabilities	131,918,478	134,477,935
NET ASSETS		
Unrestricted:		
Operations	34,044,818	34,732,261
Student Loan Funds	4,271,776	3,963,965
Net Investment in Plant	154,069,439	143,011,335
Funds Functioning as Endowment	243,906,681	264,643,263
Total Unrestricted Net Assets	436,292,714	446,350,824
Temporarily Restricted:		
Operations	22,061,186	28,035,824
Plant Funds	21,765,801	557,677
Funds Functioning as Endowments	298,020,320	329,449,818
Split Interest Funds	23,834,904	25,359,561
Total Temporarily Restricted Net Assets	365,682,211	383,402,880
Permanently Restricted:		
True Endowments	197,695,546	190,597,279
Split Interest Funds	10,730,827	11,716,339
Total Permanently Restricted Net Assets	208,426,373	202,313,618
Total Net Assets	1,010,401,298	1,032,067,322
Total Liabilities and Net Assets	$ 1,142,319,776	$ 1,166,545,257

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND OTHER ADDITIONS								
Tuition and Fees	$ 98,440,111	$ -	$ -	$ 98,440,111	$ 96,959,532	$ -	$ -	$ 96,959,532
Room and Board	21,165,735	-	-	21,165,735	21,001,728	-	-	21,001,728
Scholarships	(36,927,917)	-	-	(36,927,917)	(35,018,615)	-	-	(35,018,615)
Net Student Fees	82,677,929	-	-	82,677,929	82,942,645	-	-	82,942,645
Private Gifts and Pledges	9,828,932	21,991,843	4,372,790	36,193,565	11,471,513	13,061,382	4,815,953	29,348,848
Government Grants and Contracts	615,280	3,783,312	-	4,398,592	595,070	4,208,235	-	4,803,305
Interest and Dividends (Net Fees)	337,168	(39,088)	-	298,080	1,845,976	3,364,992	-	5,210,968
Net Realized Gain	13,540,442	27,531,248	-	41,071,690	15,887,826	25,904,236	-	41,792,062
Net Unrealized Loss	(19,201,008)	(38,576,451)	-	(57,777,459)	(9,814,320)	(19,021,584)	-	(28,835,904)
Unrealized Gain on Interest Rate SWAP	236,420	-	-	236,420	403,802	-	-	403,802
Net Change in Annuity & Life Income Funds	-	536,416	(985,512)	(449,096)	-	(114,130)	(953,837)	(1,067,967)
Bookstore, Rents and Other	4,555,073	744,760	-	5,299,833	4,676,262	510,404	-	5,186,666
Subtotal Revenue	92,590,236	15,972,040	3,387,278	111,949,554	108,008,774	27,913,535	3,862,116	139,784,425
Fund Transfers	(2,428,349)	(297,128)	2,725,477	-	2,521,011	(3,257,358)	736,347	-
Net Assets Released from Restrictions	33,395,581	(33,395,581)	-	-	29,890,297	(29,890,297)	-	-
Total Revenues and Other Additions	123,557,468	(17,720,669)	6,112,755	111,949,554	140,420,082	(5,234,120)	4,598,463	139,784,425
EXPENSES								
Instruction	57,304,177	-	-	57,304,177	54,948,280	-	-	54,948,280
Research	3,868,598	-	-	3,868,598	4,210,264	-	-	4,210,264
Academic Support:								
Library	6,308,631	-	-	6,308,631	5,890,530	-	-	5,890,530
Other	12,410,154	-	-	12,410,154	11,157,596	-	-	11,157,596
Student Services	16,007,123	-	-	16,007,123	15,232,829	-	-	15,232,829
Institutional Support:								
Administration	6,758,876	-	-	6,758,876	5,807,306	-	-	5,807,306
External Relations	4,129,560	-	-	4,129,560	3,511,364	-	-	3,511,364
Fund Raising	5,524,262	-	-	5,524,262	4,974,391	-	-	4,974,391
General	3,846,216	-	-	3,846,216	3,499,954	-	-	3,499,954
Auxiliary Enterprises	17,457,981	-	-	17,457,981	18,458,286	-	-	18,458,286
Total Expenses	133,615,578	-	-	133,615,578	127,690,800	-	-	127,690,800
CHANGE IN NET ASSETS	(10,058,110)	(17,720,669)	6,112,755	(21,666,024)	12,729,282	(5,234,120)	4,598,463	12,093,625
Net Assets - Beginning of Year	446,350,824	383,402,880	202,313,618	1,032,067,322	433,621,542	388,637,000	197,715,155	1,019,973,697
NET ASSETS - END OF YEAR	$ 436,292,714	$ 365,682,211	$ 208,426,373	$ 1,010,401,298	$ 446,350,824	$ 383,402,880	$ 202,313,618	$ 1,032,067,322

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (21,666,024)	$ 12,093,625
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation, Amortization and Accretion	10,861,109	10,527,326
Net Realized and Unrealized (Gain) Loss	16,705,769	(12,956,158)
Private Gifts for Long-Term Investments	(5,544,427)	(12,752,158)
Change in Value of Annuities and Life Income Trusts	1,061,089	2,626,249
Change in Value of Trusts Held by Others	1,097,290	(314,655)
Change in Value of Interest Rate SWAP	(236,420)	(403,802)
Loss on Disposal of Property, Plant and Equipment	316,105	44,573
Noncash Donations of Property, Plant and Equipment	(109,000)	(84,000)
Change in Unamortized Bond Origination Costs and Discount	130,232	(20,479)
Change in Asset Retirement Obligation	30,175	(1,519,327)
Effect of Changes in Operating Assets and Liabilities:		
Receivable, Net - Contributions	(10,927,261)	1,311,920
Receivable, Net - Government	7,078	259,904
Receivable, Net - Other	(402,763)	(226,925)
Inventories and Prepaid Expenses	1,058,599	(212,571)
Loans to Students	(318,941)	(200,090)
Accounts Payable	1,375,636	696,555
Accrued Expenses	1,633,867	1,032,774
Deferred Income and Deposits	644,302	523,884
Refundable Government Grants for Student Loans	(377,484)	(322,687)
Net Cash Provided (Used) by Operating Activities	(4,661,069)	103,958
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(35,601,788)	(31,655,976)
Proceeds from Sale of Investments	46,661,347	42,023,668
Proceeds from Property, Plant, and Equipment Insurance Recoveries	14,935	312,473
Acquisition of Property, Plant, and Equipment	(17,636,225)	(9,199,883)
Net Cash Provided (Used) by Investing Activities	(6,561,731)	1,480,282
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in Deposits with Bond Trustee	12,666	6,832
Proceeds from Private Gifts for Long-Term Investment	5,544,427	12,752,158
Payments to Annuitants	(2,825,144)	(2,971,372)
Principal Payments	(3,995,710)	(3,745,000)
Net Cash Provided (Used) by Financing Activities	(1,263,761)	6,042,618
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,486,561)	7,626,858
Cash and Cash Equivalent - Beginning of Year	41,525,089	33,898,231
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 29,038,528	$ 41,525,089
SUPPLEMENTAL INFORMATION		
Interest Paid	$ 2,693,156	$ 2,802,067
Property, Plant and Equipment in Accounts Payable	$ 3,210,838	$ 1,573,723

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1866, Carleton College is a co-educational, residential liberal arts college, located in Northfield, Minnesota. Carleton attracts a diverse student body and a distinguished faculty whose priority is teaching with a commitment to the liberal arts. Carleton is a national college enrolling approximately 2,000 students drawn from nearly all 50 states and 35 different countries. Carleton offers a four-year baccalaureate degree, with 33 majors and 15 concentrations in the arts, humanities, natural sciences, and social sciences, preparing its graduates for leadership positions in their communities, countries and the world.

Accrual Basis

The financial statements of Carleton College (the College) have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

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 the College and changes therein are classified and reported as unrestricted, temporarily restricted, or permanently restricted. Further explanation is as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the board of trustees.

Temporarily Restricted – Net assets whose use by the College is subject to donor-imposed restrictions that can be fulfilled by actions of the College pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all of, 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 revenue is restricted by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is defined by donor-imposed restrictions.

Temporarily restricted net assets for which donor-imposed restrictions are met in the current period are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Periodically donor restrictions related to net assets may be clarified or changed, such changes are reflected as fund transfers at the time they are identified.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with a maturity at time of purchase of less than three months. The amounts on hand may at times exceed the federally insured limit defined by the FDIC.

Contributions Receivable

Contributions receivable include pledges that are recorded at their present value using discount rates ranging from approximately .11% to 2.50% depending on the year of pledge inception. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. For the years ended June 30, 2016 and 2015, the College had an allowance of $200,000 and $100,000, respectively.

Other Receivables and Loans to Students

Receivables are stated at net realizable value. Based on management’s experience and analysis of individual accounts past due, the allowance for uncollectible accounts was $185,000 for the years ended June 30, 2016 and 2015. The allowance is evaluated annually.

Investments

Investments in publicly traded securities are stated at quoted market value. Other investments, for which no such quoted market values or valuations are readily available, are carried at fair value as estimated by management using quarterly valuations provided by external investment managers. Changes in quoted market value are recorded as unrealized gains or losses in the period of change.

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 that change in the values will occur in the near term and that such changes could materially affect the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. The College capitalizes expenditures greater than $10,000. Depreciation is computed on the straight-line method over the estimated useful lives of the assets:

		Original Cost 2016
Land	No Depreciation	$ 3,785,213
Land Improvements	30 Years	827,340
Buildings and Building Improvements	20 - 40 Years	260,418,758
Library Books	10 Years	34,991,527
Equipment and Vehicles	3 - 5 Years	54,110,655
Construction in Progress	No Depreciation	9,489,760
Total Original Cost		$ 363,623,253

Inventories

Inventories consist primarily of print center paper supplies, facility storeroom supplies and steam plant fuel oil reserves for the back-up generators. Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Deposits with Bond Trustee

Deposits with bond trustee include amounts restricted for bond principal and interest payments.

Deferred Income and Deposits

The College records cash received for future services as deferred revenue. This revenue is recognized when services are provided. Deferred revenue consists primarily of unearned tuition.

Planned Gift Split-Interest Agreements

The College records three types of planned gift split-interest agreements.

When the College serves as trustee, annuities payable represent the College's liability under annuity contracts with donors and irrevocable charitable remainder trusts. Specific contract terms vary by donor. The liability is established at the time of the contribution using life expectancy actuarial tables and discount rates and is revalued annually; referencing the 2000CM life expectancy tables. Actual gains and losses resulting from the annual revaluation of annuity obligations are reflected as temporarily or permanently restricted, consistent with the method used to initially record the contributions. The basis used to recognize the asset is fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Planned Gift Split-Interest Agreements (Continued)

When the College does not serve as trustee for an irrevocable charitable remainder trust, the College records its beneficial interest in those assets as contribution revenue and funds held in trust by others at the present value of the expected future cash inflows. Such trusts are recorded at the date the College has been notified of the trust's existence and sufficient information regarding the trust has been accumulated to form the basis for a valuation. Changes in the value of these assets related to the amortization of the discount or revisions in the income beneficiary's life expectancy are recorded as gains or losses of either temporarily or permanently restricted net assets. The value of the College's interest in these trusts is included in trusts held by others on the balance sheet.

The College is also the beneficiary of certain perpetual trusts held and administered by others. The present value of the estimated future cash receipts from the trust are recognized as contribution revenue and funds held in trust by others at the date the College is notified of the establishment of the trust and sufficient information regarding the value of the trust has been provided to the College. Annual distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as financial capital gains or losses of permanently restricted net assets. The value of the College's interest in the trusts is included in trusts held by others on the balance sheet.

Advertising Expense

Advertising expense is expensed as incurred. Advertising expense for the years ended June 30, 2016 and 2015 was $78,615 and $86,468, respectively.

Asset Retirement Obligation

Financial accounting standards require the College to accrue for the present value of future estimated costs to remediate asbestos environmental hazards related to property owned by the College. The College has estimated the cost of potential obligations and applied a future value rate assumption of 3% and a present value risk-free rate of 5% to determine the potential liability. Conditional asset retirement obligations reported within liabilities in the balance sheets as of June 30, 2016 and 2015 were $1,139,803 and $1,109,628, respectively.

Income Taxes

The College qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and similar statutes of Minnesota law. The College is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. The College has evaluated its tax positions and determined it has no uncertain tax positions and has recorded no obligation for unrelated business income tax. No provisions for federal or state income taxes are required as of June 30, 2016.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts appearing in the 2015 financial statements have been reclassified to conform with the 2016 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The College reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS). During the year expenses are directly coded to program (instruction, research, academic support, student services, and auxiliary enterprises) or support services (institutional support) whenever possible. Expenses which are not directly identifiable by program or support service are allocated based on the best estimates of management.

Refundable Government Grants for Student Loans

Funds provided by the United States Government under the Federal Perkins Loan program are loaned to qualified students and may be re-loaned after collection. If the College were to terminate the Federal Perkins Loan Program, these funds would be refundable to the government and, therefore, are included in other long-term liabilities.

Fair Value Measurements

The College categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. 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 in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities with values based on unadjusted quoted prices in active markets for identical assets that the College is able to access on the date of valuation. Level 1 investments include common stocks and bonds publicly listed on market exchanges with daily prices and trading activity, listed derivatives, most U.S. Government and agency securities and mutual funds with daily NAV reporting.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 2 – Financial assets and liabilities with values based on quoted broker prices in markets, less active than Level 1, but with activity within a reasonable time period around the valuation date or where significantly all inputs are observable, either directly or indirectly. Level 2 investments include thinly traded securities and private investments in publicly traded companies and commingled funds with documented transactions on the reporting date at an established NAV.

Level 3 – Financial assets and liabilities with unobservable inputs, in illiquid markets that rely on assumptions and estimates about pricing derived from available information. Level 3 investments include private equity, private real estate partnerships, and other illiquid securities with little if any regular market activity.

The College classifies investments as Level 2 assets if it has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date.

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2016:

Investment Category		NAV	Redemption Frequency	Redemption Notice Period
Public Equity: Long-Only Equity	$	20,885,850	Quarterly	6 Days
Hedge Funds: Multi Strategy		56,599,864	Quarterly	65 Days

Fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2015:

Investment Category		NAV	Redemption Frequency	Redemption Notice Period
Public Equity: Long-Only Equity	$	24,888,019	Monthly	6 Days
Fixed income		9,883,228	Monthly	10 Days
Hedge Funds: Long/Short Credit		20,852,073	Monthly	65 Days
Hedge Funds: Multi Strategy		54,459,445	Quarterly	65 Days

Public Equity: Long-Only Equity Funds primarily invest in equities, commodities, and inflation-linked bonds to provide strong relative performance during periods of rising inflation. The fair value of the investment in this category is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund.

Fixed Income Investments include global sovereign debt. The fair value of the investment in this category is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the College is able to verify its account balances.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Hedge Funds: Long/Short Credit primarily invest in distressed and performing debt, but hedge their long positions to varying degrees by shorting credit securities believed to be overvalued. The fair value of the hedge fund in this category has been estimated using the net asset value per share of the investments.

Hedge Funds: Multi-Strategy allocate capital across several discrete strategies based upon their judgment of the relative attractiveness of each strategy. Strategies could include but are not limited to: equities, distressed and performing debt, merger arbitrage, and capital structure arbitrage. 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.

Hedge Funds: Long-Only/Short Equity primarily invest in equities, but hedge their long positions to varying degrees by shorting credit securities believed to be overvalued. The fair value of the investment in this category has been estimated using the net asset value per share of the investments.

For additional information on how the College measures fair value refer to Note 2 – Investments and Financial instruments measured at fair value.

Endowment

The Carleton board of trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment funds include unrestricted, temporarily restricted and permanently restricted net assets. Endowment net assets classified as unrestricted include funds designated by the board of trustees for the long-term support of the College, including any accumulated income and appreciation thereon. Temporarily restricted endowment net assets include accumulated appreciation on donor-restricted endowment funds, as well as donor-restricted, spendable gifts designated for long-term support of the College. Permanently restricted endowment net assets include those funds designated by donors to be invested in perpetuity to provide a permanent source of income.

The College has established an endowment spending policy used to determine an annual spending dividend. Total spending is equal to 70% of prior year spending increased by 2%; plus 30% of 5% of the 12 quarter average market value of the endowment as of the prior June 30; banded by not more than 5.75% or less than 3.75% of the market value of the endowment for the period ending June 30 prior to the start of the fiscal year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through September 22, 2016, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following tables present investments and financial instruments carried at fair value according to the valuation hierarchy defined in Note 1 as of June 30, 2016 and 2015:

	2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	$ 3,995,453	$ -	$ -	$ 3,995,453
Fixed Income	56,148,425	-	-	56,148,425
Public Equities	148,769,139	20,885,850	110,973,376	280,628,365
Private Equity	-	-	129,749,196	129,749,196
Hedge Funds	-	56,599,864	201,052,119	257,651,983
Real Estate and Other Real Assets	-	-	93,266,805	93,266,805
Planned Gift Agreements and Other	1,807,167	5,288,974	49,403,448	56,499,589
Total Investments	210,720,184	82,774,688	584,444,944	877,939,816
Trusts Held by Others	-	-	10,709,623	10,709,623
Total	$ 210,720,184	$ 82,774,688	$ 595,154,567	$ 888,649,439

	2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	$ 14,160,785	$ -	$ -	$ 14,160,785
Fixed Income	35,342,142	9,883,228	-	45,225,370
Public Equities	189,079,129	24,888,019	90,474,620	304,441,768
Private Equity	-	-	135,156,785	135,156,785
Hedge Funds	-	75,311,518	192,168,897	267,480,415
Real Estate and Other Real Assets	-	-	79,152,719	79,152,719
Planned Gift Agreements and Other	1,613,599	5,025,898	53,447,805	60,087,302
Total Investments	240,195,655	115,108,663	550,400,826	905,705,144
Trusts Held by Others	-	-	11,806,913	11,806,913
Total	$ 240,195,655	$ 115,108,663	$ 562,207,739	$ 917,512,057

Liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015:

	2016			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap	$ -	$ 961,270	$ -	$ 961,270

	2015			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap	$ -	$ 1,197,690	$ -	$ 1,197,690

NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

Fair value for Level 1 is based upon quoted prices in active markets. The College has the ability to access pricing for identical assets and liabilities and reconcile with pricing received from managers. Market price data is generally obtained from exchange or dealer markets. The College does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model - based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. In addition, commingled and other funds with documented transactions on the reporting date at an established NAV are characterized as Level 2. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

Investments included in Level 3 primarily consist of the College’s ownership in alternative investments (principally limited partnership interests in hedge funds, private equity, real assets, and other similar funds). The value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership. The fair values (NAV) of securities held in limited partnership that do not have observable inputs are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Management has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2016.

The majority of private capital investments are carried at the estimated fair value provided by the general partners of these investment partnerships or funds as of March 31, 2016 and 2015, adjusted for cash and securities distributions as well as capital contributions. The College believes that the carrying amount of its private capital investments is a reasonable estimate of fair value as of June 30, 2016 and 2015. Because private capital investments are not publicly traded and are expected to be held for several years, the estimated value is subject to uncertainty.

Interest rate swap agreements are classified as Level 2 as they are valued based on active market inputs. The College has the right to terminate the swap agreement at any time, at a commercially reasonable amount at the measurement date.

Trusts held by others are valued at the present value of the future distributions expected to be received by the college over the term of the agreement; essentially equivalent to the market value of the college share of the trust as provided by the trust administrator.

NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables are a roll forward of the balance sheet amounts for financial instruments classified by the College within Level 3 of the fair value hierarchy defined above.

Level 3 assets are as follows:

	Public Equities	Private Equity	Hedge Funds	Real Estate and Other Real Assets	Planned Gift Agreements and Other	Total Investments	Trusts Held by Others	Total
Balances as of July 1, 2015	$ 90,474,620	$ 135,156,785	$ 192,168,897	$ 79,152,719	$ 53,447,805	$ 550,400,826	$ 11,806,913	$ 562,207,739
Realized Gain (Loss)	(144,353)	13,087,197	(96,950)	6,265,469	2,014,326	21,125,689	15,009	21,140,698
Unrealized Loss	(14,083,809)	(4,632,130)	(10,866,416)	(3,734,337)	(3,321,921)	(36,638,615)	(172,791)	(36,811,406)
Investment Income (Loss)	(273,082)	630,419	(466,563)	290,361	950,309	1,131,446	313,900	1,445,346
New Investments and Capital Calls	35,000,000	21,161,523	-	28,209,751	1,323,554	85,694,828	-	85,694,828
Redemptions	-	(35,654,598)	(481,559)	(16,917,158)	(5,010,625)	(58,063,940)	(1,253,408)	(59,317,348)
Balances as of June 30, 2016	110,973,376	129,749,196	180,257,409	93,266,805	49,403,448	563,650,234	10,709,623	574,359,857
Reclassed to Level 3 from Level 2	-	-	20,794,710	-	-	20,794,710	-	20,794,710
Balances as of June 30, 2016	$ 110,973,376	$ 129,749,196	$ 201,052,119	$ 93,266,805	$ 49,403,448	$ 584,444,944	$ 10,709,623	$ 595,154,567

	Public Equities	Private Equity	Hedge Funds	Real Estate and Other Real Assets	Planned Gift Agreements and Other	Total Investments	Trusts Held by Others	Total
Balances as of July 1, 2014	$ -	$ 135,909,683	$ 174,030,019	$ 72,363,504	$ 55,397,247	$ 437,700,453	$ 11,492,258	$ 449,192,711
Realized Gain	1,869	17,794,445	3,005,823	3,178,872	1,722,704	25,703,713	425,618	26,129,331
Unrealized Gain (Loss)	6,369,242	(4,062,229)	(8,520,359)	(612,292)	(2,338,264)	(9,163,902)	(757,100)	(9,921,002)
Investment Income (Loss)	(105,546)	2,245,697	(486,006)	2,444,001	1,080,776	5,178,922	287,715	5,466,637
New Investments and Capital Calls	25,000,000	17,151,967	17,500,000	23,661,003	3,297,836	86,610,806	605,465	87,216,271
Redemptions	-	(33,882,778)	(8,874,811)	(21,882,369)	(5,712,494)	(70,352,452)	(247,043)	(70,599,495)
Balances as of June 30, 2015	31,265,565	135,156,785	176,654,666	79,152,719	53,447,805	475,677,540	11,806,913	487,484,453
Reclassed to Level 3 from Level 2	59,209,055	-	15,514,231	-	-	74,723,286	-	74,723,286
Balances as of June 30, 2015	$ 90,474,620	$ 135,156,785	$ 192,168,897	$ 79,152,719	$ 53,447,805	$ 550,400,826	$ 11,806,913	$ 562,207,739

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying statement of activities and change in net assets. Net unrealized gains (losses) relate to those financial instruments held by the College at June 30, 2016 and 2015.

NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

At June 30, 2016 and 2015, the College had outstanding commitments of $154,515,592 and $143,489,994, respectively, to private capital investments that have not yet been drawn down by the general partners of these funds. Typically, committed capital is drawn down and invested over a several year period. In the past, draw downs on outstanding commitments have been funded by distributions from the private capital portfolio, as well as cash and other liquid investments.

At June 30, 2016 and 2015, the College had $24,243,227 and $15,125,546, respectively, invested with hedge fund investments which utilized side pockets within their portfolio of investments. Side pockets are segregated accounts used by hedge funds to hold illiquid investments.

The College holds mortgages on residences of eligible faculty and staff members that amounted to $985,709 and $955,634 as of June 30, 2016 and 2015, respectively. The average interest rate on the mortgages for the years ended June 30, 2016 and 2015 was 5.15%.

Investment expense totaled $7,729,406 and $7,472,534 for the years ended June 30, 2016 and 2015, respectively, and is netted with investment income.

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of June 30, 2016 and 2015 are as follows:

	2016	2015
Land	$ 3,785,213	$ 3,785,203
Land Improvements	827,340	762,506
Buildings and Building Improvements	260,418,758	256,596,481
Library Books	34,991,527	34,859,687
Equipment and Vehicles	54,110,655	50,875,966
Construction in Progress:		
Residence Hall Renovations	1,993,808	471,497
Academic Building Renovations	7,088,037	1,572,332
Other	407,915	593,850
	363,623,253	349,517,522
Less: Accumulated Depreciation	(166,330,292)	(158,777,637)
Total	$ 197,292,961	$ 190,739,885

Total depreciation expense as of June 30, 2016 and 2015 was $10,861,109 and $10,527,326, respectively.

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

The College has capitalized collections received of $109,000 and $84,000 for the years ended June 30, 2016 and 2015, respectively. These collection items are valued at fair market value at the date of donation and are not depreciated.

NOTE 4 BONDS PAYABLE

Bonds payable at June 30, 2016 and 2015 are as follows:

	2016	2015
Minnesota Higher Education Facilities Authority (MHEFA):		
Revenue Bonds Series 5G	$ 23,000,000	$ 23,000,000
Revenue Bonds Series 6D	15,005,000	17,770,000
Revenue Bonds Series 6T	16,950,000	17,390,000
Revenue Bonds Series 7D	27,390,000	28,030,000
	82,345,000	86,190,000
Less: Unamortized Origination Costs	(709,421)	(745,784)
Unamortized Premium	757,454	814,295
Total Net	$ 82,393,033	$ 86,258,511

On June 8, 2000, the Minnesota Higher Education Facilities Authority (MHEFA) issued Series 5-G Variable Rate Demand Revenue Bonds (the Bonds) in the amount of $23,000,000 for the College. The Bonds mature June 30, 2030. The interest rate on the Bonds is based on the adjusted one month LIBOR rate, adjusted weekly, and ranged from 0.02% to .51% during the fiscal year 2016 with an average rate of .16% for the year. Proceeds from the Bonds were used to finance a new language and dining center and for student resident housing improvements.

On April 1, 2005, Minnesota Higher Education Facilities Authority (MHEFA) issued Series 6-D Variable Rate Demand Revenue Bonds (the Bonds) in the amount of $31,460,000 for the College. The Bonds mature April 1, 2035. The interest rate on the Bonds, adjusted weekly, ranged from 0.02% to .51% during the fiscal year 2015 with an average rate of .16% for the year. The rate as of June 30, 2016 and 2015 was .08%. Proceeds of approximately $28,000,000 were used to retire the Series 3-L1 and retire identified Series 4-N bonds upon maturity. The remaining proceeds were used to finance new student housing and real estate acquisitions near the College campus for purposes related to the educational mission of the College.

NOTE 4 BONDS PAYABLE (CONTINUED)

On December 1, 2008, the Minnesota Higher Education Facilities Authority (MHEFA) issued Series 6-T Fixed Rate Revenue Bonds (the Bonds) in the amount of $19,665,000 for the College. The bonds include serial maturities through 2018 and term bonds maturing in 2023 and 2028. Annual principal payments for the serial maturities gradually increase. The bonds are subject to optional redemption beginning on January 1, 2018. Interest rates range from 2.33% to 5.22% for a true interest cost of 5.11%. Proceeds from the Bonds were used to finance new student housing and utility infrastructure improvements.

On June 29, 2010, the Minnesota Higher Education Facilities authority (MHEFA) issued Series 7-D Fixed Rate Revenue Bonds (the Bonds) in the amount of $30,455,000 for the College. The bonds include serial maturities through 2021 and term bonds maturing in 2030 and 2040. Annual principal payments for the serial maturities gradually increase. The bonds are subject to optional redemption beginning on March 1, 2019. Interest rates range from 1.50% to 5.00% for a true interest cost of 4.50%. Proceeds from the Bonds were used to finance construction and renovation of the Weitz Center for Creativity.

The agreements contain various covenants regarding submission of financial statements and budgets; notice of intent to issue additional debt; maintaining a positive change in unrestricted net assets adjusted for certain items, for at least two of the preceding three fiscal years, and meeting certain debt coverage financial ratios.

The scheduled maturities of debt in each of the five years subsequent to June 30, 2016 are as follows:

Year Ending June 30,	Amount
2017	$ 3,950,000
2018	4,080,000
2019	4,215,000
2020	2,300,000
2021	2,350,000
Thereafter	65,450,000
Total	$ 82,345,000

Interest Rate Swaps

The College uses interest rate swap agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swap agreements are not entered into for trading or speculative purposes. The interest rate swap agreements are recognized as either assets or liabilities on the balance sheets and are measured at fair value. The interest rate swap agreements are often held for the life of the strategy, but may reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate swap agreements are reflected in the statements of activities and change in net assets.

NOTE 4 BONDS PAYABLE (CONTINUED)

Interest Rate Swaps (Continued)

On March 31, 2005, the College entered into an interest rate swap agreement with Morgan Stanley Capital Services Inc. effective April 13, 2005, terminating April 1, 2022, under the terms of the swap agreement, the College will pay a fixed rate of 3.53% and receives a variable rate of 68% of LIBOR. The applicable notional amount of the agreement, $11,970,000, declines annually with each principal payment of MHEFA Series 6D variable rate bonds. At June 30, 2016 and 2015, the fair value of swap agreement liability was $961,270 and $1,197,690, respectively.

The College has the right to terminate the swap agreement at any time, at its sole discretion, at a commercially reasonable amount. Morgan Stanley can only terminate when there has been an event of default by the College or if the College debt is rated lower than Baa3. The termination at such time will be at the then commercially reasonable amount.

Standby Bond Purchase Agreements

The College has standby bond purchase agreements with a bank to provide liquidity support for the Series 5G and Series 6D variable rate bonds, which are remarketed weekly. In the event some or all of the bonds were tendered and not remarketed, the facility provides for the purchase of the un-remarketed bonds by the bank. Any funds provided by this liquidity facility would be payable to the bank by the College. The College pays an annual commitment fee of .55% on the Series 5G and Series 6D agreements which expire April 30, 2017. There have been no bonds purchased by the bank under the agreements as of June 30, 2016. If the standby bond purchase agreements are not extended, and the Series 5G and Series 6D are not re-financed by April 30, 2017, the balance outstanding on the bonds could become due and payable.

NOTE 5 ENDOWMENTS

The College endowment consists of approximately 652 individual donor restricted endowment funds and 139 board-designated endowment funds. The College pools these investments in a unitized pool similar to an open-ended mutual fund. Funds added or withdrawn from the pool are recorded at their share of the market value per share at the beginning of the calendar quarter within which the transaction takes place.

The market value of the endowment reported in the financial statements includes the present value of pledges receivable. The market value of endowment investments, excluding contributions receivables to the endowment, was $738,135,608 and $783,456,362 as of June 30, 2016 and 2015, respectively.

NOTE 5 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2016:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (5,314,570)	$ 297,879,125	$ 196,149,801	$ 488,714,356
Board Designated Endowment Funds	249,421,252	-	-	249,421,252
Subtotal Endowment Funds	244,106,682	297,879,125	196,149,801	738,135,608
Contributions Receivable	(200,000)	141,195	1,545,745	1,486,940
Total Endowment Funds	$ 243,906,682	$ 298,020,320	$ 197,695,546	$ 739,622,548

Changes in endowment net assets for the year ended June 30, 2016:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, June 30, 2015	$ 264,643,263	$ 329,449,818	$ 190,597,279	$ 784,690,360
Net Contributions	1,083,782	-	4,372,790	5,456,572
Investment Return	(5,591,616)	(10,775,744)	-	(16,367,360)
Appropriations	(11,204,595)	(25,069,214)	-	(36,273,809)
Other Changes:				
Transfers of Matured Deferred Gifts to Endowment Funds	72,527	-	1,485,063	1,557,590
Donor Directed Gift Modifications	(681,219)	-	1,240,414	559,195
Change in Underwater Funds	(4,415,460)	4,415,460	-	-
Total Other Changes	(5,024,152)	4,415,460	2,725,477	2,116,785
Endowment Fund Balance, June 30, 2016	$ 243,906,682	$ 298,020,320	$ 197,695,546	$ 739,622,548

The assets under management by the investment office Endowment net asset composition by type of fund as of June 30, 2015:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (899,110)	$ 328,614,039	$ 190,178,648	$ 517,893,577
Board Designated Endowment Funds	265,562,785	-	-	265,562,785
Subtotal Endowment Funds	264,663,675	328,614,039	190,178,648	783,456,362
Contributions Receivable	(20,412)	835,779	418,631	1,233,998
Total Endowment Funds	$ 264,643,263	$ 329,449,818	$ 190,597,279	$ 784,690,360

NOTE 5 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2015:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, June 30, 2014	$ 266,917,000	$ 342,346,198	$ 185,044,979	$ 794,308,177
Net Contributions	3,496,753	28,080	4,815,953	8,340,786
Investment Return	5,013,147	9,748,006	-	14,761,153
Appropriations	(11,716,353)	(22,917,741)	-	(34,634,094)
Other Changes:				
Transfers of Matured Deferred Gifts to Endowment Funds	836,979	-	657,777	1,494,756
Donor Directed Gift Modifications	341,012	-	78,570	419,582
Recovery of Underwater Funds	(245,275)	245,275	-	-
Total Other Changes	932,716	245,275	736,347	1,914,338
Endowment Fund Balance, June 30, 2015	$ 264,643,263	$ 329,449,818	$ 190,597,279	$ 784,690,360

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $5,314,570 and $899,110 as of June 30, 2016 and 2015, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation was deemed prudent.

NOTE 6 RETIREMENT PLAN

Retirement benefits for substantially all full-time nonunion employees are individually funded and vested under a defined contribution program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA and CREF). Under this agreement, the College and plan participants contribute to individual employee TIAA-CREF retirement accounts which fund individual retirement benefits.

Expenses for the College's share of the contributions were $5,189,906 and $4,939,867 in 2016 and 2015, respectively.

NOTE 7 CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset category.

Contributions receivable are summarized as follows at June 30, 2016 and 2015:

	2016	2015
Unconditional Promises Expected to be Collected in:		
Less than One Year	$ 2,253,384	$ 1,318,715
One Year to Five Years	12,169,952	2,556,874
Over Five Years	923,456	86,750
Gross Pledges Receivable	15,346,792	3,962,339
Less: Present Value Discount	(508,256)	(151,064)
Less: Allowance for Uncollectible Pledges	(200,000)	(100,000)
Pledges Receivable, Net	$ 14,638,536	$ 3,711,275

Contributions receivable from board members and employees totaled $11,869,810 and $685,950 at June 30, 2016 and 2015, respectively.

At June 30, 2016 and 2015, approximately 26% and 22% gross contributions receivable, respectively, were attributed to one contributor.

NOTE 8 CREDIT QUALITY OF STUDENT NOTES RECEIVABLE

The College 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 June 30, 2016 and 2015, student loans represented approximately 0.73% and 0.69%, respectively, of total assets.

At June 30, student loans consisted of the following:

	2016	2015
Federal Government Programs	$ 7,611,685	$ 7,332,462
Henry Strong Loan Program	184,635	167,556
Institutional Loan Programs	713,059	690,420
Subtotal, Gross	8,509,379	8,190,438
Less Allowance for Doubtful Accounts:		
Beginning of Year	(155,000)	(444,466)
Decreases to Allowance	-	289,466
End of Year	(155,000)	(155,000)
Student Loans Receivable, Net	$ 8,354,379	$ 8,035,438

NOTE 8 CREDIT QUALITY OF STUDENT NOTES RECEIVABLE (CONTINUED)

Funds advanced by the Federal government of $4,534,626 and $4,912,110 at June 30, 2016 and 2015, respectively, are ultimately refundable to the government and are classified as liabilities on the balance sheets.

At June 30, 2016 and 2015, the past due and current amounts under student loan programs were as follows:

	2016	2015
Current Loan Receivables	$ 7,864,559	$ 7,676,304
Past Due Loan Receivables:		
0-240 Days Past Due	480,443	309,846
240 Days - 2 Years Past Due	17,667	18,189
2-5 Years Past Due	100,216	117,080
5+ Years Past Due	46,494	69,019
Total Past Due	644,820	514,134
Total Student Loan Receivables, Gross	$ 8,509,379	$ 8,190,438

As of June 30, 2016 and 2015, the Perkins Cohort Default rate was 1.78% and 1.73%, respectively.

NOTE 9 FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents and pledges receivable approximate fair value because of the short maturity of these financial instruments.

The carrying amount of bonds payable approximates fair value because these financial instruments bear interest at rates which approximate current market rates for bonds with similar maturities and credit quality.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The College is involved in various legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management believes that the resolution of these pending matters will not have a materially adverse effect on the College's financial statements.

During the year, the College entered into various contracts for construction of new academic buildings and other infrastructure improvements. As of June 30, 2016 and 2015, the remaining commitment on these contracts totaled $38,132,969 and $8,119,126, respectively.

NOTE 11 SELF-INSURED MEDICAL BENEFITS AND WORKERS' COMPENSATION

Effective January 1, 2015, the College provides medical benefits through a self-insured plan, which is available to all employees of the College who meet eligibility requirements for medical benefits. Accrued expenses include an incurred but not reported reserve of $992,971 as of June 30, 2016, an estimate of amounts due and payable on existing claims for which the College is self-insured and which are expected to be settled currently. For the plan year ended December 31, 2015, the College is self-insured with an aggregate stop loss of $8,067,144. As of June 30, 2016, the College had unrestricted net assets of $765,000 designated for health insurance benefits, which consist of the cumulative amount of College and employee contributions toward health premiums have exceeded expenses over the life of the plan.

The College is self-insured for workers' compensation. As of June 30, 2016 and 2015, the College has recorded a liability of $125,000, for claims incurred but not yet reported. The Workers' Compensation Reinsurance Association (WCRA) provides stop-loss coverage for aggregate claims in excess of $450,000. The College has established a workers' compensation reserve as required by WCRA, which is included in Investments on the balance sheets, of $1,005,025 and $853,822 as of June 30, 2016 and 2015, respectively.

NOTE 12 EXPENSES BY NATURAL CLASSIFICATION

The expenses reported by function on the statements of activities and changes in net assets are summarized by natural classification as follows:

	2016	2015
Salaries and Wages	$ 55,410,592	$ 52,436,241
Employee Benefits	19,778,016	16,877,070
Student Employment	3,869,434	3,736,032
Professional Services	4,742,395	3,727,422
Supplies	4,405,212	4,838,902
Equipment	1,981,767	3,605,388
Building Maintenance	4,696,120	4,327,340
Utilities	2,211,688	2,475,507
Interest Expense	2,693,156	2,802,067
Depreciation	10,861,109	10,527,326
Food Service	7,269,174	7,173,340
Travel	7,831,609	7,450,962
Other	7,865,306	7,713,203
Total	$ 133,615,578	$ 127,690,800

Other is comprised primarily of insurance, membership fees, meetings and entertainment and other miscellaneous expenses.

CARLETON COLLEGE
EXPANDED BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED TOTALS AS OF JUNE 30, 2015)
(SEE INDEPENDENT AUDITORS' REPORT)

	General Operations	Physical Capital	Financial Capital	2016 Totals	2015 Totals
ASSETS					
Cash and Cash Equivalents	$ (16,078,968)	$ 57,182,963	$ (12,065,467)	$ 29,038,528	$ 41,525,089
Receivables, Net:					
Contributions	3,598,330	9,494,461	1,545,745	14,638,536	3,711,275
Government	623,399	-	-	623,399	630,477
Other	1,603,454	-	-	1,603,454	1,200,691
Inventories and Prepaid Expenses	1,704,896	-	-	1,704,896	2,763,495
Loans to Students		-	8,354,379	8,354,379	8,035,438
Deposits with Bond Trustee	-	414,184	-	414,184	426,850
Trusts Held by Others	-	-	10,709,623	10,709,623	11,806,913
Investments	59,043,744	-	818,896,072	877,939,816	905,705,144
Property, Plant and Equipment, Net of Depreciation	-	197,292,961	-	197,292,961	190,739,885
Total Assets	$ 50,494,855	$ 264,384,569	$ 827,440,352	$ 1,142,319,776	$ 1,166,545,257
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	$ 1,883,318	$ 3,210,838	$ -	$ 5,094,156	$ 3,718,520
Accrued Expenses	9,768,805	844,385	-	10,613,190	8,979,323
Deferred Income and Deposits	5,228,516	-	-	5,228,516	4,584,214
Annuities Payable	-	-	21,953,884	21,953,884	23,717,939
Asset Retirement Obligation	-	1,139,803	-	1,139,803	1,109,628
Fair Value of Interest Rate SWAP	-	961,270	-	961,270	1,197,690
Bonds Payable, Net	-	82,393,033	-	82,393,033	86,258,511
Refundable Government Grants for Student Loans	-	-	4,534,626	4,534,626	4,912,110
Total Liabilities	16,880,639	88,549,329	26,488,510	131,918,478	134,477,935
NET ASSETS					
Unrestricted:					
Operations	11,553,030	-	22,491,788	34,044,818	34,732,261
Student Loan Funds	-	-	4,271,776	4,271,776	3,963,965
Net Investment in Plant	-	154,069,439	-	154,069,439	143,011,335
Funds Functioning as Endowment	-	-	243,906,681	243,906,681	264,643,263
Total Unrestricted Net Assets	11,553,030	154,069,439	270,670,245	436,292,714	446,350,824
Temporarily Restricted:					
Operations	22,061,186	-	-	22,061,186	28,035,824
Plant Funds	-	21,765,801	-	21,765,801	557,677
Funds Functioning as Endowments	-	-	298,020,320	298,020,320	329,449,818
Split Interest Funds	-	-	23,834,904	23,834,904	25,359,561
Total Temporarily Restricted Net Assets	22,061,186	21,765,801	321,855,224	365,682,211	383,402,880
Permanently Restricted:					
True Endowments	-		197,695,546	197,695,546	190,597,279
Split Interest Funds	-	-	10,730,827	10,730,827	11,716,339
Total Permanently Restricted Net Assets	-	-	208,426,373	208,426,373	202,313,618
Total Net Assets	33,614,216	175,835,240	800,951,842	1,010,401,298	1,032,067,322
Total Liabilities and Net Assets	$ 50,494,855	$ 264,384,569	$ 827,440,352	$ 1,142,319,776	$ 1,166,545,257

CARLETON COLLEGE
EXPANDED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	General Operations		Physical Capital		Financial Capital			
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals
REVENUES AND OTHER ADDITIONS								
Tuition and Fees	$ 98,440,111	$ -	$ -	$ -	$ -	$ -	$ -	$ 98,440,111
Room and Board	21,165,735	-	-	-	-	-	-	21,165,735
Scholarships	(36,927,917)	-	-	-	-	-	-	(36,927,917)
Net Student Fees	82,677,929	-	-	-	-	-	-	82,677,929
Private Gifts and Pledges	8,636,150	5,970,193	109,000	15,933,795	1,083,782	87,855	4,372,790	36,193,565
Government Reimbursements	615,280	3,783,312	-	-	-	-	-	4,398,592
Interest and Dividends (Net Fees)	779,521	4,264		-	(442,353)	(43,352)	-	298,080
Net Realized Gain (Loss)	(137,822)	-	(316,105)	-	13,994,369	27,531,248	-	41,071,690
Net Unrealized Gain (Loss)	294,419	-		-	(19,495,427)	(38,576,451)	-	(57,777,459)
Unrealized Gain on Interest Rate SWAP	-	-	236,420	-	-	-	-	236,420
Net Change in Annuity and Life Income Funds	-	-	-	-	-	536,416	(985,512)	(449,096)
Bookstore, Rents and Other	4,424,732	744,760	130,341	-	-	-	-	5,299,833
Subtotal Revenue	97,290,209	10,502,529	159,656	15,933,795	(4,859,629)	(10,464,284)	3,387,278	111,949,554
Fund Transfers	(16,841,750)	(9,676,884)	15,547,755	6,800,413	(1,134,354)	2,579,343	2,725,477	-
Operating Surplus Allocation	-	-	-	-	-	-	-	-
Investment Return Allocation		36,273,809	-	-	(11,204,595)	(25,069,214)	-	-
Net Assets Released from Restrictions	43,106,583	(43,074,092)	1,476,024	(1,526,084)	17,569	-	-	-
Total Revenues and Other Additions	123,555,042	(5,974,638)	17,183,435	21,208,124	(17,181,009)	(32,954,155)	6,112,755	111,949,554
EXPENSES								
Instruction	45,906,405	-	11,397,772	-	-	-	-	57,304,177
Research	3,868,598	-	-	-	-	-	-	3,868,598
Academic Support:								
Library	5,280,414	-	1,028,217	-	-	-	-	6,308,631
Other	11,225,283	-	1,184,871	-	-	-	-	12,410,154
Student Services	13,418,818	-	2,588,305	-	-	-	-	16,007,123
Institutional Support:								
Administration	6,171,579		587,297					6,758,876
External Relations	4,099,669	-	29,891	-	-	-	-	4,129,560
Fund Raising	5,524,262	-	-	-	-	-	-	5,524,262
General	3,791,461	-	54,755	-	-	-	-	3,846,216
Plant Operations	13,244,738	-	(13,244,738)	-	-	-	-	-
Auxiliary Enterprises	8,835,020	-	8,622,961	-	-	-	-	17,457,981
Student Services	121,366,247	-	12,249,331	-	-	-	-	133,615,578
CHANGE IN OPERATING NET ASSETS	2,188,795	(5,974,638)	4,934,104	21,208,124	(17,181,009)	(32,954,155)	6,112,755	(21,666,024)
Prior Year Operating Surplus Transfer	(8,324,000)	-	6,124,000	-	2,200,000	-	-	-
CHANGE IN NET ASSETS	(6,135,205)	(5,974,638)	11,058,104	21,208,124	(14,981,009)	(32,954,155)	6,112,755	(21,666,024)
Net Assets - Beginning of Year	17,688,235	28,035,824	143,011,335	557,677	285,651,254	354,809,379	202,313,618	1,032,067,322
NET ASSETS - END OF YEAR	$ 11,553,030	$ 22,061,186	$ 154,069,439	$ 21,765,801	$ 270,670,245	$ 321,855,224	$ 208,426,373	$ 1,010,401,298

CARLETON COLLEGE
EXPANDED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2015
(SEE INDEPENDENT AUDITORS' REPORT)

	General Operations		Physical Capital		Financial Capital			
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Totals
REVENUES AND OTHER ADDITIONS								
Tuition and Fees	$ 96,959,532	$ -	$ -	$ -	$ -	$ -	$ -	$ 96,959,532
Room and Board	21,001,728	-	-	-	-	-	-	21,001,728
Scholarships	(35,018,615)	-	-	-	-	-	-	(35,018,615)
Net Student Fees	82,942,645	-	-	-	-	-	-	82,942,645
Private Gifts and Pledges	7,890,760	8,201,218	84,000	420,712	3,496,753	4,439,452	4,815,953	29,348,848
Government Reimbursements	595,070	4,208,235	-	-	-	-	-	4,803,305
Interest and Dividends (Net Fees)	668,386	472	3	-	1,177,587	3,364,520	-	5,210,968
Net Realized Gain (Loss)	(168,496)	-	1,614,471	-	14,441,851	25,904,236	-	41,792,062
Net Unrealized Loss	(167,454)	-	-	-	(9,646,866)	(19,021,584)	-	(28,835,904)
Unrealized Gain on Interest Rate SWAP	-	-	403,802	-	-	-	-	403,802
Net Change in Annuity and Life Income Funds	-	-	-	-	-	(114,130)	(953,837)	(1,067,967)
Bookstore, Rents and Other	4,509,136	510,404	105,309	-	61,817	-	-	5,186,666
Subtotal Revenue	96,270,047	12,920,329	2,207,585	420,712	9,531,142	14,572,494	3,862,116	139,784,425
Fund Transfers	(18,875,409)	(2,032,877)	20,463,704	25,000	932,716	(1,249,481)	736,347	-
Operating Surplus Allocation	-	-	-	-	-	-	-	-
Investment Return Allocation	-	34,634,094	-	-	(11,716,353)	(22,917,741)	-	-
Net Assets Released from Restrictions	40,572,629	(40,589,756)	1,016,834	(1,016,894)	17,187	-	-	-
Total Revenues and Other Additions	117,967,267	4,931,790	23,688,123	(571,182)	(1,235,308)	(9,594,728)	4,598,463	139,784,425
EXPENSES								
Instruction	43,318,752	-	11,629,528	-	-	-	-	54,948,280
Research	4,210,264	-	-	-	-	-	-	4,210,264
Academic Support:								
Library	4,838,124	-	1,052,406	-	-	-	-	5,890,530
Other	9,864,700	-	1,292,896	-	-	-	-	11,157,596
Student Services	12,555,375	-	2,677,454	-	-	-	-	15,232,829
Institutional Support:								
Administration	5,340,902	-	466,404	-	-	-	-	5,807,306
External Relations	3,479,742	-	31,622	-	-	-	-	3,511,364
Fund Raising	4,974,391	-	-	-	-	-	-	4,974,391
General	3,422,597	-	77,357	-	-	-	-	3,499,954
Plant Operations	12,772,460	-	(12,772,460)	-	-	-	-	-
Auxiliary Enterprises	9,870,137	-	8,588,149	-	-	-	-	18,458,286
Total Expenses	114,647,444	-	13,043,356	-	-	-	-	127,690,800
CHANGE IN NET ASSETS	3,319,823	4,931,790	10,644,767	(571,182)	(1,235,308)	(9,594,728)	4,598,463	12,093,625
Net Assets - Beginning of Year	14,368,412	23,104,034	132,366,568	1,128,859	286,886,562	364,404,107	197,715,155	1,019,973,697
NET ASSETS - END OF YEAR	$ 17,688,235	$ 28,035,824	$ 143,011,335	$ 557,677	$ 285,651,254	$ 354,809,379	$ 202,313,618	$ 1,032,067,322

CARLETON COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Program Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education:			
Direct Programs:			
Federal Workstudy Program	84.033	N/A	$ 337,142
Federal Pell Grant Program	84.063	N/A	1,214,364
Supplemental Educational Opportunity Grant Program	84.007	N/A	285,616
Federal Direct Loan Program - Loans Advanced	84.268	N/A	3,304,668
Total Student Financial Assistance			5,141,790
Direct Programs:			
Special Services	84.042	N/A	158,435
Undergraduate Int'l Studies and Foreign Language	84.016A	N/A	4,071
Total Direct Programs			162,506
Total U.S. Department of Education			5,304,296
U.S. Department of Agriculture			
Pass-Through Programs:			
NRCS/Rice County - Arb Conservation Program	10.912	746322080UW	4,724
Total U.S. Department of Agriculture			4,724
U.S. Department of Commerce			
SURF/NIST	11.62	70NANB16H144	7,685
Pass-Through Programs:			
TERC	11.011	NA14OAR0110121	17,912
University of MN	11.417	NA14OAR4170080	4,802
Total U.S. Department of Commerce			30,399
U.S. Department of Energy			
Pass-through programs:			
MPS Corporation	81.049	DE-SC1113302	21,220
Total U.S. Department of Energy			21,220
National Aeronautics and Space Administration			
Pass-Through Programs:			
Minnesota Space Grant Consortium	43.UXX	X5149009111	16,728
Minnesota Space Grant Consortium	43.008	NNX15AI18H	663
Total National Aeronautics and Space Administration			17,391
National Endowment for the Humanities:			
Debate in the Buddist Monasteries of Medieval Japan	45.160	FA23196916	12,600
New History of the Boston Massacre	45.160	FB5827115	50,400
Total National Endowment for the Humanities			63,000
U.S. Department of Health and Human Services			
National Institute of Child Health and Human Development	93.865	IR15HD072571	74,099
Total U.S. Department of Health and Human Services			74,099

CARLETON COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Federal Grantor/Program Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures
National Science Foundation			
Research and Development Cluster:			
Direct Programs:			
Geosciences	47.050	N/A	168,484
Education and Human Resources	47.076	N/A	1,989,261
Computer and Information Science	47.070	N/A	150,646
Mathematical and Physical Sciences	47.049	N/A	289,041
Biological Sciences	47.074	N/A	101,832
Total Direct Programs			2,699,264
Pass-Through Programs:			
University of MN - LSAMP	47.076	H002726304	25,531
University of Texas - Austin	47.050	GEO-1203021	2,532
No. IL University	47.076	DUE1140375	4,835
UofWI River Falls	47.076	DUE1245268	11,065
UNAVCO	47.076	DUE1245025	8,710
NCA&T - Math You Need	47.076	DUE1245802	7,522
University of California	47.076	DLR-1420732	42,799
University of Alabama	47.076	DUE1140557	5,901
Buffalo State University	47.076	1347727	33,340
Montana State University	47.076	DUE1445210	6,842
Montana State University	47.041	1542210	2,596
Highland Comm Coll - SAGE2YC	47.076	DUE1524605	87,417
Highline Community College	47.076	DUE-920800	2,203
TERC/Challenge Climate Literacy	47.076	DRL1019721	5,874
Glendale Community College	47.076	DUE-1043245	5,810
Temple SILC	47.075	SMA1041707	20,405
Total National Science Foundation Pass-Through Programs			273,382
Administrative Agreements:			
Intergovernmental Personnel Act Assignment	27.011		250,650
Total National Science Foundation & Research			
Total Research and Development Cluster			3,223,296
Total Federal Financial Assistance			$ 8,738,425

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 PERKINS LOAN PROGRAM

Outstanding balance of Perkins loans administered by Carleton College at June 30, 2016 and loans advanced during the year were as follows:

	Loan Balance	Loans Advanced
Federal Perkins Loan Program (CFDA #84.038)	$ 7,611,685	$ 1,311,061

NOTE 4 FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS

Of the federal expenditures presented on the Schedule of Expenditures of Federal Awards, Carleton College provided federal awards to subrecipients in the research and development cluster as follows:

Federal Grantor/Program Title	Federal Catalog Number	Amount Provided to Subrecipient
National Science Foundation:		
"Collaborative Research: On the Cutting Edge"		
Bowdoin College	47.076	$ 17,607
North Carolina State University	47.076	4,597
Washington University	47.076	17,212
"STEP Center: InTeGrate: Interdisciplinary Teaching of Geoscience for Sustainable Future"		
Board of Directors of the University of Illinois	47.076	25,277
California State University, Chico Research Foundation	47.076	22,302
Central Washington University	47.076	20,681
Columbia University	47.076	79,327
Corporation of Mercer University	47.076	22,439
Gustavus Adolphus	47.076	21,938
IRIS Consortium	47.076	18,366
Middle Tennessee State University	47.076	6,130
National Council for Science and the Environment	47.076	34,360
North Carolina State University	47.076	25,063
Pasadena City College	47.076	14,893
Penn State University	47.076	243,252
Stanfod University	47.076	25,215
State of South Dakota	47.076	30,000
University of NE - Lincoln	47.076	22,947
University of Texas at El Paso	47.076	37,649
Western Washington University	47.076	14,669
Wittenberg University	47.076	7,500
Total		$ 711,425

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Carleton College
Northfield, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial statements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Carleton College (the College), which comprise the balance sheet as of June 30, 2016, and the related statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Carleton College

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College’s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 22, 2016

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Carleton College
Northfield, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Carleton College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, which we consider to be a significant deficiency.

Board of Trustees
Carleton College

Report on Internal Control Over Compliance (Continued)

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 22, 2016

CARLETON COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

    - Material weakness(es) identified? ____ yes __x__ no
    - Significant deficiency(ies) identified? ____ yes __x__ none reported

3. Noncompliance material to financial statements noted? ____ yes __x__ no

Federal Awards

1. Internal control over major federal programs:

    - Material weakness(es) identified? ____ yes __x__ no
    - Significant deficiency(ies) identified? __x__ yes ____ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __x__ yes ____ no

Identification of Major Federal Programs

Program	CFDA Number
Student Financial Aid Cluster	Various

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? __x__ yes ____ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2016-001

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007 – Federal Supplemental Education Opportunity Grants
84.033 – Federal Work Study Program
84.038 – Federal Perkins Loans
84.063 – Federal Pell Grant Program
84.268 – Federal Direct Student Loans

Award Period: July 1, 2015 to June 30, 2016

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: Regulations require that an institution make necessary corrections when reporting student status changes to the National Student Loan Data System (NSLDS) and return those records within 10 days for any roster files that don't pass the NSLDS enrollment reporting edits.

The Uniform Guidance requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that submission errors to the NSLDS are corrected and resubmitted in a timely manner.

Condition: During our testing of the Direct Loan and Pell Grant programs, we selected a sample of students to test for timeliness of reporting student status changes to the National Student Loan Data System (NSLDS). During our testing, we noted that the rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days.

The issue occurred at many colleges and universities in the U.S. during the 2015-2016 award year, which was attributable to a processing error on the NSLDS website. However, it is possible for colleges and universities to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Questioned costs: None

Context: Tested the SCHER1 report and noted rosters that returned error records that were not corrected within the 10 day requirement.

Cause: The College's processes and controls did not ensure that student status changes were properly and timely reported to NSLDS.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Effect: The NSLDS system is not updated with the student information which can cause over awarding should the student transfer to another institution and the students may not properly enter the repayment period.

Repeat Finding: Yes, prior year finding 2015-001.

Recommendation: We recommend the institution review its reporting procedures to ensure that students' statuses are accurately and timely reported to NSLDS as required by regulations.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: In early spring of 2016, the Carleton College Registrar's Office hired new staff and enhanced all Clearinghouse reporting processes including implementation of cross checking reports with the Student Financial Services Office to ensure errors are identified and resolved in a timely manner.

Responsible party: Emy Farley, Registrar

Planned completion date for corrective action plan: Implemented March 2016

Plan to monitor completion of corrective action plan: In addition to the Clearinghouse reports, the Registrar will retain documentation of communications with the Student Financial Services Office to confirm errors identified in the SCHER1 reports are resolved within the 10 day reporting requirement.

Section IV – Prior Year Findings

<u>2015-001</u>

See current year finding 2016-001.

Reason for finding's recurrence: NSC had software conversion issues that failed in monitoring and correcting submission errors. The University relied on NSC in order to submit student information to NSLDS.